

**RESEARCH TRUST FUND PROGRAM
SENATE BILL NO. 287**

INVESTMENT POLICIES

POOL B, FUND 1

POOL B FUND 2

RESEARCH TRUST FUND PROGRAM
SENATE BILL NO. 287

POOL B, FUND 1
PRIVATE GIFTS

INVESTMENT POLICY

April 10, 2012

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I. PURPOSE

Purpose

1. The purpose for which the Legislature amended the Code of West Virginia, (the “Code”), §18B-18-18A1-12, all relating to public higher education via Senate Bill 287 (the “BILL”) as reported February 21, 2008, was to establish the West Virginia Research Trust Fund, (the “Fund”). The legislation created a special account in the State Treasury that provides an allocation of moneys to West Virginia University “WVU” to establish directed research endowments. The Legislature has appointed the Higher Education Policy Commission (“HEPC”) as administrator of the Fund. The provisions, terms and conditions of this Investment Policy (the “Policy”) govern West Virginia University’s participation in the Fund. This Policy relates to Pool B, Fund 1, Private Gifts (“Donor Gifts,” or “Fund 1”).
2. §18B-18A-4a indicates the governing board (the “Board”) of each participating institution may create and administer or enter into an agreement with its research corporation and/or foundation to administer one or more directed research endowments to receive qualified donations and matching state moneys allocated for distribution to that institution. The Board of Governors of West Virginia University has entered into an investment agency agreement with West Virginia University Foundation, Incorporated, the (“Investment Agent”) its independent foundation to receive, administer and invest the assets of Pool B, Fund 1 as perpetually endowed funds. Therefore, the Investment Agent will receive and invest donor gifts as per its’ Investment Policy governing its endowed pool which is Section III of this Policy.
3. The Investment Policy described in Section III of this Policy provides the framework for the investment, the maintenance, and the enhancement of private gifts to the Fund.
4. It is expected that this policy will be reviewed annually and updated or modified as necessary to reflect changes in the needs of the Fund as it relates to the Fund.

II. RESPONSIBILITIES

A. General Responsibility of the WVU Board of Governors

The Board has general responsibility for the management of University business affairs. In a Resolution dated February 8, 2002, the Board delegated certain responsibilities to the President of West Virginia University (the “President”) as it was “prudent for the Board to delegate certain power and control over the University’s affairs to the president of the University. Also, in making this delegation of authority, this Board authorizes the President, in turn, to make such further delegations of authority to others as the president may deem necessary and appropriate for the day to day management of the business affairs of the University.”

As such, the President has delegated certain responsibilities to the University Planning Committee (the “Investment Committee”), chaired by the Provost.

B. Specific Responsibilities of the Provost

The President has delegated to the Provost, in consultation with the Vice President for Research, the responsibility of preparing requests under this program for review and action by the WVU Board of Governors. The President has also charged the Provost to prepare an annual Fund report for the Board and for the Vice Chancellor for Science and Research of the HEPC as required by Senate Bill 287.

C. Specific Responsibilities of the Investment Committee

1. Develop and promulgate a sound and consistent portfolio strategy, addressing items such as financial and investment objectives, asset allocation, and general maintenance guidelines; e.g. diversification and quality guidelines;
 - a. Reviewing the written portfolio strategy at least annually.
2. Communicating clearly the major duties and responsibilities of those qualified Agents accountable for achieving investment results and to whom specific responsibilities have been delegated;
3. Monitoring and evaluating results to ensure that the portfolio strategy is being adhered to and that policy objectives are being met;
4. Supervising the Investment Agent and / or taking action directly, under appropriate circumstances, to discharge an investment manager or advisor for failing to perform in terms of stated expectations or to abide by the Investment Policy;

5. Undertaking such work and studies as may be necessary to keep the Board adequately informed as to the status of the Unrestricted Investment Pool; and

6. Communicating with the Board on an annual basis about the portfolio strategy and investment activity.

III. INVESTMENT STRATEGY

The currently effective Investment Policy of the Endowment Pool of the WVU Foundation is hereby incorporated in whole as the Investment Policy of Fund 1 of the Research Trust Fund and is incorporated into this document by reference. The WVU Foundation Board will incorporate changes to the Endowment Pool Investment Policy from time to time and it is intended that those changes will be immediately effective for Fund 1 of the Research Trust Fund.

RESEARCH TRUST FUND PROGRAM
SENATE BILL NO. 287

POOL B, FUND 2
STATE CASH AND PLEDGE GIFTS MATCH

INVESTMENT POLICY

April 10, 2012

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I. PURPOSE AND PHILOSOPHY

A. Purpose

1. The purpose for which the Legislature amended the Code of West Virginia, (the “Code”), §18B-18-18A1-12, all relating to public higher education via Senate Bill 287 (the “BILL”) as reported February 21, 2008, was to establish the West Virginia Research Trust Fund, (the “Fund”). The legislation created a special account in the State Treasury that provides an allocation of moneys to West Virginia University (“WVU”) to establish directed research endowments. The Legislature has appointed the Higher Education Policy Commission (“HEPC”) as administrator of the Fund. The provisions, terms and conditions of this Investment Policy (the “Policy”) govern West Virginia University’s participation in the Fund. This Policy relates to Pool B, Fund 2 the State Research Trust Fund Cash and Pledge Gift Match Funds (the “State Cash and Pledge Match Portfolios,” “Portfolios,” or “Fund”).
2. §18B-18A-4a indicates the Governing Board (the “Board”) of each participating institution may create and administer or enter into an agreement with its research corporation and/or foundation to administer one or more directed research endowments to receive qualified donations and matching state moneys allocated for distribution to that institution.
3. This document provides the framework for the investment, the maintenance, and the enhancement of Portfolios.
4. It is expected that this policy, will be reviewed annually and updated or modified as necessary to reflect changes in the financial markets and / or focus areas as it relates to the Portfolios.

B. Investment Philosophy

The Board believes that the Research Trust Fund assets should be managed in a manner that is consistent with the criteria set forth in the Bill and that reflects the unique purpose for which the Fund was established. The Board recognizes that in any economy, over an appreciable time period, unsupervised assets will be subjected to an inflationary loss of purchasing power as well as market risk. The Board also recognizes that over the long term the risk of owning equities has been, and may continue to be, rewarded with a somewhat greater return than that available from fixed income investments. The role of fixed income investments is to provide current income and to reduce risk in the investment Portfolios.

II. RESPONSIBILITIES

A. General Responsibility of the WVU Board of Governors

The Board has general responsibility for the management of University business affairs. In a Resolution dated February 8, 2002, the Board delegated certain responsibilities to the President of West Virginia University (the “President”) as it was “prudent for the Board to delegate certain power and control over the University’s affairs to the president of the University. Also, in making this delegation of authority, this Board authorizes the President, in turn, to make such further delegations of authority to others as the president may deem necessary and appropriate for the day to day management of the business affairs of the University.”

As such, the President has delegated certain responsibilities to the Research Trust Fund Portfolios Investment Committee (“Investment Committee”), made up of members of the University Planning Committee and chaired by the Provost.

B. Specific Responsibilities of the Provost

The President has delegated to the Provost, in consultation with the Vice President for Research, the responsibility of preparing requests under this program for review and action by the WVU Board of Governors. The President has also charged the Provost to prepare an annual Fund report for the Board and for the Vice Chancellor for Science and Research of the HEPC as required by Senate Bill 287.

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2. Communicating clearly the major duties and responsibilities of those qualified Agents accountable for achieving investment results and to whom specific responsibilities have been delegated;
3. Monitoring and evaluating results to ensure that the portfolio strategy is being adhered to and that policy objectives are being met;

4. Supervising the Investment Agent and / or taking action directly, under appropriate circumstances, to discharge an investment manager or advisor for failing to perform in terms of stated expectations or to abide by the Investment Policy;
5. Undertaking such work and studies as may be necessary to keep the Board adequately informed as to the status of the Unrestricted Investment Pool; and
6. Communicating with the Board on an annual basis about the portfolio strategy and investment activity.

III. FUNDS

A. Financial Objective

The Board has established the Portfolios for the purpose of facilitating prudent asset management to provide a source of investment income from the funds that are set aside for its purpose and from earnings thereon while preserving the corpus of the Portfolios for the current and future support of the Research Trust Fund. Implicit in this objective is the financial goal of preserving and enhancing the portfolio's inflation-adjusted purchasing power.

B. Investment Objective

In meeting the financial objective of the Portfolios, the Board seeks to preserve the corpus of the Portfolios and to achieve a high level of total investment return consistent with a prudent level of individual portfolio risk. As such, the investment objective of each Portfolio is to attain an average annual real total return¹ (net of investment management fees) of at least 3.0% as measured over rolling five-year periods. It is recognized that the real return objective may be difficult to attain in every five-year period, but should be attainable over a series of five-year periods. This objective should be attainable within reasonable risk levels given the purpose and availability of these funds.

The Policy Portfolio allocation provides a reasonable expectation that the Investment Pools' objectives can be achieved based on historic relationships of asset class performance. It represents the Investment Agent's assessment of the optimal asset allocation and expected return. It should not be regarded as a rigid set of rules regarding asset allocation or required rates of return. The Investment Agent will review the structure annually and make adjustments as may be appropriate in light of changing market conditions.