

Approved By: Board of Trustees

Date Approved: October 6, 2016

Effective Date: October 6, 2016

1. **Summary:** This policy delineates the investment policies of Criswell College. As such, it includes:
 - Information regarding the purpose and scope of the Criswell College Endowment
 - The primary responsibilities of all parties involved in the management of College funds
 - The investment policies for College funds
 - The spending policy for making distributions
 - The appropriate ethical constraints on investment activities

2. **Rationale:** The intentions of the investment policies are to:
 - Appropriately balance the short-term need for current income with the longer-term necessity of capital preservation and growth
 - Retain sufficient liquidity to fund Annual Distributions
 - Focus on long-term value creation, fully recognizing that the long-term focus may result in sizable short-term fluctuations in market value
 - Allow for sufficient flexibility to capture investment opportunities within parameters that ensure prudence and care in the execution of the investment program

3. **Entities Affected:** Board of Trustees, Executive Administration, Business and Finance Division

4. **Definitions:**

endowment: An endowment is a financial asset, in the form of a donation made to a non-profit group, institution, or individual consisting of investment funds or other property that may or may not have a stated purpose at the bequest of the donor. Most endowments are designed to keep the principal amount intact while using the investment income from dividends for charitable efforts.

distributions: Income that is generated from endowment investments is distributed in accordance with the endowment spending rule adopted by the Board of Trustees.

liquidity: describes the degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price

fiduciary: A fiduciary is a person responsible for managing the assets of another person or of a group of people. Asset managers, bankers, accountants, executors, board members, and corporate officers can all be considered fiduciaries when entrusted in good faith with the responsibility of managing another party's assets.

asset class: A group of securities that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations. The three main asset classes are equities (stocks), fixed-income (bonds), and cash equivalents (money market instruments).

asset sector: A sector is an area of the economy in which businesses share the same or a related product or service. Economies are comprised of four sectors. The primary sector involves the extraction and harvesting of natural products from the earth (e.g., agriculture, mining, and forestry). The secondary sector consists of processing, manufacturing, and construction. The tertiary sector provides services, such as retail sales, entertainment, and financial services. The quaternary sector is made up of intellectual pursuits, like education.

5. Policy:

Purpose and Scope of the Endowment Funds

The administration and investment of financial assets serves the mission of Criswell College by providing both a source of current income and long-term capital appreciation to fund the capital needs of the institution.

The Endowment Funds, along with all other financial assets, will be invested according to the soundest principles of financial management. All funds will:

- Be managed to the highest standards of fiduciary duty by all parties
- Be invested with the goal of consistently maximizing investment returns subject to risk constraints
- Be invested consistent with a level of risk that is appropriate for the College to bear

Tax and Regulatory Status

Criswell College is organized as a private, not-for-profit organization in accordance with Internal Revenue Code Section 501(c)(3). Accordingly, income and capital appreciation obtained from invested assets are generally exempt from federal taxation; however, income from certain alternative investments could create an unrelated business income tax liability.

Officers of the Board of Trustees Responsibilities

As provided in the bylaws of Criswell College, the Board of Trustees establishes policy guidelines that affect all institutional assets including investments. The Board of Trustees authorizes the Board of Trustees Finance and Advancement Committee to exercise oversight of the cash and investments of the College although the day-to-day business involving cash and investments shall be delegated to the Chief Financial Officer of the College. The Board of Trustees may authorize other parties to implement, manage, and oversee Criswell College investments, but retains ultimate fiduciary responsibility and discretion over all investment decisions regarding College assets.

Chief Financial Officer Responsibilities

The bylaws provide that the Chief Financial Officer/Vice President of Finance and Advancement shall supervise the handling of all monies and other properties of the corporation. The Chief Financial Officer shall be responsible for implementing the investment policy established by the Criswell College Board of Trustees and provide annual updates to the Board through the Audit and Finance Committee of the Board of Trustees.

The Chief Financial Officer shall be responsible for

- Evaluating and selecting service providers, including, but not limited to, Investment Managers, Custodians, Consultants and Performance Analysts

- Negotiating contracts and other agreements with service providers
- Monitoring and evaluating investment performance in relation to objectives
- Assuring compliance with this policy, any other documents governing the College or its relationship with service providers, and all laws, rules, and regulations governing the College or the Endowment
- Performing periodic due diligence on service providers
- Conducting a thorough annual review of the College's investment program, including this Investment Policy Statement
- Informing the Board of Trustees on a timely basis of any significant communications received from Investment Managers, Performance Analysts, Custodians, Consultants, or other parties concerning the College's investments

Service Providers

Criswell College may elect to engage external Investment Managers, Performance Analysts, Custodians, and Consultants in order to implement portions of the investment program. Each Service Provider shall, at a minimum, be required to

- Maintain the highest standards of fiduciary duty to the College and to the Endowment
- Manage allocated funds subject to and in fulfillment of this Statement and all other documents governing the Manager's relationship to the College
- Manage allocated funds to comply at all times with all applicable laws, rules and regulations governing the Endowment and/or College
- Supply detailed monthly reports on College assets under management
- Meet on a periodic basis with the Chief Financial Officer of Criswell College to report on and discuss performance results, economic and investment outlook, significant organizational changes and other pertinent matters

Investment Strategy

Performance Objectives include the maintenance of purchasing power (i.e., the real, inflation-adjusted value) of the Fund, which requires earning a long-term return in excess of distributions and the erosive effects of inflation.

Asset Allocation

Asset allocation will be set in a manner such that risk is minimized subject to the real return objective. For the purposes of asset allocation, risk is primarily defined as the variability of returns. Significant increases in volatility should be reviewed by the Board of Trustees.

Diversification

Diversification is an essential element of assuring the Endowment assumes minimum risk given the real return objective. Therefore, the Endowment shall at all times be diversified in order to minimize the risk of large losses. Adequate diversification requires broad diversification of funds across asset classes, and, within asset classes, diversification across sectors and industries.

Liquidity Risk

The long-term focus of the Endowment includes the willingness of the College to bear substantial illiquidity in pursuit of capital appreciation. It is, however, imperative that the Fund maintain sufficient liquidity to fund Annual Distributions to satisfy the Spending Rule.

Performance Measurement and Analysis

Investment Managers and Custodians are required to report performance on a monthly basis. These reports provide the raw data for quantitative performance analysis. The purpose of Performance Measurement and Analysis is to assure:

- Accounting for investments and their performance
- Investments are generating performance consistent with expectations
- Investment performance compares favorably to peer groups

Periodic Due Diligence on Service Providers

Periodic due diligence is designed to assure that the key qualitative factors driving the selection of Service Providers persist over time. While quantitative evaluations can be done frequently using reported performance, the qualitative evaluation must be done at least annually through human contact. This evaluation includes (but is not limited to) an assessment of the Service Provider's

- Ownership structure
- Key personnel
- Investment philosophy and process
- Product offerings and product mix
- Performance across product composites

The Spending Rule

The purpose of the Spending Rule is to determine the Annual Distribution from the Endowment to support the annual operating expenses of the College. The intent of this Rule is to set an Annual Distribution that balances the short-term need for current income with the longer-term necessity of capital preservation and growth.

The Annual Distribution shall be up to five percent (5%) of the three-year moving average of the market value of the Endowment.

The Board of Trustees recognizes that the total return of the Endowment may fail to keep pace with the Annual Distributions suggested by the Spending Rule for certain time periods. This shortfall is accepted because of the Board's belief that pursuing a long-term investment strategy is most appropriate for the Fund and offers the best chance of increasing the value of the Fund over the life of the institution.

Ethical Investment Policy Statement

Criswell College is committed to the highest standards of ethical principle and moral accountability. To that end we are guided by the active concern that, to the greatest extent possible, we guard the integrity of all invested funds. To this end we will monitor all funds guided by the principle that, where we have discretion, we will avoid any significant investment in stocks that represent commerce in products or services inconsistent with the faith commitments, mission, and values of Criswell College.

6. Procedure:

- a. **Implementation:** not applicable
- b. **Responsibility for Compliance:** Chief Financial Officer
- c. **Notification:** This policy will be posted on the College’s website and provided to new Trustees.
- d. **Policy Review:** This policy will be regularly reviewed according to the College’s policy review procedure.

For the Office of the President only:

Policy version: 1.0	Policy number: 1.009
Related policies:	

Policy History

Version 1.0	October 6, 2016
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