NORWALK COMMUNITY COLLEGE FOUNDATION, INC.

Investment Policy and Guidelines

I. Investment Philosophy

The NCC Foundation ("NCCF") Board of Directors holds the assets of the Foundation's endowment funds to generate earnings on a total return basis*, to fund scholarships for the College as well as to respond to the academic needs of the College. These circumstances, which ordinarily require a growing asset base as well as a growing annual amount of return on that base, dictate the following investment philosophy:

- The primary emphasis of the investment policy is to safeguard and preserve the purchasing power of principal of the NCCF Endowment and to provide a payout to be approved annually by the Finance Committee and the Board. The approved payout percentage will be applied to the prior five-year average investment balance.

- These investment objectives must be achieved within reasonably acceptable risk parameters.

  ** Total return shall be defined for purposes of this Investment Policy and Guidelines as the sum of capital appreciation (or loss) and current income (dividends and interest).*

II. Investment Responsibility

- The Board of Directors of the Foundation has delegated the responsibility for establishing an investment policy for all assets to the Finance Committee ("the Committee"). This policy is subject to annual review with and approval by the Board of Directors.

- The Committee is responsible for determining the broad asset allocation among various asset classes, the retaining and termination of investment managers and other professionals, the monitoring of investment results, and periodic rebalancing.

- The Committee reports to the Board of Directors at least quarterly on the results of all the Foundation's investment programs.

- Standard of Care

  - In exercising its responsibilities, the Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
  - A person who is selected for the Committee in reliance upon the person's representation of their special skills or expertise in managing and investing has a duty to use those special skills or that expertise in managing and investing the Foundation's assets.

III. Investment Policy

- Consistent with the investment philosophy to safeguard and preserve assets, the investment policy strives to achieve a long-term total return, after fees and inflation, of 5-6%, and to achieve diversity among asset classes in order to improve performance and lessen investment risk.

- The liquidity needs of the fund are reviewed at least quarterly, with the goal being to have the next 12 months of spending for scholarships and other projects invested in cash, cash equivalents, or other high-quality short- term investments.

- While the Foundation is sensitive to the issue of conflicts of interest, this policy does not preclude the selection as investment manager of any firm or person who has an association or affiliation with either the Finance Committee or the Board of Directors of NCCF. In the event discussions are held with any such firm or person, the Board Director who is related will not participate in discussions or votes, and clear guidelines to evaluate performance will be agreed to in advance.

- Standards for Prudent Investing. The foundation's endowment funds will be managed consistent with the standards of prudence as set forth in Connecticut Uniform Prudent Management of Institutional Funds Act.

  - In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and of any specific institutional fund.
  - In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio, the purposes of the Foundation, and the skills available to the Foundation and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific institutional fund.
  - Except as provided in a donor's gift instrument, the following factors will be considered in managing and investing the portfolio: (1) general economic conditions, (2) the possible effect of inflation or deflation, (3) the expected tax consequences, if any, of investment decisions or strategies, (4) the role that each investment or course of action plays within the overall investment portfolio, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, (7) the needs of the Foundation and the portfolio to make distributions and to preserve capital and (8) an asset's special relationship or special value, if any, to the purposes of the Foundation.

IV. Investment Strategies

- Investments should be made from a long-term perspective.

- Investments of the Foundation need to be diversified to prevent the adverse effects of any given investment from unduly penalizing the overall portfolio performance.

- In order to control risk, the assets of the Foundation should be diversified by asset class and by investment style.

- The portfolio shall be managed on a total return market value basis.

- Moreover, no investment is permitted that would jeopardize the tax-exempt status of the Foundation or incur penalty taxes under the Internal Revenue Code.

- It is expected that equity-oriented investments will provide higher rates of return and greater appreciation of principal, while fixed income and hedge fund investments will reduce the volatility of the portfolio. Alternative investments are allowed as part of a manager's or equity fund's approach, if approved in advance by the committee.

V. Asset Allocation, Ranges and Performance Standards

The total investment program of the endowment consists of (1) two portfolios managed by investment managers to whom asset allocation, manager selection, rebalancing recommendations and monitoring have been delegated, and (2) other financial assets of the endowment. Cash set aside for spending is excluded for purposes of total investment program performance calculations.

- The total investment program is measured against a weighted benchmark of the benchmarks of the delegated portfolios and other financial assets.

- Each delegated portfolio has target allocations and may have ranges. These portfolios are judged against a Composite Benchmark developed for each portfolio based on the static target mix and benchmark for each asset class, and against any other measures the Committee deems appropriate.

- The total investment program has the following targets, which may be adjusted on an as needed basis with subsequent reporting to the Board:

Asset Class	Target Allocation	Recommended Range
U.S. Equities	50%	47% - 53%
Non-US Equities	15%	12% - 18%
Fixed Income	30%	27% - 33%
Cash	5%	2% - 8%

Note: Investments can be within +/- 3% of recommended ranges

- Over the long term, the total investment program is measured against the total return objective of 5-6% after fees and inflation, recognizing that in the short term, this objective may not be achieved.

- Strategies within asset classes and cash reserves will be measured against an index or indices appropriate for their investment style and against a peer group with a similar style.

VI. Investment Manager Guidelines

The following guidelines pertain to separately managed accounts. When investing via commingled funds, the committee recognizes it is required to accept the investment guidelines of the funds and will seek to approve funds that generally meet these guidelines.

- ***Equity Investments***

  1. **Use of cash equivalents**: The portfolio should essentially be fully invested. However, the manager is authorized to hold cash equivalents for such periods and to the extent appropriate for the operations of the Foundation and market conditions.

  2. **Use of foreign securities**: The portfolio may be invested in international securities, which can be made up of stocks and/or mutual funds, consistent with the allocation ranges and activities of the manager as approved by the committee. International equities shall be oriented toward developed international markets as defined for the MSCI EAFE index.

3. **Short selling, private or illiquid securities, options, futures or other derivatives:** Investment vehicles in these categories shall not be traded unless approved in advance by the Finance Committee, or unless part of any Alternative Investment Fund approved by the committee.

4. **Security trading:** Security trading should emphasize best execution, i.e. the highest proceeds and lowest costs net of investment management fees.

5. **Percentage of portfolio to be invested in single issue:** No more than 10% of equity portfolio may be invested in securities of any single issuer.

6. **Margins:** Trading on margin or leveraging is not permitted, again unless part of an approved Alternative Investment Fund.

- ***Fixed Income Investments***

1. **Percentage of portfolio to be invested in single issue:** No more that 10% of the fixed portfolio at market may be invested in securities of any single issuer other than the U.S. Government and its agencies.

2. **Grade of issues:** Issues purchased shall be largely "investment grade" U.S. pay debt issues including securities rated Baa/BBB or better as rated by Moody's and Standard & Poor's or their equivalent.

3. **Bonds issued by foreign countries:** Bonds and other similar issues by foreign countries or banks may be purchased consistent with the allocation strategies of the selected manager on a market value basis, providing all credit standards are met.

4. **Trading on a competitive basis:** Trading should be accomplished with brokerage firms on a fully competitive basis.

5. **Sector allocation:** With the exception of the U.S. Government and its agencies, no one-sector allocation should exceed 50% of the fixed income portfolio on a market value basis.

6. **Exceptions:** Any exceptions to these guidelines shall be requested in writing by the investment manager to one of the co-Chairpersons of the Finance Committee. The exception must be approved in writing by one of the co-Chairpersons.

VII. Review

The Committee reviews the investment policy and the spending policy at least annually and makes revisions when appropriate. Manager performance is monitored quarterly and performance data distributed quarterly.

Approved by the Finance Committee on 12/12/2022.
Approved by the Board of Directors on 1/25/2023.