

## I. Purpose of the Investment Policy

The purpose of this document is to identify the policies for prudent investment of Oregon State University (“University”) funds by providing guidelines for suitable investments while maximizing the efficiency of the University’s cash management program.

The investment policies and practices of the University are based on state law and prudent money management. All funds will be deposited and invested in accordance with this Policy and all statutes, ordinances and policies governing the University.

## II. Scope

It is intended that this policy cover all funds (except quasi-endowment, endowment, and retirement funds) and investment activities under the direction of the Oregon State University Board of Trustees (Board).

## III. Prudence

The Vice President for Finance and Administration, Associate Vice President for Finance and Administration and the Board are fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the University, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the University.

## IV. Objectives

The primary objectives, in priority order, of the investment activities of the University shall be:

1. *Safety* — Safety of principal is the foremost objective of the investment program. Investments of the University shall be undertaken in a manner that seeks to ensure

preservation of capital in the portfolio. The University shall seek to mitigate credit and interest rate risk.

- a. Credit Risk. The University will minimize credit risk, the risk of loss due to the financial failure of the security issuer or backer, by:
    - Pre-qualifying the financial institutions, broker/dealers, and advisers with which the University conducts business.
    - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
    - Actively monitoring the investment portfolio holdings.
  - b. Interest Rate Risk. The University will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:
    - Structuring the investment portfolio to provide enough liquidity to meet cash flow needs.
    - Maintaining a conservative duration target.
    - Structuring the portfolio to consist largely of securities with active secondary or resale market.
2. *Liquidity* — The investment portfolio of the University will remain sufficiently liquid to enable the University to meet its cash flow requirements including but not limited to payroll, payroll related liabilities, accounts payable, and debt service.
  3. *Return on Investment* — The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio.

## V. Delegation of Authority

The management responsibility for the investment program is hereby delegated by the University Vice President for Finance and Administration to the University Associate Vice President for Finance and Administration, with oversight by the University Provost and Executive Vice President and the University Vice President for Finance and Administration. The Associate Vice President will monitor and review all investments for consistency with this investment policy. The Associate Vice President may delegate investment decision-making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

## VI. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or

that could impair their ability to make impartial decisions. Officers and employees shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the University.

## VII. Permitted Investment Instruments

Where this section specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Associate Vice President for Finance and Administration will perform a timely review and decide whether to sell or hold the investment.

The University will limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

### *Investment Pools*

1. The **Public University Fund** established by Section 7 of House Bill 4018.
2. The **Oregon Short-Term Investment Fund (OSTF)**/Pool as managed by the Oregon State Treasury in accordance with the terms approved by the Oregon Investment Council.
3. The **Oregon Intermediate Term Pool (OITP)** as managed by the Oregon State Treasury in accordance with the terms approved by the Oregon Investment Council.
4. Any other investment pools managed by the Oregon State Treasury in accordance with terms approved by the Oregon Investment Council.

Prior to investing in any investment pool, the University will review the pool's governing document, prospectus (if available), permitted investments, fees, and management.

### *Securities and Registered Funds*

1. **U.S. Treasuries.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. **U.S. Agency Obligations.** Federal agency, instrumentalities of the United States, or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies, instrumentalities, or United States government-sponsored enterprises.

3. **Municipal Obligations.** Lawfully issued debt obligations of the agencies and instrumentalities of any State or their political subdivisions in the United States with a long-term rating of at least 'A' or the equivalent from two Nationally Recognized Statistical Rating Organizations (NRSRO) or with the highest rating for short-term municipal debt. The maximum percent of the portfolio that may be allocated to this sector is 25%.
4. **Bankers' Acceptances.** Issued by domestic banks or domestic offices of foreign banks, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of at least "A-1" or the equivalent from two NRSROs. The maximum percent of the portfolio that may be allocated to this sector is 25%.
5. **Time Deposits.** Certificates of deposit or time deposits of domestic banks and domestic branches of foreign banks with a short-term debt rating of at least "A-1" or the equivalent from two NRSROs.
6. **Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a state or federally-licensed branch of a foreign bank. The maximum percent of the portfolio that may be allocated to this sector is 25%.
7. **Commercial Paper.** "Prime quality" commercial paper, with a maturity of 270 days or less, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least "A-1" or the equivalent from two NRSROs. The maximum percent of the portfolio that may be allocated to this sector is 25%.
8. **Corporate Notes.** Corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S. Corporate notes must have a long-term rating of at least 'A' or the equivalent from two NRSROs. The maximum percent of the portfolio that may be allocated to this sector is 30%.
9. **Asset-backed Securities.** Mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which is rated at least "AA" or the equivalent from two NRSROs. The maximum percent of the portfolio that may be allocated to this sector is 20%.
10. **Money Market Mutual Funds.** Shares in an open-end, no-load investment funds provided such fund:
  - a) Is registered under the Federal Investment Company Act of 1940,
  - b) Is rated "AAAm" or "AAAm-G" or the equivalent by a NRSRO, and
  - c) Complies with the requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission.

Before investing in any mutual fund, the University will obtain a copy of the fund's prospectus and review permitted investments, fees, and management.

### **VIII. Maximum Maturity**

Maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled to permit the University to meet all projected obligations.

Unless otherwise noted within this investment policy, the University may not invest in a security with a final maturity that exceeds ten years from the date of purchase. The maximum duration of the University's portfolio (which incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates) may not exceed 5 years.

### **IX. Safekeeping and Custody**

The assets of the University shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions.

### **X. Reporting Requirements**

The University Vice President for Finance and Administration, or his/her delegate, will present to the Board quarterly investment reports, which will include:

#### ***Investment Pools and Registered Funds***

- Cost basis
- Market value
- Dividend income
- Dividend yield
- Quarterly performance

#### ***Securities***

- Description of investment instrument
- Interest rate or yield to maturity
- Purchase date
- Maturity date
- Purchase price
- Par value
- Current market value as of the date of the report and the source of this valuation
- Overall portfolio yield based on cost

## **XI. Biennial Review of Investment Policy**

The University Vice President for Finance and Administration, or his/her delegate, will present the Investment Policy to the Board for review on a biennial basis.

### *Document History*

- Promulgated October 17, 2014 by majority vote of the Board of Trustees