

Investment and Fund Allocation Policy

Finance Committee Members

- Derek Hoiem (Chair)
- Kortney Kay Jones
- Lauren Ramshaw

Background

MSCU has not had a clear investment policy in several years. The 5-year strategic plan stipulates keeping 3-4 months' expenses of cash reserves, around \$500K-\$675K. The school has recently purchased a building, and enrollment is slightly lower than expected, so the committee recommends being on the conservative side. MSCU currently holds \$1.2M in cash and \$260K investment in Vanguard funds. The Vanguard funds are currently invested roughly 30% in stocks and 70% in bonds. See the [Sept 2023 Statement of Position](#) for a more detailed breakdown. The school's 990 tax form shows that the endowment contains \$97,013, but these funds have been pooled with operating funds and have not produced income for years.

The committee therefore proposes the following policies to: (1) invest surplus funds; (2) place endowment funds in a separate account as required by the [terms](#) of the Endowment Fund; and (3) invest endowment funds and regularly disburse their earnings.

Proposed Policy

We propose

1. Our current Vanguard funds are termed the Investment Fund, to be used for capital programs or as a backstop for operating expenses as needed. The Investment Fund will be operated as follows.
 - a. Starting in January 2024 or as soon thereafter as practicable, transfer \$50K from the operating account (currently Busey) into the Investment Account until the total cash reserves are \$800K or less.
 - b. Thereafter, if total cash reserves dip below \$500K, transfer \$100K from the Investment Account into the operating cash account. If total cash reserves exceed \$800K, transfer \$50K from the operating cash account into the Investment Account.
 - c. Approximately 50% of funds will be in a broad stock index, such as VTSAX, with the remainder in a broad bond index, such as VBTLX. Rebalancing will be performed when money is transferred into or out of the account.
2. Set up the Endowment Fund as a separate Vanguard account or a separately identifiable basket of funds within the Vanguard account.
3. The Endowment Fund will be operated as follows:
 - a. In January 2024 or as soon thereafter as practicable, transfer \$97,013 from the operating account to the endowment account.

- b. Thereafter, transfer any contributions to the Endowment Fund within 30 days of receipt, or as soon as practicable.
- c. Annually within 30 days of May 1, withdraw 5% of the Endowment Fund to be made available for financial aid for the following year. A smaller percentage could be withdrawn if necessary to maintain the principal, to be supplemented with the operating funds.
- d. Approximately 50% of funds will be in a broad stock index, such as VTSAX, with the remainder in a broad bond index, such as VBTLX. Rebalancing will be performed when money is transferred into or out of the account.

This policy was motioned by Derek Hoiem, seconded by Audrey Bebense, and voted and approved by the Board on December 11, 2023.