

# **University of Wyoming Investment Policy**

Reviewed by Audit and Fiscal Integrity Committee: June 1, 2015

Approved by Board of Trustees: June 15, 2015

## **A. Purpose**

The Investment Policy of the University of Wyoming establishes the general guidelines and procedures for the investment of University funds. This policy is established by the University Of Wyoming Board Of Trustees (Board) to guide the Board, its Audit and Fiscal Integrity Committee (Committee), and the University administration in the process of fund investment. The Board retains the right to make decisions contrary to this policy, when such decisions are deemed to be in the best interests of the University. The Board also retains the right to accept and administer donated funds or property with donor restrictions contrary to this policy.

It is not the purpose of this document to specify the details of every situation, nor to set forth specific short-term goals. The policy governs the investment management of University operation funds and long-term investment practices, and is supplemented annually with discussion of market conditions and short-term goals, including return targets.

## **B. Standards of Care**

- a. Prudence – All University officers and employees involved in the investment process shall act responsibly as custodians of the public trust. The standard of prudence to be applied is the “prudent investor” rule, which states, “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probably safety of their capital as well as the probable income to be derived.”
- b. Ethics and Conflicts of Interest – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions, broker/dealers, or security issuers with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the University.

### **C. Safeguards and Controls**

- a. Third-party Safekeeping – Securities will be held by an independent third-party safekeeping institution selected by the University. All securities will be evidenced by safekeeping receipts in the University's name.
- b. Delivery vs. Payment – All trades, where applicable, will be settled on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the University's safekeeping accounts prior to the release of funds. All securities shall be perfected in the name of or for the account of the University and shall be held by a third-party custodian as evidenced by safekeeping receipts.
- c. Sales Prior to Maturity – Securities may be sold prior to maturity for reasons which include:
  - i. To meet liquidity needs,
  - ii. To reduce risk or minimize loss of principal,
  - iii. As part of a security swap that seeks to improve the quality, yield, or expected return of the portfolio, or to reduce risk,
  - iv. To adjust or rebalance the portfolio to:
    1. Be in compliance with policy guidelines,
    2. Better match expected cash flows,
    3. Adjust the portfolio duration to better match the target,
    4. Better align with current and expected market conditions, or
    5. Better match a designated performance benchmark.

### **D. Use of Manager and Advisors**

- a. It is the policy of the Board to invest in funds through a combination of the University's Manager, Financial Services and externally contracted, professional registered investment advisor(s) selected by the Board, or the Board's designee.
- b. Portfolios manager by the Manager, Financial Services (internal) include fixed income, low risk, federally guaranteed or insured instruments only.
- c. Portfolios managed by contracted managers (external) include instruments appropriate to the style of each manager, limited to security types in W.S. 9-4-831.
- d. It is also the policy of the Board, or the Board's designee, to determine the need to contract with an independent investment advisor or performance evaluation service. The Board, or the Board's designee, determines, and periodically reviews, the level of services desired.

### **E. Invested Funds**

- a. Endowment type funds
  - i. Endowment and Quasi-Endowment funds are invested by the University of Wyoming Foundation, as outlined in the Memorandum of Agreement

dated May 10, 1989 and Addendum to the Memorandum dated November 10, 2003. See Appendix A for the University of Wyoming's Quasi-Endowment Guidelines.

b. Operating and Agency Funds

- i. The Manager, Financial Services invests the following types of funds, in a combination of fixed-income, minimal risk instructions, money market funds and collateralized certificates of deposit.
  1. Departmental gift and endowment income funds are invested at departmental request and earnings are directed to the accounts invested, provided a minimum balance of five thousand dollars (\$5,000) is maintained for at least one year.
  2. Bond proceeds and construction funds are fully invested in accordance with bond resolutions, contracts and payment schedules. Earnings are deposited to the relevant bond or construction accounts, with consideration given to applicable federal arbitrage regulations.
  3. Federal funds reinvested at departmental request and earnings are directed to the accounts invested.
  4. Operating funds are invested in accordance with overall operating and liquidity needs and earnings are accounted for as general University income. Amounts to be invested are determined daily by the Manager, Financial Services.
  5. Agency funds are invested at agency request and earnings are direct to the accounts invested.

c. Advanced Payment of Higher Education Costs Program (APHEC)

- i. The University administration invests funds held for the APHEC program in accordance with Wyoming law and the regulations of the APHEC governing board.

**F. Investment Objectives**

- a. Investment goals for endowment type funds are designed to achieve the following objectives:
  - i. Donor objectives;
  - ii. Protection of assets from excessive risk;
  - iii. Total return, which provides program income and allows for growth of the endowment;
  - iv. Preservation of purchasing power.
- b. Investment goals for operating and agency funds are designed to achieve the following primary objectives:
  - i. Safety – Safety of principal is the foremost objective of the investment program. Investments of the University shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required.

- ii. Liquidity – The University’s investment portfolio must remain sufficiently liquid to enable the University to meet all operating requirements which might be reasonably anticipated. To attain this objective, the portfolio should be structured so that securities mature concurrent with anticipated cash needs.
- iii. Yield/Return on Investment – The University’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the University’s investment risk constraints and the cash flow characteristics of the portfolio.
- iv. These goals dictate a policy that utilizes relatively low-risk, investment-grade, fixed-income investments.

## **G. Asset Allocations**

- a. Endowment type funds – These funds will be invested in allowed investments under the University of Wyoming Foundation investment policy and follow their asset allocation guidelines.
- b. Operating and Agency Funds – The University is considered a political subdivision in accordance to W.S. 21-17-404. As such, the University is authorized and limited to invest in those types of securities allowed by W.S. 9-4-831 for public entities.
  - i. Security Type Limits – Investments shall be diversified, subject to the following maximum allocations per security type:
 

<ul style="list-style-type: none"> <li>• U.S. Treasuries and securities guaranteed by the U.S. Government</li> <li>• U.S. federal government agency or instrumentality</li> <li>• Repurchase agreements</li> <li>• U.S. agency/instrumentality mortgage-backed securities</li> <li>• U.S. government agencies callable securities</li> <li>• Collateralized time and demand deposits</li> <li>• Commercial paper and bankers’ acceptances combined</li> <li>• Money Market Mutual Funds/LGIPS</li> </ul>	No limit No limit No limit 30% 30% No limit 50% 50%
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  - ii. Issuer Limit – No more than 5% of the total market value of the portfolio may be invested in any one non-government issuer. Investments in bankers’ acceptances and commercial paper will be combined to determine aggregate exposure.
  - iii. Collateralization – In order to provide an adequate level of security, all deposited funds shall be collateralized at 100%.
    1. For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus

- demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation or the National Credit Unions Share Insurance Fund.
2. The collateral will be adequate to secure both principal and accrued interest of the deposits.
  3. Authorized instruments for collateralization are those found in W.S. 9-4-821.
  4. In addition to the collateralization requirements found in W.S. 9-4-821, collateralization will also be required on the following types of investments:
    - a. Time deposits
    - b. Repurchase agreements
- iv. Portfolio Duration – Maturities of securities will be managed in coordination with the cash flow needs of the University.
    1. Funds needed to satisfy operating cash flows of the University will be invested in securities and funds that mature in less than one year.
    2. Funds not needed to satisfy operating cash flows, or core funds, of the University can be invested in a portfolio whose duration does not exceed three (3) years on the overall portfolio. This allocation is targeted to 20-30% of the University operating and agency funds, but will not exceed 40%.

## **H. Income Distribution**

- a. Return Allocations
  - i. Operating and Agency funds are in various pools dependent on type of funds. The principal may change daily and the earnings are distributed on a prorate basis at the end of each month.

## **I. Performance Evaluation and Reporting**

- a. Reporting
  - i. Performance reports are supplied to the Board following the end of each quarter.
  - ii. Management reports and related discussions are prepared and conducted quarterly, generally within sixty (60) days after the end of a quarter.
- b. Performance Standards
  - i. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a full market cycle, generally a period of 3-5 years or more. A market benchmark may be established against which portfolio performance shall be compared.
- c. Marking to Market
  - i. The market value of the portfolio shall be calculated monthly and a statement of the market value of the portfolio shall be issued at least quarterly to the Board.

- d. Credit Downgrades
  - i. Credit ratings should be monitored on a regular basis. The University or its investment advisor shall review any downgrades below the minimum ratings guidelines and recommend an appropriate course of action.
- e. Policy Considerations
  - i. The policy shall be reviewed annually by the Audit and Fiscal Integrity Committee and recommended changes will be presented to the Board for consideration.

#### **J. Authority and Responsibilities**

- a. Board of Trustees – The Board is responsible for prudent investment of funds and distribution of earnings to applicable programs.
- b. Audit and Fiscal Integrity Committee – The Committee provides oversight of investment performance and makes recommendations to the Board regarding policy and investment management. The Committee has the authority to approve short-term deviations from the stated policy, when urgent situations threaten the safety of invested funds.
- c. Vice President for Administration (Deputy Treasurer) – The Vice President is responsible for administration of Board policy and recommendations to the Audit and Fiscal Integrity Committee. The Vice President has authority to deviate from the policy in an urgent situation, after consultation with members of the Committee.
- d. Associate Vice President for Fiscal Administration/University Controller – The University Controller is responsible for maintenance of all endowment files, preparation, compilation, and review of reports, and coordination with the Foundation and the Manager, Financial Services.
- e. Manager, Financial Services – The University Manager, Financial Services is responsible for daily decisions regarding internal investments and periodic reports on the internally invested portfolio. The Manager has authority to make short-term investment decisions in accordance with Board-approved policy and established process.
- f. External Managers – Contracted managers are responsible for management of external portfolios and quarterly and annual reports. Managers have the authority to select investment instruments and make trade decisions, in accordance with the objectives and policies of the University, as agent for the Board.

## **APPENDIX A**

### **University of Wyoming Investment Policy Quasi-Endowment Guidelines**

Quasi-endowment funds are defined as funds established to function as endowment funds. These funds are invested in a manner consistent with the investment of endowment funds. The following procedures will be used to create new, add to existing or withdraw moneys from quasi-endowment funds:

1. The minimum threshold to establish a new “stand-alone” quasi-endowment is \$50,000. There is no minimum if the quasi-endowment is related to an existing “true” endowment.
2. Unrestricted gifts (fund 1600) and funds restricted for purposes other than scholarships (fund 4400) may be used to create a quasi-endowment. No state appropriations, tuition & fees, operating funds, pledged revenues, contract/grant funds or other funds may be used for this purpose. If restricted funds are used, the earnings remain restricted to the original purpose.
3. Moneys used to create a new quasi-endowment account, or funds added to an existing quasi-endowment account, must be held for a minimum of five (5) years. Exceptions to the minimum timeframe may be approved by the Vice President for Administration (if created under No. 5 below) or by the President of the university and the Board of Trustees (if created under No. 6 below).
4. College Deans and University Officers may request new quasi-endowment accounts and/or additions to existing quasi-endowment accounts. Recommendations by the requester’s vice-president must be obtained prior to approval under No. 5 or No. 6.
5. The Vice President for Administration, or his/her designee, is authorized to approve individual requests for new quasi-endowment accounts and/or additions to existing quasi-endowment accounts of less than \$250,000 as they are received throughout the year.
6. Any request to establish a quasi-endowment account of \$250,000 or more requires recommendation of the Vice President for Administration and approval by the President of the University and the Board of Trustees.
7. All quasi-endowment accounts shall be invested by the University of Wyoming Foundation according to the November 10, 2003 Addendum to the Memorandum of Agreement dated May 10, 1998 between the University and the Foundation.
8. Written requests to withdraw funds from a quasi-endowment account must be given at least one hundred and twenty (120) days prior to the end of any calendar quarter (March 31, June 30, September 30, and December 31).

9. If established under no. 5, the Vice President for Administration, or his/her designee, shall approve withdrawals after the minimum time period. If established under No. 6, the President of the University and the Board of Trustees shall approve withdrawals.
10. The Vice President for Administration will report annually to the Board of Trustees on new quasi-endowment accounts established in the past year.
11. In consideration of State of Wyoming matching funds, a quasi-endowment account will be designated as permanent and an agreement executed memorializing the permanent nature of matched funds.