

Policy 3-5 Rev 7

Date January 7, 2005

Subject: UNIVERSITY OF UTAH INVESTMENT POLICIES

## I. PURPOSE

To establish university policies and procedures related to the investment of public funds and the reporting of such investments.

## II. REFERENCES

- A. State Money Management Act, Section 51, Chapter 7, Utah Code Annotated, 1953.
- B. Rules of the State Money Management Council.
- C. Utah State Board of Regents Investment Policy (R- 541).
- D. University of Utah Banking Policy ([Policy and Procedures No. 3- 4](#)).
- E. University of Utah Conflict of Interest Policy ([Policy and Procedures No. 2- 30](#)).
- F. Investment Management Office Guidelines ([Cash Management Pool Management Guidelines](#))

## III. DEFINITIONS

- A. State Money - Moneys from legislative appropriations for the support and operation of the university.
- B. Public Funds - State money and all other funds, regardless of the source, which are owned, held or administered by the university.
- C. Donated Funds - Funds acquired by the university by gift, devise or bequest.

D. Public Treasurer - A University of Utah employee who has been designated by the Board of Trustees as the university's public treasurer, as defined in the State Money Management Act and who has the responsibility for the safekeeping and investment of any public funds.

#### IV. GENERAL PROVISIONS

A. The investment of public funds by the university shall comply with applicable statutory provisions, including the State Money Management Act, the rules of the State Money Management Council, and with policies of the State Board of Regents and the Board of Trustees.

B. The president of the university shall recommend for appointment by the Board of Trustees an employee of the university to serve as the university's public treasurer. The nominee shall possess demonstrated skills and capabilities in the management of institutional cash and investments. The appointed public treasurer shall serve in that capacity until a replacement has been appointed.

#### C. Investment Objectives

The university shall manage its cash flow in a manner which will maximize funds available for investment. Available funds shall be invested with the following objectives:

1. Protection and safety of principal.
2. Liquidity and term of investment which will provide funds for anticipated expenditures and emergency expenditures.
3. Recognition of differing objectives and needs of various operating and permanent accounts.
4. Conformance with state law, pertinent bond resolutions or indentures, or other pertinent legal restrictions.
5. Maximization of the rate of return consistent with the foregoing objectives.

Selection of investments shall be made with the exercise of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would

ordinarily exercise in the management of their own affairs, not for speculation but for investment, considering the safety of their capital, as well as the expected benefits to be derived and the duration for which such investment is to be made.

#### D. Beneficial Interests and Donor Restricted Investments

In addition to public funds owned, held or administered by the university, the university may be the beneficiary of trust funds, which it does not own or control, and which are administered by independent trustees or boards. This policy does not apply to such trusts nor to donated funds which the donor has directed to be invested in specific securities or properties.

### V. POLICY

#### A. Authority to Manage Public Funds

The authority to manage the university's public funds, subject to investment transaction approvals required by paragraph V.B., is delegated to the university's public treasurer. If specifically approved by the Board of Trustees, the authority to invest public funds may also be delegated to independent investment manager(s).

#### B. Approval of Investment Decisions

1. Entering into repurchase agreements, the purchase of money market funds, redemption of securities, and the sale of securities donated to the university, in accordance with paragraph V.G., must be approved by one of the following university officials:

public treasurer

associate vice president / chief investment officer

vice president for administrative services

president

All other investment purchases and sales must be approved by two of the above listed university officials. All individual investment transactions, exceeding \$10 million must be approved by the vice president for administrative services or the president.

2. No person may engage in an investment transaction on behalf of the University

of Utah except as provided under the terms of this policy.

### C. Investment Pools

1. Ordinarily, funds will be pooled for investment purposes.
2. Specific investment pools or portfolios may be established to:
  - a. Ensure compliance with specific provisions of the State Money Management Act and rules of the State Money Management Council.
  - b. Ensure compliance with any legal restrictions, such as bond covenants or trust agreements.
  - c. Ensure compliance with donor instructions relating to gifts or bequests.
  - d. Meet investment objectives of groups of similar accounts.
  - e. Provide liquidity to meet the operating needs of the university.
3. Investment pools may be established only upon approval of the vice president for administrative services or the president after consultation with the chair of the Business Affairs/Capital Facilities Committee of the Board of Trustees.
4. Policies for the operation and management of each investment pool will be established and periodically reviewed by the Investment Advisory Committee - see Paragraph VI.

### D. Distribution of Pooled Investment Income

Investment income will be periodically distributed, but no less often than quarterly, to the eligible accounts which provide funds for investment. Distributions will be based on estimated net earnings of the pools at rates determined by the Associate Vice President / Chief Investment Officer and approved by the Vice President for Administrative Services. The final distribution each year will be adjusted to reflect actual net earnings. Eligible accounts include development

and endowment accounts and other accounts so designated by the president or his/her designee.

Investment income attributable to non-eligible accounts, i.e., renewal and replacement accounts as well as income resulting from investments of bank float and accounts payable pending disbursement shall be credited to the president's cash management earnings account.

#### E. Overdraft Balances of Funds Participating in Investment Pools

Accounts with temporary negative average daily cash balances during a month shall be charged an interest rate as determined by the vice president for administrative services.

#### F. Separate Investments

Certain funds may be separately invested, rather than included in a pool, if one or more of the following conditions exist:

1. The investment of the funds has been specified or restricted by the donor in a manner which makes it impractical to commingle with funds in investment pools.
2. The funds have been pledged or dedicated and must be invested in accordance with the objectives and guidelines stated in bond resolutions or other debt agreements.
3. The funds have been approved for separate investment by the vice president for administrative services or the president.

#### G. Donated Securities

Ordinarily, securities which are received by gift or bequest shall promptly be sold by the public treasurer unless such securities represent investments which would otherwise be held by the university in accordance with investment objectives stated in Section IV. C. of these policies and which meet the requirements of the State Money Management Act and the rules of the State Money Management Council, or unless restrictions specified by the donor of the gift or bequest preclude the university from selling the securities.

#### H. Internal Controls

The university shall establish a system of internal controls, which shall be evaluated annually by the university's internal auditors and/or by independent auditors. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by university employees and officers. Such controls shall provide for, but not be limited to:

1. Separation of transaction authority from accounting and recordkeeping.
2. Appropriate segregation of other related duties.
3. Custodial safekeeping of securities.
4. Avoidance of bearer-form securities.
5. Clear delegation of investment authority.
6. Written confirmation of telephone transactions.
7. Supervisory control and oversight.
8. Documentation of transactions and strategies.

#### I. Reporting Requirements

1. The public treasurer shall submit monthly investment reports to the secretary of the university's Board of Trustees within the required time frame established by the Board. Such reports will include the monthly portfolio activity as well as the detail of the university's entire portfolio, showing costs and market amounts for each investment and maturity dates where applicable. The report shall include a certification by the public treasurer that the reports accurately reflect the investment activity, the cost and market value of all investments at month end and that all investments conform with university and Board of Regents policies and with the State Money Management Act and the rules of the State Money Management Council. The secretary shall place the report on the agenda of the next regular council meeting. No later than 3 calendar days prior to each regularly scheduled monthly meeting of the Board of Trustees, the vice president for administrative services shall have delivered to the chair of the Business Affairs/Capital Facilities Committee of the Board of Trustees a copy of the reports described above along

with any comments or explanations. The chair shall review the reports prior to the Board of Trustees meeting and may request additional information or explanations from any university official or employee. During the Board of Trustees meeting the chair shall present the reports to the Trustees with any comments or recommendations she/he wishes to make. The Trustees, after receiving the report and hearing the comments or recommendations of the Business Affairs/Capital Facilities chair, shall approve or reject the reports.

2. The university shall submit to the Office of the Commissioner for Higher Education (OCHE) a copy of the reports submitted to its Board of Trustees as required in paragraph V.J.1. no later than 7 days after the Council's action(s). Reports submitted to the OCHE shall be accompanied by a transmittal letter from the president of the university which shall state that the president has reviewed the reports, whether or not the president has approved the reports, and the actions taken by the Board of Trustees regarding the reports.

3. Each year, the university shall submit, on forms provided by the OCHE, a summary report of its money management activities for the prior fiscal year. This report shall include the university's internal auditor's opinion regarding: (1) the fairness of presentation of the report in accordance with generally accepted accounting principles; and (2) compliance with applicable state statutes, in particular, the State Money Management Act, rules of the State Money Management Council, and policies of the Board of Trustees and of the State Board of Regents. The report shall also include the public treasurer's certification that, to the best of the treasurer's knowledge, the university is in compliance with the policies of the university and the State Board of Regents and is in compliance with the State Money Management Act and the rules of the State Money Management Council. A copy of the report will be provided by the university administration to the chair of the Business Affairs/Capital Facilities Committee of the Board of Trustees who shall present the report's findings and conclusions to the Board of Trustees. The report will be forwarded to the Board of Regents.

4. Reports of the performance of independent investment managers will be submitted by the university vice president of administrative services each calendar quarter to the Board of Trustees for its information.

## VI. INVESTMENT ADVISORY COMMITTEE

The University Investment Advisory Committee, consisting of six to ten members selected by the president of the university, will meet at least twice a year and is chaired by the vice president for administrative services to:

- A. Review current economic conditions and future economic forecast.
- B. Review the university's current investment portfolio and investment results.
- C. Review the university's current investment strategy and recommend investment strategy to be employed for the future.
- D. Adopt appropriate revision to the investment pool operating policies.
- E. Recommend to the university administration the engagement, termination or continuation of investment counsel or investment managers.
- F. Recommend to the university administration, adoption of appropriate policies or practices relating to investment of public funds, allocation of investment earnings or the management of cash.

## VII. INDEPENDENT INVESTMENT MANAGERS AND COUNSEL

External qualified investment counsel may be appointed by the Board of Trustees to provide investment advice to the public treasurer. External qualified investment managers may be retained by the Board of Trustees to manage one or more investment pools. Investment counsel and managers will be chosen on the basis of investment performance and investment reputation in the financial community as well as cost of services. Such appointments will be subject to annual review. Investment counsel and managers will be compensated for services as authorized by the Board of Trustees.

## VIII. RELATIONSHIPS WITH FINANCIAL INSTITUTIONS

Qualified depositories as defined by the State Money Management Act shall be selected through the banking services procurement process, which shall include a formal request for proposals in accordance with the University of Utah Banking Policy (([Policy and Procedures No. 3- 4](#)) and Utah State Board of Regents Policy (R-543). In selecting depositories, the credit- worthiness of institutions shall be considered, and a comprehensive review shall be conducted of prospective depositories credit characteristics and financial history.

## IX. ETHICS AND CONFLICTS OF INTEREST

The public treasurer and other officers involved in the investment process shall refrain from personal

business activity that could conflict with proper execution of the investment program, or which would impair their ability to make impartial investment decisions. Investment officials shall disclose confidentially to the university president and to the university purchasing agent any material financial interests in financial institutions that conduct business with the university, and they shall also disclose any large personal financial/investment positions that may affect their performance of investment duties or the performance of the university's portfolio. Such officers shall subordinate their personal investment transactions to those of the university, particularly with regard to the timing of purchases and sales.

Approved: Institutional Council 9/11/89

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