RADFORD
UNIVERSITY

Policy Title: Investment Management Policy	Effective Date: 2/1/1992
Policy Number: FA-PO-1203	Date of Last Review: 9/1/2022
Oversight Department: Office of the Vice President for Finance and Administration & Chief Financial Officer	Next Review Date: 9/1/2023

1. PURPOSE

The *Investment Management Policy* for Radford University (University) is designed to establish consistent criteria for the investment, management, and enhancement of the University's investment portfolio. The policy guides University management and the Board of Visitors in making informed investment decisions that benefit the financial health of the institution. Specific objectives of the *Investment Management Policy* are to outline the University's investment philosophy; provide investment management guidance which will benefit the institution; provide a structured framework for the approval and monitoring of the University's investment portfolio and financial resources; define the roles, responsibilities, and reporting requirements of the Board of Visitors and University Management; provide an ongoing process to evaluate investment instruments, performance, risk, and oversight; ensure the investment portfolio is strategically managed to provide the highest investment return with minimum risk in order to maintain a strong financial profile; and comply with requirements outlined in the Code of Virginia.

2. APPLICABILITY

The *Investment Management Policy* applies to the Radford University Board of Visitors, and all University employees involved in the Investment Management process and/or the development, execution, evaluation, and approval of the *Investment Management Policy*.

3. DEFINITIONS

Concentration of credit risk: The risk of loss attributed to the magnitude of a government's investment in a single issuer. Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure of investments with any one issuer that represents five (5) percent or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Credit risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

<u>Custodial credit risk</u>: The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party.

<u>Foreign currency risk</u>: The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

<u>Interest rate risk</u>: The risk that changes in interest rates will adversely affect the fair value of an investment. GASB Statement No. 40 requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates.

4. POLICY

A. The *Investment of Public Funds Act*, Code of Virginia § 2.2-4500 et seq., outlines the specific requirements for the investment of funds by public entities, which includes institutions of higher education. The Act identifies legally allowed investment types, investment criteria, standards of care, and guidelines for investment contracts. The investment instruments and the quality of investment instruments employed by the University will comply with the Code of Virginia.

B. The Board of Visitors is ultimately responsible for the prudent management of University investments not held with the Treasurer of Virginia. However, the Vice President for Finance and Administration & Chief Financial Officer (VPFA/CFO) is assigned primary responsibility for the development, implementation, and execution of the *Investment Management Policy*.

5. PROCEDURES

A. <u>Standards of Care</u>

Investment managers and university officials will comply with professional standards of prudence, due care, and ethics when managing the investment portfolio and financial resources of the institution, including complying with the standards of care for investing public funds as outlined in § 2.2-4514 of the Code of Virginia.

B. <u>Use of External Investment Managers</u>

The VPFA/CFO will be involved in the initiation of any agreements with third-party investment managers or firms and will be responsible for communicating any performance benchmarks and requirements for diversification, compliance, and reporting.

C. <u>Investments Held with Affiliated Foundation(s)</u>

The VPFA/CFO will be responsible for communicating with affiliated foundation(s) representatives to ensure guidance, oversight, and compliance with University investment objectives and statutory requirements.

D. <u>Risk Considerations</u>

The University will consider the following risks in managing its investments and include risk disclosures in its annual financial statements in accordance with GASB Statement No. 40:

1. Concentration of credit risk

2. Credit risk
3. Custodial credit risk
4. Foreign currency risk
5. Interest rate risk

E. Diversification

In order to align with the concentration of credit risk component in GASB Statement No. 40, no more than five (5) percent of the portfolio may be invested in any one issuer other than money market funds, U.S. Government issues, U.S. Government Agency issues, or repurchase agreements. No more than 25 percent of the portfolio may be invested in any one industry other than the banking industry.

F. Liquidity

Liquidity guidelines are subject to change, based on specific operating needs of the University. These needs are monitored by the University Controller's Office. In order to achieve the required liquidity, amounts not subject to immediate operating needs will be invested in instruments deemed to having a maturity ranging from overnight to 90 days. The balance of local funds will be invested in overnight instruments.

G. Spending Policy

The VPFA/CFO will ensure University operating needs are continuously monitored. Spending considerations will be balanced against the maturity of investments and liquidity/cash needs.

H. Authorized investments

Acceptable investment instruments include, but are not limited to, the following:

1. U.S. treasury and agency securities
2. Certificates of deposit
3. Bankers acceptances rated A-1/P-1
4. Commercial paper rated A-1/P-1
5. Money market funds
6. Corporate bonds rated "A" or better by two nationally recognized rating agencies, one of which must be either Standard and Poor's or Moody's Investors Service
7. Repurchase agreements
8. Securities lending

I. Prohibited Investments

The VPFA/CFO will ensure that funds are invested in accordance with the following regulations:

1. Per § 2.2-4510.A of the Code of Virginia, public entities of the Commonwealth may invest any and all monies, other than sinking funds, in high-quality corporate notes with maturities of no more than five (5) years that have received at least two (2) of the following ratings:

a. At least Aa by Moody's Investors Service, Inc.;

b. At least AA by Standard and Poor's, Inc.; or

c. At least A by Fitch Ratings, Inc.

2. Per § 2.2-4510.B of the Code of Virginia, any qualified public entity of the Commonwealth may invest any and all monies, other than sinking funds, in high-quality corporate notes that have received at least two (2) of the following ratings:

   a. At least A by Moody's Investors Service, Inc.;

   b. At least A by Standard and Poor's, Inc.; or

   c. At least A by Fitch Ratings, Inc.

3. Per § 2.2-4511 of the Code of Virginia, any qualified entity of the Commonwealth may invest any and all monies, other than sinking funds, in asset-backed securities with a duration of no more than five years and a rating of at least AAA or Aaa by two rating agencies. One of the two qualifying ratings must be:

   a. At least Aaa by Moody's Investors Service, Inc.;

   b. At least AAA by Standard and Poor's, Inc.; or

   c. At least AAA by Fitch Ratings, Inc.

J. Policy Review and Approval

Periodically, but at least annually, the VPFA/CFO, or designee, will review and make any required changes to the *Investment Management Policy*. Any revisions that change the scope or application of the policy must be submitted to the Board of Visitors for review and approval.

6. EXCLUSIONS

Exclusions or exceptions to this policy must be authorized by the Radford University Board of Visitors.

7. APPENDICES

None

8. REFERENCES

Code of Virginia, Title 2.2, Chapter 18, "Department of the Treasury; State Treasurer"

Code of Virginia, Title 2.2, Chapter 45, "Investment of Public Funds Act"

Code of Virginia § 2.2-4510, "Investment funds in corporate notes"

Code of Virginia § 2.2-4511, "Investment of funds in asset-backed securities"

Code of Virginia § 2.2-4514, "Commonwealth and its political subdivisions as trustee of public funds; standard of care in investing such funds"

Radford University Board of Visitors Minutes - November 11-12, 2010

9. INTERPRETATION

The authority to interpret this policy rests with the President of the University and is generally delegated to the Vice President for Finance and Administration & Chief Financial Officer.

10. APPROVAL AND REVISIONS

The Radford University *Investment Management Policy* was issued by the Board of Visitors in February 1992 as the "*Statement of Policy Governing the Short & Immediate Investment of Local Fund*s."

In August 2010, the Auditor of Public Accounts (APA) for the Commonwealth of Virginia issued recommendations for investment policies for institutions of higher education. Following this, University staff reviewed the existing investment policy and determined that revisions were necessary to incorporate new standards issued by the Governmental Accounting Standards Board and the recommendations from the APA.

The revised Radford University *Investment Management Policy* was reviewed by the Vice President for Finance and Administration, and presented to the BOV Business Affairs and Marketing Committee (BAMC) for review and approval on November 11, 2010. The BAMC accepted the policy and presented it to the Board of Visitors for approval on November 12, 2010.

The *Investment Management Policy* and the accompanying Procedure were reviewed and reformatted to fit the new University policy and procedure templates in June 2012. The documents were reviewed and approved by the President's Cabinet, and the Policy was signed by President Kyle, on July 12, 2012. As no revisions were made to the Policy or Procedure, the documents were not submitted to the BOV for re-approval.

The *Investment Management Policy* and the *Investment Management Procedure* were reviewed by the Vice President for Finance and Administration or designee on October 27, 2013, and no substantive revisions were deemed necessary. The Office of Policy Compliance made minor editorial revisions that did not change the content or intent of the documents.

The *Investment Management Policy* and the *Investment Management Procedure* were reviewed by the Vice President for Finance and Administration or designee in April 2015, and no revisions were deemed necessary.

In July 2016, the *Investment Management Policy* and related procedure were reviewed by the oversight department. Minor editorial and technical changes were made, but no substantive changes were made that would affect the intent of the policy.

Effective September 7, 2017, the *Investment Management Policy* was reviewed by the oversight department and the Office of Policy Compliance. The policy was modified to conform to the current University policy template with minor revisions, which did not require approval of the President's Cabinet. Revisions were approved by the Vice President for Finance and Administration & Chief Financial Officer.

Effective September 1, 2018, the *Investment Management Policy* was reviewed by the oversight department and the Office of Policy and Tax Compliance. No substantive revisions were deemed necessary. Minor editorial changes were made that did not affect the substance or intent of the policy.

Effective September 1, 2019, the *Investment Management Policy* was reviewed by the oversight department and the Office of Policy and Tax Compliance. No substantive revisions were deemed necessary. Minor editorial changes were made that did not affect the substance or intent of the policy.

Effective September 1, 2020, the *Investment Management Policy* was reviewed by the oversight department and the Office of Policy and Tax Compliance. Section 5.I. of the procedures was revised to incorporate changes in the applicable sections of the Code of Virginia. Revisions to the procedures were approved by the Vice President for Finance and Administration & Chief Financial Officer on September 1, 2020.

Reviewed September 1, 2021. No revisions were made.

Reviewed September 1, 2022. No revisions were made.

For general information concerning University policies, contact the Office of Policy and Tax Compliance – (540) 831-5794. For questions or guidance on a specific policy, contact the Oversight Department referenced in the policy.