

## VIII. Investment Policy Statement

**Adopted**  
**Amended 11/12/2025**  
**Reviewed 11/12/2025**

Pensacola State College Foundation, Inc. is a private, non-profit corporation that was chartered in 1965 by the State of Florida as the direct support organization authorized to encourage, solicit, receive, acknowledge, manage, and expend private gifts on behalf of Pensacola State College. It is incorporated as a 501c (3) charitable organization.

As a tax-assisted institution, Pensacola State College cannot meet all its needs with state and student support only. The Pensacola State College Foundation promotes the annual giving program of the college and solicits funds for various projects which the college cannot otherwise fund. In addition, donations are sought for scholarships and other worthwhile projects which assist Pensacola State College and its students.

The Board of Governors of the Foundation oversees the management of the Foundation. The Board of Governors is made up of the community who have an interest in the College. The business of the Foundation is administered at Pensacola State College by the Foundation staff.

The Board of Governors of the Pensacola State College Foundation meets quarterly and holds an annual meeting in November of each year to elect new governors.

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## 1. INTRODUCTION AND OVERVIEW

The Bylaws of the Foundation, ARTICLE I, Section 6, empowers the Investment Committee to review, recommend, and make investments and re-investments in accordance with the Investment Policy of the Pensacola State College Foundation. The Investment Committee members will be selected by the Finance Committee. The chair and/or co-chairs of the Investment Committee will be current member(s) of the Pensacola State College Foundation Governors. The chairman of the Finance Committee will serve as an ex-officio member of the Investment Committee. The committee will report to the Board of Governors through the Finance Committee.

Accepting this responsibility, the Investment Committee has adopted these investment management guidelines. The guidelines apply to all funds invested by the Foundation. Within these guidelines, management flexibility is exercised by the Investment Committee as authorized by the Bylaws of the Pensacola State College Foundation, Inc. The committee will, upon establishment of the investment policies, evaluate them periodically and update them as appropriate.

The Investment Committee is charged with the responsibility of investing the assets of the Foundation as a prudent investor would, given the distribution requirements, purposes, and circumstances of the Foundation, in accordance with the Florida Uniform Prudent Management of Institutional Funds Act, ("UPMIFA").

This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the Foundation portfolio as a whole, and as part of an overall investment strategy which incorporates risk and return objectives reasonably suitable to the Foundation.

In making and implementing investment decisions, the Governors of the Foundation have a duty to:

- Diversify the investments of the Foundation to reduce risk.
- Incur only the costs that are reasonable in amount and appropriate given the responsibilities of the agents
- Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents

## 2. PURPOSE

To execute the foregoing duties, the Trustees of the Foundation have established this document. This document will:

- Establish the investment objectives of the Foundation and determine the policies and guidelines that will provide long term stability and continuity to the management of the Foundation's assets.
- Establish a clear understanding by all involved parties as to their respective duties and responsibilities regarding the ongoing management of the Foundation's assets.

## 3. INVESTMENT OBJECTIVES

The Pensacola State College Foundation investment goal is to preserve the purchasing power of the endowments for equity among all generations while providing sustainable resources for the programs and activities of the college that are supported by the Foundation.

Foundation funds should be invested to produce maximum total return consistent with prudent risk limits. Total return includes interest, dividends, realized and unrealized capital appreciation less all management costs.

The Foundation will seek to achieve the following:

- Maximize portfolio returns, while minimizing investment risks.
- A long-term return on investments, net of expenses, that is equal to or exceeds the investment benchmarks which assume the same level of risk as the Foundation.
- Maintenance of sufficient liquidity to fund current programs.

#### 4. POLICIES

It is crucial to link asset allocation to the Foundation's investment objectives. The allocation of the portfolio over various asset classes is the single most important determinant of investment risk and return. Historically, returns have been greater in equities than in bonds or cash. Since the Foundation has a long-term investment horizon, the Foundation should have a significant portion of its investments in equities. Because market values and market conditions are constantly changing, an asset allocation policy should be expressed in ranges instead of a single percentage target to keep from incurring the transaction costs associated with rebalancing too frequently. For these reasons, a policy targeting a range of 45% to 75% in equities will be used as a guide, with the initial target set at 60%.

While equities provide greater long-term returns over most time periods, there is always the possibility of experiencing a prolonged or precipitous decline in equity prices as occurred in 1929 (equities down 70%). To mitigate against such loss and to provide more predictable and dependable cash flow, the Foundation should also invest in bonds. A policy targeting a range of 25% to 55% in bonds will be used as a guide, with the initial target set at 40%.

Movement within the approved range may be directed by the Investment Committee to respond to changing market conditions, but the Committee should refrain from making frequent tactical changes. Use of a balanced or "swing manager" by the Committee to make tactical shifts in response to changing market conditions will be permitted.

##### Recap of Policy

	Target Range	Initial Target
Equities	45% to 75%	60%
Bonds	25% to 55%	40%
Alternatives	0% to 15%	0%

##### Cash Flows/Rebalancing

New contributions to the Foundation should be applied to, and payment by the Foundation withdrawn from, asset classes in such a way as to bring the Foundation's asset allocation back toward its Target Asset Allocation. The Foundation will undertake active rebalancing from time-to-time to bring the fund in-line with the Target Asset Allocation. The Committee recognizes that changes in economic conditions and shifts in financial markets may lead to deviations from the Initial Target allocations. Any deviations exceeding +/- 5% will be the trigger for the Consultant to make an investment recommendation to the Committee.

## 5. GUIDELINES

### Equities

Given the substantial commitment to equities and their inherent volatility, it is essential that the Foundation's portfolio be well diversified at all times. To achieve diversification the Foundation will invest across various equity styles, capitalization sizes, and industry sectors. The Foundation's portfolio may also be invested in shares of foreign (developed and emerging) companies listed on the U.S. exchanges or recognized foreign exchanges in the form of mutual funds, common trust funds, and exchange traded funds (ETFs).

#### Permitted Investments:

- Equities listed on a domestic or foreign exchange.

#### Prohibited Investments:

- Use of leverage in account (margin or derivative securities that increase risk).
- More than 5% in any one issuer. In addition, the manager will not invest in any security which is illiquid so that the purchase or sale of his position would adversely affect the share price.

#### Ranges Within Equities:

- No more than 25% of the Foundation's assets may be invested in international and emerging market equities (with emerging equities totaling no more than 25% of the international allocation i.e., 20% total = 15% developed and 5% emerging).
- A range of 5% to 15% of Foundation assets will be invested in Mid Capitalization Equities.
- A range of 5% to 15% of Foundation assets will be invested in Small Capitalization Equities.

### Bonds

The bond portfolio is designed to diversify the Foundation's assets and to cushion the portfolio in the event of an economic downturn. To achieve this, generally, the Portfolio should not unduly bear credit risk and should be invested in bonds of higher quality. However, the Foundation is permitted to selectively invest in a diversified Portfolio of non-investment grade bonds.

#### Permitted Investments:

- Bonds issued in United States Dollars. The Foundation's portfolio may also be invested in bonds of foreign (developed and emerging) companies or governments listed on the U.S. exchanges or recognized foreign exchanges in the form of: mutual funds, common trust funds, and exchange traded funds (ETFs).

#### Prohibited Investment:

- Use of leverage in account (margin or derivative securities that increase risk).
- More than 5% in any one issuer except the United States Government.
- No more than 5% of Foundation assets may be invested in diversified portfolio of non-investment grade bonds.

## Cash and Equivalents

Cash should be transitional or held for the purpose of providing liquidity to meet the Foundation's cash flow requirements.

### Permitted Investments:

- Commercial paper with an A-1 or P-1 rating at the time of initial investment.
- Money Market Funds.

### Other Investments:

- Private Equity, Private Real Estate, Real Assets, Hedge Funds, Long-Short Funds and Multi-Strategy Funds to include both illiquid and liquid securities will be permitted only with prior approval of the Committee. The total of "other" assets in the aggregate is not to exceed 15% of the Foundation's assets.

## Manager Agreements (In General)

Each investment manager will be provided guidelines containing provisions consistent with these policies but tailored to the individual style and objective of the manager:

- Managers should adhere to policy at all times.
- Turnover should be kept to a minimum.
- Where appropriate, index funds with low fees may be used.
- Use of mutual or commingled funds will be allowed if they conform to the guidelines as if they were holding the individual securities.
- Manager's agreements will include specific guidelines and objectives for the portfolio and an itemization of all fees and costs to be incurred by the Foundation in connection with the portfolio's management.
- Managers should communicate, in writing, any significant developments at the firm. These developments include change (both actual and anticipated) in firm ownership, organizational structure, professional personnel, accounts/assets gained or lost, or fundamental investment philosophy.

## 6. DUTIES AND RESPONSIBILITIES

### a. Board of Governors

The entire Board of Governors is charged with the ultimate responsibility for the Foundation's assets. As a practical matter, the Board will delegate responsibility for the day-to-day operations of the Foundation to the Executive Director and his/her staff. The Board may also seek advice from outside professionals such as consultants and investment managers.

### b. Investment Committee of the Board

The Investment Committee shall oversee the implementation of the investment policies. The Investment Committee will also make recommendations to the Board as to hiring outside professionals such as consultants and investment managers. The Committee (through the Finance Committee) will make reports to the Board on a regular basis on the status of the Foundation's assets as well as its investment performance relative to the objectives and policies set by the Board.

c. Executive Director (as related to the investment of the Foundation's assets)

Responsible for the day-to-day implementation of the investment policies set forth by the Board. Reports to the Investment Committee the status of the Foundation's assets and investment performance as requested by the Committee.

d. Consultant

Advise the Investment Committee on matters relating to the investment of the plan's assets. These matters include:

- Investment policy, structure, and implementation
- Appropriateness of asset allocation strategies
- Investment manager searches
- Reports to the Investment Committee on the status of the Foundation's assets and investment performance.
- Monitors the assets to ensure compliance with guidelines and policies, and reports to the Investment Committee any discrepancies.

e. Investment Managers

Responsible for managing the assets under their supervision in accordance with direction from the Board. Reports to the Investment Committee on the status and performance of the assets under their supervision.

f. Custodian

Responsible for holding and accounting for the assets under their supervision. This includes collection of all income, daily sweep of cash to money market fund, settlement of all trades, and producing monthly statements.

## 7. DISTRIBUTION OF INCOME

### Annual Spending

Recognizing the need for sustainable income to support the beneficiaries of endowments, spending should not exceed 5% of the average three-year balance of the December 31 statement market values of the portfolio. Earnings include interest, dividends, and capital gain distributions.

The rate applied for the distribution of income will equal the total of three-year earnings divided by the total of the prior three-year-end statement market balances of the portfolio. The distribution amount will be less than 5% of the average three-year balance of the December 31 market value of the portfolio. The earnings calculation is applied to the fund balance at the end of the year, multiplied by the average 3-year Capital Appreciation rate to include the current year's appreciation. A pro-rata adjustment calculation may be made for gifts received in the current year.

	J	K	L	M	N	O	P	Q	R
	CAPITAL APPRECIATION = Realized + Unrealized gains : %*Cap Appreciation/beg market value (F+G)/B	3 YEAR Avg TOTAL CASH EARNINGS AVERAGE(E5:E7)	PRIOR 3 YEAR AVG EOY STATEMENT BALANCES (MARKET VALUES) AVERAGE(I4:I6)	% RATE TO APPLY TO END OF YEAR FE BALANCE = Average of 3 years (Total CASH earnings/Previous EOY statement balances) (max is 5% 3 year average) K/L	EOY FE Endowment Balance + FFE	3 YEAR AVERAGE CAPITAL APPRECIATION	APPRECIATION EOY FE ENDOWMENT BALANCE + FFE MULTIPLIED BY 3 YEAR APPRECIATION AVERAGE N*O	APPRECIATED BALANCE TO APPLY % RATE FOR EARNINGS N+P	AMOUNT OF EARNINGS TO APPLY TO ENDOWED PRORAMS AND SCHOLARSHIPS AND FFE Ensure allocation is less than 5% of 3 Year average market balance at year end Q*M
2025 So Far	8.64%	\$ 915,362.54	\$ 38,368,438.27	2.39%	\$ 21,372,480.49	10.27%	\$ 2,194,910.79	\$ 23,567,391.28	\$ 427,788.89
2026 what if	9.23%	\$ 915,362.54	\$ 43,825,536.47	2.09%	\$ 21,372,480.49	9.16%	\$ 1,958,417.39	\$ 23,330,897.88	\$ 487,301.05
2027 what if	9.23%	\$ 870,430.46	\$ 47,753,917.46	1.82%	\$ 21,372,480.49	9.03%	\$ 1,929,853.72	\$ 23,302,334.21	\$ 424,741.31

Applying the 3-year average appreciation to the ending balance of John Doe's endowment gives him one year of appreciation value. Prior year's interest earned was applied to their program/scholarship, which it supports.

## 7. MEETINGS

The Investment Committee will meet at least quarterly to review the performance of the investments of the Foundation. The consultant and/or those managers deemed appropriate, will be available to report to the Investment Committee as requested by the Committee.

These Investment Objectives, Policies, and Guidelines will be reviewed at least annually and updated as needed.