



AGENDA

**Board of Governors Foundation, Inc.
Grand Ballroom, UCF Fairwinds Alumni Center
University of Central Florida
Orlando, Florida
June 19, 2014
8:30 a.m. – 8:45 a.m.
or
Upon Adjournment of Previous Meetings**

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| 1. Call to Order | Chair Mori Hosseini |
| 2. <i>Approval of Foundation Meeting Minutes
Minutes: November 6, 2013</i> | Chair Hosseini |
| 3. <i>Investment Policy Statement</i> | Mr. Tim Jones,
<i>Treasurer</i> |
| 4. Concluding Remarks and Adjournment | Chair Hosseini |

STATE UNIVERSITY SYSTEM OF FLORIDA
FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
June 19, 2014

SUBJECT: Approval of Minutes of Meeting held on November 21, 2013

PROPOSED FOUNDATION ACTION

Approval of Minutes of Meeting held on November 21, 2013.

AUTHORITY FOR BOARD OF GOVERNORS FOUNDATION, INC. ACTION

Florida Board of Governors Foundation, Inc. by-laws

BACKGROUND INFORMATION

Foundation members will review and approve the minutes of the meeting held on November 21, 2013 at Florida International University.

Supporting Documentation Included: Minutes: November 21, 2013

Facilitators/Presenters: Mori Hosseini

MINUTES
FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
FLORIDA INTERNATIONAL UNIVERSITY
MIAMI, FLORIDA
NOVEMBER 21, 2013

Video or audio archives of the meetings of the Board of Governors are accessible at <http://www.flbog.edu/>.

1. Call to Order

Mr. Dean Colson, Chair, convened the meeting of the Foundation at 10:44 a.m. Members present were Vice Chair Mori Hosseini; Dick Beard, Matthew Carter (participating by phone); Manoj Chopra; Carlo Fassi; Patricia Frost; H. Wayne Huizenga, Jr.; Tom Kuntz; Ned C. Lautenbach; Alan Levine; Wendy Link; Ed Morton; Pam Stewart; and Norman Tripp.

Mr. Colson welcomed members to the annual Board Foundation meeting. He expressed appreciation for the support the foundation receives from its donors because the Board would not be able to function without their support.

Mr. Colson reminded the members, that the Foundation supports three primary functions. First, it manages the Helios and Johnson Scholarship programs. He stated that the Foundation will have distributed over \$600,000 in student scholarships during 2013. Second, it supports the Chancellor, pursuant to his contract, through supplemental payments. Third, it supports some of the Board meeting activities and other system meetings.

Mr. Colson noted that the budget adopted last year reports projected expenditures through the end of the year. He stated that the total expenditures will track closely to the recommended budget. Mr. Colson also remarked that the 2012 financial statement prepared by the auditor included no findings.

2. Approval of Committee Meeting Minutes from November 8, 2012

Ms. Frost moved the adoption of the November 8, 2012 meeting minutes as presented. Mr. Kuntz seconded the motion, and members of the Foundation concurred.

3. Election of 2014 Officers

Mr. Colson moved to the election of officers. He reminded members that the chair and vice chair of the foundation have historically served as the chair and vice chair of this board, Ms. Monoka Venters has served as secretary, and Mr. Tim Jones as treasurer.

Mr. Beard moved that the following serve as officers for 2014: Mori Hosseini as chair, Tom Kuntz as vice chair, Monoka Venters as secretary, and Tim Jones as treasurer. Mr. Huizenga seconded the motion, and members of the Foundation concurred.

4. Consideration of 2014 Operating Budget

Mr. Colson indicated that the final action was the adoption of the 2014 operating budget. He stated that the proposed budget will be similar to past budgets.

Mr. Kuntz moved the adoption of the 2014 operating budget for the Board of Governors Foundation as presented. Ms. Frost seconded the motion, and members of the Foundation concurred.

5. Concluding Remarks and Adjournment

Having finished all business, the meeting adjourned at 10:47 a.m.

Dean Colson, Chair

Monoka Venters,
Secretary

STATE UNIVERSITY SYSTEM OF FLORIDA
FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.

June 19, 2014

SUBJECT: Investment Policy Statement

PROPOSED FOUNDATION ACTION

Consider the approval of an Investment Policy Statement.

AUTHORITY FOR BOARD OF GOVERNORS FOUNDATION, INC. ACTION

Florida Board of Governors Foundation, Inc. by-laws

BACKGROUND INFORMATION

In 2007 the Board Foundation received a generous donation from the Helios Education Foundation (Helios) that supports scholarships for first generation students. In agreement with Helios, the \$5 million donation has been invested in the State of Florida's Special Purpose Investment Account (SPIA). Pursuant to the agreement with Helios, 100 percent of the investment funds have been disbursed to the universities to support scholarships for first generation students.

The investment income from SPIA is declining and thus, fewer funds are available to support these students. Staff has contacted Helios and they are supportive of looking at alternative investment opportunities and increasing the value of the endowment to support future students when the investment income may be not as high.

The Foundation Board needs to consider an investment policy before looking at options on investing the endowment. This investment policy has been shared with Helios and they are supportive.

Supporting Documentation Included: 1. SPIA Description
2. Investment Policy Statement

Facilitators/Presenters: Tim Jones

STATE OF FLORIDA

SPECIAL PURPOSE INVESTMENT ACCOUNTS (SPIA)

The Florida State Treasury operates a special investment program for public entities other than the state. This program is authorized in Section 17.61(1), Florida Statutes, and is called the Special Purpose Investment Account (SPIA). Entities created by the Florida Constitution or Florida Statutes are eligible to invest in SPIA. Examples include universities, government foundations, and water management districts.

SPIA funds are combined with State funds and invested in six fixed income components. These components include a Certificates of Deposit and Securities Lending program as well as short-term liquidity, cash enhanced, conservative core and core strategies. This laddered investment strategy, along with incremental income produced by securities lending, has the ability to return longer-term yields compared to a typical money market fund. A history of annualized yields is available below; however, past performance is not an indication of future performance.

SPIA seeks to maintain a \$1.00 value. Participants have the ability to invest and obtain funds same day with an 11:00 a.m. deadline for notifying the Treasury. Earnings are posted monthly based on a pro-rata share of total Treasury earnings less fees paid to external money managers and custodians. There is a monthly assessment of 0.01% (0.12% annually) of the average daily balance.

All investments carry a certain amount of risk. The following factors can significantly affect the fund's performance:

Interest Rate Changes. Interest rate increases can cause the price of a debt security to decrease.

Foreign Exposure. Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market.

Prepayment. The ability of an issuer of a debt security to repay principal prior to a security's maturity can cause greater price volatility if interest rates change.

Issuer-Specific Changes. The value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole. A decline in the credit quality of an issuer or a provider of credit support or a maturity-shortening structure for a security can cause the price of a security to decrease. Lower-quality debt securities (those of less than investment-grade quality, also referred to as high yield debt securities) and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer. The value of lower-quality debt securities and certain types of other securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market, or economic developments and can be difficult to resell.

Leverage Risk. Leverage can increase market exposure, magnify investment risks, and cause losses to be realized more quickly.

An investment in SPIA is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although SPIA seeks to preserve principal, it is possible to lose money by depositing money into SPIA. Unlike individual debt securities, which typically pay principal at maturity, the value of an investment in the fund will fluctuate.



**Florida Board of Governors
Foundation, Inc.**
Investment Policy Statement

June 19, 2014

The Florida Board of Governors Foundation, Inc. is a nonprofit, nonsectarian organization formed and operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation's purpose is to encourage, solicit, receive and administer gifts and bequests of property for scientific, educational and charitable purposes, all for the advancement of the State University System of Florida.

I. SCOPE OF THIS INVESTMENT POLICY

This investment policy statement has been established by the Florida Board of Governors Foundation, Inc. to govern the investment management of the Helios Education Foundation endowment. The purpose of the endowment is to distribute scholarship funds to the state universities in the State University System to support first generation students. The intent of the Policy is to comply with the requirements of the Florida Uniform Prudent Management of Institutional Funds Act, section 617.2104, Florida Statutes, to ensure prudent management of the assets in order to serve the best interests of students who rely on the distributions from the endowment to assist them with defraying the cost of attaining a postsecondary degree.

II. BOARD MEMBERS' ROLE

- a. The members of the Board of Governors shall be members of the Foundation Board.
- b. The Board shall select a bank or other depositories for the deposit of the funds and securities in the bank or other depositories designated, and to cause said bank or other depositories to pay out said funds and deliver said securities only upon checks, vouchers, or other orders signed either by the Chairperson, Vice-Chair, Treasurer, or the Secretary of this Corporation.
- c. The Board shall project the Foundation's financial needs and communicate those needs to the Investment manager on a timely basis.
- d. The Board shall determine the Foundation's risk tolerance and investment horizon.
- e. The Board shall establish reasonable and consistent investment objectives, polices and guidelines that will direct the investment of the Foundation's assets.
- f. The Board shall prudently and diligently select qualified investment professionals and evaluate their progress towards stated goals.
- g. The Board shall develop and enact proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

- h. The Board shall review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made by affirmation of a majority of the Board.

III. INVESTMENT OBJECTIVE

- a. The funds are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of scholarships for first generation students attending a state university.
- b. For the purpose of making distributions, the Board shall refer to the Endowment Gift Agreement among the Helios Education Foundation and the Board of Governors Foundation, Inc..

IV. INVESTMENT PRINCIPLES

- a. Investments shall be made solely in the interest of the beneficiaries of the endowment.
- b. The endowment funds shall be invested with care, skill, prudence and diligence.
- c. Investment of the endowment funds shall be diversified as to minimize the risk of losses.

V. INVESTMENT POLICIES

- a. Asset Allocation Policy –
 - i. The Board recognizes that the strategic allocation of portfolio assets across broadly defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and asset value stability.
 - ii. The Board recognizes that actual returns and return volatility may vary from expectations and return objectives across short periods of time.
 - iii. The investment manager shall make reasonable efforts to preserve the endowment corpus, understanding that losses may occur in individual securities. However, the investment manager shall make reasonable efforts to control risk.
 - iv. Endowment fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The equity investments will be to maximize the long-term real growth of portfolio assets, while the fixed income investments will be to generate current income, provide for a stable

periodic return, and provide some protection against a prolonged decline in the market value of portfolio equity investments.

- v. Cash investments, under normal circumstances, will only be considered as temporary portfolio holdings, and will be used for fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.
- b. Asset Allocation –
 - i. Assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines, with a fluctuation of up to 10 percent:

Class	Asset Allocation	Allowable Range
Equity	60%	50-70%
Fixed Income	40%	30-50%
Cash	0%	0-10%

VI. SELECTION OF INVESTMENT MANAGER(S)

The Board's selection of an investment manager(s) must be based on due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisers Act of 1940, or a bank or insurance company. The Board will require that each investment manager provide, in writing, an acknowledgment of fiduciary responsibility to the Board.

VII. EVALUATION OF PERFORMANCE

- a. The Board will monitor the investment performance against the portfolio stated investment objectives and as set forth below. Annually, the Board will formally assess the portfolio and the performance of the investments as follows:
 - i. The portfolio's composite investment performance (net of fees) will be judged against the following standards:
 1. Long-term real return objective.
 2. Total return to exceed the performance of a policy index based upon the strategic asset allocation of the endowment fund to various asset classes such as:
 - a. S&P 500
 - b. Russell 3000
 - c. Barclay's Capital U.S. Aggregate Bond Index
 - d. Citigroup 3-month T-bill Index
- b. The performance of professional investment managers hired on behalf of the portfolio will be judged against the following standards:

- i. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.
 - ii. The performance of other investment managers having similar investment objectives.
- c. Investment reports shall be provided by the investment manager on at least a quarterly basis or as more frequently requested by the Board. Each investment manager is expected to be available to meet with the Board at least once per year to review the portfolio structure, strategy, and investment performance.

VIII. SPENDING POLICY

- a. Scholarship disbursements from the endowment will be distributed annually during July. The value of the endowment includes: dividends, realized and unrealized gains. The annual distribution from the endowment fund will be set at 4% of the average market value of the previous 3 years' year-end evaluations. The portfolio value is net of investment management fees. This spending plan will be reviewed annually and recommendations for changes shall be considered by the Board. In no event shall the distribution touch the corpus without the consent of the Helios Education Foundation.
- b. No stocks generally considered speculative in nature shall be purchased. In addition, no short sales, hedging, and margin purchases shall be made.

IX. ADOPTION

The Board adopted this Investment Policy Statement on the _____ day of June, 2014.