

140.012 Investment Policy for General Pool

Bd. Min. 12-6-91; Amended Bd. Min. 12-9-93; Amended Bd. Min. 11-14-94; Amended Bd. Min. 12-13-96; Amended Bd. Min. 9-26-97; 1-21-98; Revised 2-01-00; Amended Bd. Min. 9-27-02; Amended Bd. Min. 11-22-02; Revised 1-5-04; Amended Bd. Min. 9-9-04; Amended Bd. Min. 1-26-07; Amended Bd. Min. 2-6-09; Amended Bd. Min. 6-5-09; Amended Bd. Min. 6-17-11; Revised in entirety, Bd. Min. 6-26-12. (Note: Board approval on 6-26-12 replaced previous rules 140.010, 140.011, 140.012 and 140.013 with new language and reissued new rules 140.010 through 140.016.) Amended Bd. Min. 1-31-13; Amended Bd. Min. 6-25-15; Amended Bd. Min. 10-1-15; Amended Bd. Min. 10-7-16; Amended Bd. Min. 11-15-18; Amended Bd. Min. 9-24-20; Amended Bd. Min. 4-21-22; Amended Bd. Min. 11-17-22; Amended Bd. Min. 6-29-23; Amended Bd. Min. 6-27-24; Amended Bd. Min. 9-12-24; Amended Bd. Min. 6-26-25.

- A. **Introduction** – The General Pool represents the University’s cash and reserves, both restricted and unrestricted, including, but not limited to, operating funds, auxiliary funds, service operations funds, self-insurance funds, debt service funds, and plant funds.
- B. **Responsibilities and Authorities** – See CRR 140.010, “Policy for Management and Oversight of Selected University Investment Pools”
- C. **Investment Objectives** – The General Pool shall be managed in a way that both recognizes and balances the underlying needs of the pool, including, but not limited to, accommodation of University cash flow cyclicalities, satisfaction of various ongoing liquidity needs, maximization of risk-adjusted investment returns, diversification and preservation of capital.
- D. **Authorized Investments** – The General Pool shall be managed through two distinct components~~invested as follows:~~ Working Capital portfolio and Investments portfolio.

-	Investment Portfolios		
	Working Capital	Core	Strategic
Management	Internal/External	External	External
Minimum Allocation	20%	0%	0%
Maximum Allocation	100%	60%	45%
Liquidity Objective	High	Moderate	Moderate/Low
Volatility Tolerance	Low	Moderate	Moderate/High
Return Expectation	Low	Moderate	Moderate/High

1. **Working Capital Portfolio**

The Working Capital portfolio is expected to have very low volatility and low (cash-like) returns. It is the primary source of liquidity for the University’s operating cash flow needs, constructed utilizing securities and investment vehicles that generally~~primarily~~ have ~~same~~-daily liquidity with minimal day-to-day price fluctuations.

The Working Capital portfolio may ~~Exposures will be obtained by~~ investing in the following:

- a. Bank deposits covered by FDIC insurance or otherwise collateralized by U.S. Government and U.S. Government Agency securities.
- b. Money market funds which are SEC 2a-7 compliant and have received the highest possible rating by at least two Nationally Recognized Statistical Rating Organizations.
- c. Commercial Paper which has received a rating of at least A1 / P1 / F1 by two of the Nationally Recognized Statistical Rating Organizations
- d. Repurchase Agreements collateralized by the U.S. Government and U.S. Government Agency securities.
- e. Yield Enhancement Strategies that seek returns higher than, or comparable to, traditional cash investments, while diversifying the risk inherent in traditional cash investments. To implement these strategies, liquid non-cash-like securities are often purchased in conjunction with a hedge instrument that substantially hedges away the non-cash-like attributes of the securities. Instruments that may be part of such transactions include: U.S. Treasury securities, sovereign bonds issued by G10 countries, and other fixed income securities and precious metals. To hedge away the non-cash like attributes, the following instruments may be used: futures contracts, asset/interest rate swaps, currency forwards, securities lending agreements, and repurchase agreements.
- f. Other short-term investment vehicles of similar quality, with an average duration of one year or less.
- g. U.S. Treasury securities, U.S. Government Agency securities and U.S. Government guaranteed securities, including but not limited to: all direct obligations of the U.S. Government, Federal Farm Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.
- h. Internal short-term loans at market interest rates to the University's Central Bank as a substitute for commercial paper which could otherwise be issued externally by the Central Bank under the University's Commercial Paper Notes program. Such short-term loans must be approved by the Vice President for Finance.

2. **Investments Portfolio**~~Core Portfolio~~

The Investments Core-portfolio ~~will is expected to have moderate volatility with moderate returns, invested primarily in public debt securities and related investment vehicles. It will~~ serve as a secondary source of liquidity, built utilizing excess operating funds not expected to be needed for purposes of funding the operational needs of the University under normal circumstances. This portfolio will be expected to generate higher returns than the Working Capital portfolio through the use of common market exposures including but not limited to some combination of credit risk, equity risk, interest rate risk, illiquidity risk and idiosyncratic (active) risk.

Approved asset class (as defined by CRR 140.017, "Policy for Allowable Investments"):

<u>Asset Class</u>	<u>CRR Section</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Public Equity</u>	<u>140.017 (C)(1)</u>	<u>0%</u>	<u>10%</u>
<u>Core Fixed Income</u>	<u>140.017 (C)(4)</u>	<u>40%</u>	<u>100%</u>
<u>Absolute Return*</u>	<u>140.017 (C)(5)</u>	<u>0%</u>	<u>20%</u>
<u>Opportunistic*</u>	<u>140.017 (C)(6)</u>	<u>0%</u>	<u>5%</u>
<u>Structured Credit*</u>	<u>140.017 (C)(7)</u>	<u>0%</u>	<u>20%</u>
<u>Private Credit*</u>	<u>140.017 (C)(8)</u>	<u>0%</u>	<u>20%</u>
<u>Commodities</u>	<u>140.017 (C)(9)</u>	<u>0%</u>	<u>10%</u>
<u>Risk Balanced</u>	<u>140.017 (C)(10)</u>	<u>0%</u>	<u>10%</u>
<u>Real Estate*</u>	<u>140.017 (C)(11)</u>	<u>0%</u>	<u>15%</u>

*May not exceed 50% of the Investments portfolio in aggregate.

The Investments Portfolio may also contain: Core Fixed Income—Section (C)(4)-

3. Strategic Portfolio

~~The Strategic portfolio will be built utilizing excess operating funds that should not be needed for liquidity purposes. As compared to the Core portfolio, the Strategic portfolio will have higher return expectations and a higher level of expected volatility. These are truly long term funds and should be thought of similarly to retirement and endowment funds.~~

~~a. Approved asset classes (as defined by CRR 140.017, "Policy for Allowable Investments"):~~

~~Private Debt—Section (C)(6)~~

~~Real Estate/Infrastructure—Section (C)(9)~~

~~Risk-Balanced—Section (C)(8)~~

~~Alpha Portfolio—Section (D)(1)(d)~~

b.a. Venture Capital

Investments shall be consistent with the University's mission to foster innovation in support of economic development. Maximum allocation shall be limited to 0.5% of the combined Core and Strategic portfolios.

Investments require unanimous approval by the Executive Vice President for Finance and Operations and the Chief Investment Officer in consultation with the President.

Utilization of external managers shall be consistent with the guidelines established in CRR 140.011, "*Policy for Investment Manager Selection, Monitoring and Retention.*"

e.b. Endowment Pool

As part of its ~~Investments~~Strategic pPortfolio, the General Pool may invest in

the University's Endowment Pool, as established and governed by CRR 140.013, "Investment Policy for Endowment Pool."

E. Risk Management

1. The Assistant Vice President for Treasury and Real Estate shall establish and implement procedures to:
 - a. Regularly monitor the University's cash flow forecasts.
 - b. Determine and maintain minimum daily liquidity equal to 30 days operating cash outflows for the University.
 - c. Determine and maintain minimum weekly liquidity equal to 360 days operating cash outflows for the University.
 - d. As applicable, determine and maintain overall liquidity sufficient to satisfy credit rating agency guidelines for any self-liquidity needs of the University's debt portfolio.
 - e. Maintain a contingency funding plan to address unanticipated market / liquidity events, with the objective of having ready access to cash to meet the University's operating cash flow needs at all times.
 - e-f. The minimum daily and weekly liquidity requirements, as set forth in subsections E.1.b and c, above, are separate and independent from each other, and each applicable minimum shall be separately calculated and continuously maintained at all times.
2. The Chief Investment Officer shall establish and implement procedures to:
 - a. Invest General Pool funds, ~~primarily~~ within the Working Capital and ~~InvestmentsCore~~ portfolios, in a manner which satisfies minimum requirements for daily liquidity, weekly liquidity and any contingency funding needs while meeting the Investment Objectives outlined above in Section C.
 - b. Maintain appropriate reserves within the ~~InvestmentsGeneral-Pool Portfolio~~ to mitigate drawdown risk based on the level of projected risk within the ~~Investments PortfolioGeneral-Pool~~, modeled in consultation with the University's Investment Consultant, allowing the University to better manage through periods of market volatility.

- F. **Excluded Instruments** – The General Pool shall not be deemed to include, and the limitations contained herein shall not be deemed applicable to, any program-related funds, instruments, and assets not held primarily for investment such as interests governed by CRR 70.070, "Entrepreneurial Activity."