

# INVESTMENT POLICY FOR SHORT-TERM FUNDS

Bd. Min. 5-3-91; Amended Bd. Min. 3-24-95; 1-21-98.

## 140.010 INVESTMENT POLICY FOR SHORT-TERM FUNDS

A. The Board of Curators sets policy regarding the investment of short term University funds, including but not limited to cash and reserves, operating funds, revenue bond funds, and plant funds.

Within the Board's policy, the Board delegates the investment authority to the Vice President for Finance and Administration, and those persons he/she shall designate to have the authority for investing the University's funds.

B. Those charged with responsibility for investing the University's funds shall keep such funds invested as fully as possible. The funds will be managed in accordance with applicable state statutes and in accordance with any restrictions that may apply at the time of receipt, provided such restrictions do not conflict with applicable state statutes and University policies. Investments shall be in accordance with the "Prudent Man Rule."

C. The Vice President for Finance and Administration, and those persons designated to act for him/her with regard to investments shall be authorized to use managers outside the University and may pool funds for investment purposes.

D. The University is authorized to use any or all of the following investment instruments for short-term funds:

1. Repurchase agreements collateralized by U.S. Government issues and U.S. Government Agency issues.
2. U.S. Government securities, U.S. Government Agency securities and U.S. Government guaranteed securities, including but not limited to: all direct obligations of the U.S. Government, Federal Farm Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, and Student Loan Marketing Association. Included in the definition of U.S. Government securities are unique payments (in the form of principal payments or interest payments) that have been "stripped" from U.S. Treasury instruments.
3. Investment grade corporate bonds (A or better).
4. Variable rate securities of authorized investment instruments.
5. Certificates of deposit (collateralized) at banks with which the University has a depository agreement.

6. Commercial paper with credit ratings of A-1+ or A-1 and P-1 received from Standard & Poor's Ratings Group and Moody's Investors Service.

7. Bankers' acceptances.

8. Other similar short-term investment instruments of like or better quality.

E. The maximum amount or percentage of the total short-term investment funds held in each instrument listed above shall be:

1. No restrictions for repurchase agreements remaining in the deposit bank which are fully collateralized by government securities.

2. No more than 15% of the total portfolio is to be held in one bank, with one allowable exception, as follows: A temporary position of up to 20% may be taken in any one bank if the position in that bank will be brought back to 15% within five business days.

3. No restriction on direct obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities.

4. No more than 20% of the short-term portfolio to be held in corporate bonds. and Of that 20%, no more than 30% is to be held in any one industry and, within an industry, no more than 25% with any one issuer.

5. No more than 15% of the short-term portfolio to be held in variable rate securities.

6. No more than 50% of the short-term portfolio is to be held in commercial paper and no more than 5% of the portfolio is to be held in the commercial paper of any single commercial paper issuer, with one allowable exception, as follows: A temporary position of up to 10% may be taken in any one issuer

if the position with that issuer will be brought back to 5% within five business days.

7. No more than 50% of the short-term portfolio is to be held in bankers' acceptances and no more than 5% of the portfolio is to be in holdings of any one issuer.

F. The Vice President for Finance and Administration and those persons designated to act for him/her with regard to investments shall be authorized to implement a securities lending program for the short-term portfolio. Securities participating in the lending program shall be fully collateralized and marked to the market daily.

<http://www.umsystem.edu/uminfo/rules/invest/140010.htm>