

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

UNIVERSITY CASH BALANCES

STATEMENT OF OBJECTIVES AND POLICIES

Introduction

This statement of investment objectives and policies governs the investment of UVM pooled cash. The pooled cash includes all funds of the university other than the funds that are held in the university endowment and certain plant, restricted and loan reserves, for which separate investment guidelines have been established. This statement will be subject to periodic review and possible modification by the Budget, Finance and Investment Committee as is considered necessary to achieve cash management and investment requirements.

Investment Objectives

University pooled cash for purposes of investment allocation shall be divided into three asset groups as follows:

Short-term pool: Cash that is expected to be needed for normal operating expenditures within a one-year period. The primary objective is preservation of principal and liquidity. Maximization of investment income without undue exposure to risk is a secondary objective.

Intermediate-term pool: Cash that is expected to be needed within a period of one year to three years. The primary objectives are preservation of principal and maximization of investment income without undue exposure to risk.

Long-term pool: Cash that is not expected to be needed for operational purposes for a period exceeding three years and which may be designated as a permanent core. The primary investment objective is to achieve consistent long-term growth of the pool with limited exposure to risk.

Allocation Guidelines

Short-term pool: The average weighted maturity for a short-term portfolio shall be between one day and one year.

Intermediate-term pool: The average weighted maturity for intermediate-term portfolio shall be between one year and three years.

Long-term pool: Permanent core cash may be invested in any investment that is allowable under the University's *Statement of Objectives and*

Policies for the Endowment Fund and that meets the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

Performance Objectives

- Short-term pool: The benchmark for the short-term portfolio shall be total return that meets or exceeds the yield of three month U. S Treasury securities.
- Intermediate-term pool: The benchmark for intermediate-term portfolio shall be total return that meets or exceeds the Merrill Lynch 1-3 Year Government Bond Index.
- Long-term pool: The benchmark for the investment of the long term pool shall correspond to the benchmarks for each asset class as specified in the University's *Statement of Objectives and Policies* for the Long Term Investment Pool, including the Endowment Fund.

Allowable Investments for Asset Groups

- Short-term pool: Investments in the short-term portfolio are restricted to U. S. Treasury and government agency securities and high quality corporate securities and commercial and bank paper. Investments shall be in marketable securities of the following types and with the noted credit ratings:
1. Debt securities which are rated Aaa, Aa, A or Baa by Moody's Investor's Service, Inc. or AAA, AA, A or BBB by Standard & Poor's Corporation.
 2. Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.
 3. Obligations of, or guaranteed by, national or state banks or bank holding companies, which obligations are rated C or better for Vermont banks and B/C or better for out of state banks. No more than 20% of the funds held in the cash pool shall be invested in obligations of the institutions within any single holding company.
 4. Commercial paper rated A-1 or higher by Standard and Poor's or Prime-1 (P1) by Moody's Investor's Service, Inc.
 5. Bankers' acceptances or negotiable certificates of deposit issued by banks, which obligations are rated C or better for

Vermont banks and B/C or better for out of state banks. No more than 20% of the funds held in the cash pool shall be invested in certificates of deposit, bankers' acceptances or floating rate notes of the institutions within any single holding company.

6. Repurchase agreements secured by the U.S. government and federal agency obligations, which shall have market values of at least 100% of the amount of the repurchase agreement. Repurchase agreements of Vermont based banks having Fitch ratings no lower than C/D with the condition that these repurchase agreements be 102% collateralized with U.S. government Securities.
7. Commingled funds may be used if they are in compliance with the above guidelines.
8. The Commonfund, a non-profit provider of investment products for colleges and universities. No dollar limitations are placed on the amount which can be invested with the Common Fund.

Intermediate-term pool: Investments in the intermediate-term portfolio are restricted to securities which are rated Aaa, Aa, A or Baa by Moody's Investor's Service, Inc. or AAA, AA A or BBB by Standard & Poor's Corporation.

Long-term pool: Investment of the long term pool shall be restricted to those that are allowable under the University's *Statement of Objectives and Policies* for the Endowment Fund and that meet the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk. The long-term pool shall not exceed 10% of the lowest average operating balance within the past 3 years.

Moral, Ethical and Social Considerations

Cash balances will be invested consistently with the moral, social and ethical criteria adopted by the Budget, Finance and Investment Committee as related to the Long Term Investment Pool, including the Endowment Fund. Social criteria shall include, where advisable and consistent with investment quality, return, and safety guidelines, the use of community and State institutions for investment purposes. Where returns are reasonably equal (within 10 basis points), preferences will be given to Vermont-based financial institutions.

Investment Management Responsibility and Structure

Cash management and investment responsibility resides with the Vice President for Finance and Administration and Treasurer through the Associate Vice President for Finance and Controller.

1. Investments may be made internally using allowable instruments and institutions or,
2. Investment managers may be engaged to invest University assets consistent with this policy. Subject to this policy and a written agreement between the University and the investment manager, the investment manager is provided discretion to select individual securities and make adjustments to the structure of the portfolio.

Administration and Reporting

The Treasurer will report to the Budget, Finance and Investment Committee at each meeting, the following:

1. Balances in each asset group
2. Investments in each asset group by manager and investment type or fund
3. Performance for each manager or for each individual investment type within each asset group

The Treasurer has the authority to open accounts with banks, investment firms, or commercial paper institutions in order to implement this investment policy.

The Vice President for Finance and Administration is the University Official responsible for the interpretations and administration of this policy.

*Adopted by the Board of Trustees, October 15, 199; Revised by the Board of Trustees October 12, 2002; Revised by the Board of Trustees August 27, 2005; **revised by the Board of Trustees November 11, 2006***