



# Idaho State University

## POLICIES AND PROCEDURES

### Investments

### ISUPP 2610

#### *POLICY INFORMATION*

**Policy Section:** *Finance*

**Policy Title:** *Investments*

**Responsible Executive (RE):** *Chief Financial Officer*

**Sponsoring Organization (SO):** *Finance*

**Effective Date:** *May 1, 2018*

**Last Reviewed:** *November 2023*

## **I. INTRODUCTION**

The purpose of the Investment policy is to effectively manage the funds and investments of the University.

## **II. POLICY STATEMENT**

This policy establishes and defines the objectives of, and authority for, the University's investment program and applies to all University funds used for investment purposes.

## **III. AUTHORITY AND RESPONSIBILITIES**

The Chief Financial Officer and University Controller are responsible for overseeing the University's adherence to this policy.

Referenced Authority:

Idaho Code §67-1210 et seq.

Idaho Code §67-2327

Idaho Code §67-2328

Idaho Code §33-5001 et seq.

Idaho State Board of Education Policy V.D. (Fiscal Officer, Banking, and Investments)

#### **IV. PROCEDURES TO IMPLEMENT**

##### **A. Investment Objectives and Guidelines**

1. **Safety:** Safety and preservation of principal is the single most important objective of the investment program. Investments must be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.
2. **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all financial needs and obligations that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash requirements. While the University purchases securities with the intent of holding them to maturity, it may liquidate early to maximize the total return on assets, or to compensate for temporary shortfalls in liquidity.
3. **Total return:** The investment portfolio shall be designed with the objective of achieving a maximum total return throughout budgetary and economic cycles, within the context parameters set forth by objectives A and B above. Return on investment is of secondary importance as compared to the safety and liquidity objectives described above.
4. **Standard of Conduct:** The University and its investment managers shall comply with the standard of conduct in managing and investing the University's funds under the Uniform Prudent Management of Institutional Funds Act for the State of Idaho (Idaho Code §33-5001 et seq.).

##### **B. Eligible Investments**

1. **Pre-Approved Funds:** Funds may be invested without prior Idaho State Board of Education approval in the following areas:
  - a. Federal Deposit Insurance Corporation (FDIC) passbook savings accounts
  - b. Certificates of Deposit
  - c. United States (U.S.) government securities
  - d. Federal funds
  - e. Federal funds repurchase agreements
  - f. Reverse repurchase agreements

- g. Federal agency securities
  - h. Large money market funds
  - i. Banker's acceptances
  - j. Corporate bonds
  - k. Mortgage-backed securities
  - l. Commercial paper
  - m. For the State of Idaho:
    - i. General obligations or revenue bond or other obligations for which the faith and credit of the state are pledged for the payment of principal and interest
    - ii. General obligations or revenue bond of any county, city, metropolitan water district, municipal utility district, school district, or other taxing district
    - iii. Bonds, notes, or other similar obligations issued by public corporations of the state of Idaho including, but not limited to, the Idaho state building authority, the Idaho housing authority, and the Idaho water resource board
    - iv. Tax anticipation note and/or registered warrants
    - v. Tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts
    - vi. Revenue bond of institutions of higher education of the State of Idaho
    - vii. State of Idaho run investment funds for state agencies and other governmental entities
  - 2. Other Funds: Investments in areas other than those delineated above require prior approval from the State Board of Education. Such approval may allow for the investment or reinvestment of cash, securities, and other assets. See SBOE policy V.D. for details.
  - 3. Investment in U.S. Government/Government Guarantee Securities: Covenants of certain bond resolutions restrict investment of specific University funds to U.S. Government or government guaranteed securities.
  - 4. Investment Medium: All investments will be in U.S. dollars.
- C. Credit Quality
- 1. Rating Scale: The University will use nationally recognized rating agency scales as the standard when evaluating investments in debt securities in order to limit the credit risk

of those holdings. At the time of acquisition, all investments must meet the following credit quality criteria:

- a. Non-state and non-municipal short term investment holdings will have a minimum rating of Prime-1 (P-1) or equivalent
- b. Non-state and non-municipal long term investment holdings will have a minimum rating of "A" or higher or the equivalent of "A" or higher, by two Nationally Recognized Statistical Rating Organizations (NRSROs) of the Securities and Exchange Commission (SEC)
- c. State and municipal entities short term investment holdings will have a minimum rating of "P-1", Municipal Investment Grade "(MIG) 1", or Variable Municipal Investment Grade "(VMIG) 1", or equivalent
- d. State and municipal entities' long term investment holdings will have a minimum rating of "A"
- e. Investment holdings in State of Idaho run funds, for example the Local Government Investment Pool (LGIP) or the State of Idaho, require no credit rating
- f. Investment holdings in the U.S. government or Federal agency securities, or securities guaranteed by either the U.S. government or a federal agency (excluding government sponsored enterprises) require no credit rating

#### D. Maturity

1. Long-term Investment: The University will seek to control interest rate risk in long-term investments by attempting to match anticipated cash requirements to investment maturities. Generally, in conjunction with maintaining proper liquidity, the investment program should remain flexible enough in its design to enable the University to take advantage of opportunities in a changing interest rate environment.
2. The maximum maturity of any security purchased will be five (5) years. The average weighted maturity of any managed portfolio will not exceed thirty-six (36) months. For securities with puts or resets, the maturity date will be deemed the put or reset date of the security.

#### E. Diversification

1. Investments will be diversified in order to minimize the risk of loss resulting from the concentration of assets. Individual investments and managed portfolios shall meet the following concentration limits:

Investment Policy Diversification

Security	Individual Limit	Aggregate Portfolio Limit
U.S. government securities and U.S. government sponsored	No limit	No limit
State of Idaho securities	No limit	25% of portfolio
State of Idaho investment funds (LGIP, Diversified Bond fund (DBF), etc.)	No limit	No limit
FDIC passbook savings accounts	Limited to FDIC insurance amount	No limit
Bank certificate of deposit	Limited to FDIC insurance amount	No limit
Money market funds	5% of total money market fund value	No limit
State of Idaho and its municipalities, including any county, city, metropolitan water district, municipal utility district, school district, institute of higher education, or other taxing district	A. Limited to 20% of issue size B. Limited by issuer (at purchase date) to 10% of the investment portfolio	25% of portfolio
Non-government issuers – excluding financial institutions	A. Limited to 20% of issue size B. Limited by issuer (at purchase date) to 5% of the investment portfolio	40% (includes all non-government issuers of portfolio)
Non-government issuers – financial institutions	A. Limited to 10% of issue size B. Limited by issuer (at purchase date) to 5% of the investment portfolio	40% (Includes all non-government issuers of portfolio)

F. Non-eligible Investments

1. The University is prohibited from any investment activity that would be considered speculative in nature according to principles of conservative investment management, whether or not the activity is specifically prohibited elsewhere in this policy.

G. Safekeeping

1. Custody: Investments shall be held in the name of the University, under the custody of the Investment Manager or in a safekeeping account. If the portfolio size and related risk of non-delivery of securities makes it necessary to utilize the services of an independent safekeeping agent, the cost of that service must be considered when evaluating whether to hire an agent.

H. Review Performance

1. Investment portfolio performance and statistics will be reviewed on an ad hoc basis, but no less frequently than quarterly.