COLLEGE OF MICRONESIA-FSM

 BOARD POLICY No. 1490 (DRAFT)

**Endowment Governance and Investment Policy**

Date Adopted:

Date Revised:

Date Reviewed:

References: BP 1440 (Investment Policy), BP 1450 (Endowment Fund), BP 1460 (Fundraising); Investment Policy Statement, Public Law 7-79, Board Bylaws Article V, Strategic Financial Plan 2025–2030

**I. Purpose and Scope**

This policy consolidates and governs the College's fundraising efforts, endowment fund management, investment strategy, and spending policy to support the long-term financial sustainability of the College of Micronesia-FSM.

**II. Governance and Fiduciary Oversight**

The Board of Regents shall exercise fiduciary responsibility over the endowment and its related activities in accordance with Article V of the Board Bylaws. The Board Finance and Investment Committees shall oversee implementation and reporting.

**III. Fundraising Strategy**

The College sets an annual fundraising target of $600,000, in line with current asset modeling and long-term capital needs.

The Office of Institutional Advancement and External Affairs (IAEA) shall:
- Develop an annual fundraising calendar
- Establish and convene a Fundraising Steering Committee
- Coordinate donor cultivation, stewardship, and recognition
- Submit annual fundraising performance reports to the Board

Fundraising sources may include:
- Private donations (alumni, corporations, diaspora)
- Grant funding
- Government appropriations and matching contributions
- Campaigns and institutional events

**IV. Endowment Contributions and Use**

The Endowment Fund was originally established in 1993 with a $20M principal goal; this policy supersedes fixed thresholds in favor of performance-based targets.
- No general withdrawals shall occur unless the 3-year rolling average market value exceeds a Board-designated threshold.
- Exceptions include:
 - Payment of reasonable investment management costs
 - Restricted gifts with donor-imposed conditions

All uses must align with Public Law 7-79 and be included in a Board-approved budget.

**V. Investment Objectives and Asset Allocation**

- Investment horizon: 20 years or longer
- Long-term nominal return objective: 6.3% annually, net of fees
- Real returns shall be evaluated using U.S. CPI as benchmark
- Strategic asset allocation shall be reviewed every 3 years, with tactical flexibility as advised by external managers
- Investments shall reflect prudent diversification and competitive return standards

**VI. Spending Policy**

To preserve principal while supporting institutional needs:
- No spending shall occur from the Endowment Fund until its 3-year rolling average market value reaches or exceeds $20 million. Once this threshold is met, annual spending shall not exceed 4% of the 3-year rolling average market value, unless otherwise authorized by the Board of Regents with documented justification.
- Exceptions require full Board approval with documented justification

**VII. Performance Monitoring and Reporting**

- Investment performance shall be reviewed quarterly with the Investment Advisor
- The Board shall receive an annual investment performance report, including:
 - Return vs. benchmark index
 - Asset allocation compliance
 - Risk metrics (standard deviation, Sharpe ratio, etc.)
- Fundraising outcomes shall be reported annually

**VIII. Donor Stewardship and Ethical Considerations**

- Donor intent shall be honored in full
- Recognition and naming rights policies must be Board-approved
- The College may adopt ESG considerations or social investment screens pending Board evaluation

**IX. Policy Review and Amendment**

This consolidated policy shall be reviewed every five years or as otherwise needed due to changes in market conditions, legal requirements, or institutional priorities.

Upon approval, this policy supersedes BP 1440, BP 1450, and BP 1460.

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