

Procedure 3.21 Investments

Definitions

Short-Term investments: Investments with a maturity of less than 90 days. Funds needed to meet short-term operating requirements will be primarily invested in either investment pools or overnight sweep accounts established with banking institutions. The benchmark is the average three-month Treasury bill yield.

Intermediate-Term investments: Investments with a maturity of 90 days to one year. United States Treasury and Agency securities, or United States Agency Discount Notes are the primary investment vehicles. United States Treasury securities are preferable because of their low risk and the ease with which they are traded. The benchmark is 95 percent of the average one-year Treasury bill yield.

Long-Term investments: Investments with a maturity over one year. United States Treasury and Agency securities are the primary investment vehicles. The 30 Year Treasury Bond rate is the benchmark for long term funds.

Quasi-Endowment Funds: Funds for which the university, rather than a donor has determined that the corpus is to be retained and invested. Since these funds are internally designated rather than externally restricted, the university has the right to expend principal .

Investment Officers: The university's vice president for finance and administration, the associate vice president for finance and administration, the director of treasury and student business services, and other employees as designated in writing by the university's vice president for finance and administration including an employee temporarily holding one of those positions in an acting or an interim role.

Procedure

This procedure applies to all Stephen F. Austin State University operating funds, quasi-endowment funds, and bond proceeds. The procedure states the goals and objectives in the investment of these assets and is intended to provide guidance in the management of the assets.

Stephen F. Austin State University invests the funds in its custody with primary emphasis on the preservation and safety of the principal amount of the investment. Secondly, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the university. Finally, the university invests to maximize yield within the two previously indicated standards.

The "prudent person" standard will be used in the investment function and shall be applied in the context of individual transactions as well as management of the overall portfolio. Accordingly, all investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.

The vice president for finance and administration is responsible for investment management decisions and activities but may delegate the day-to-day management of the investment activities to the investment officers. The vice president for finance and administration shall establish a system of controls and procedures to regulate the activities of officials and staff involved in investment transactions.

Insurance or Collateral: All depository bank accounts shall be secured by a pledge of collateral with a market value equal to no less than 100% of the deposits plus accrued interest less any amount insured by the FDIC. The University of Texas System will secure and maintain collateral for funds deposited in UT System depositories. The university will maintain collateral for any funds deposited in university depositories during the transitional period.

Collateral Defined: The university shall accept only the following securities as collateral:

- a. FDIC insurance coverage;
- b. United States Treasury, Agency, or Instrumentality securities;
- c. Direct obligations of the state of Texas or its agencies and instrumentalities;
- d. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States;
- e. Obligations of states, agencies thereof, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of no less than A or its equivalent;
- f. Collateralized mortgage obligations (CMO) directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States. CMO must have a stated final maturity date of less than 10 years.

A written copy of the investment procedure shall be presented to any person offering to engage in an investment transaction with Stephen F. Austin State University. The qualified representative of the business organization offering to engage in an investment transaction with Stephen F. Austin State University shall execute a written instrument substantially to the effect that the business organization has (a) received and reviewed the investment procedure of the university and (b) acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the university and the organization that are not authorized by Stephen F. Austin State University's investment procedure.

Securities may not be bought from any organization whose representative has not provided the university with the acknowledgment required in the above paragraph. Funds invested with institutions authorized by Texas Education Code Sec. 51.0031, will be invested pursuant to the qualifying institution's investment procedure.

Performance Evaluation

The vice president for finance and administration, associate vice president for finance and administration, or director of treasury and student business services shall publish quarterly investment reports on the university's website in a format and timeframe prescribed by the PFIA.

Internal Controls

The university has established a system of internal controls designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the university. These controls are subject to the review of and recommendations from the university's Department of Audit Services.

Disclosure Requirements for Investment Officers

An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

- the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

Training

Each investment officer shall attend a training session within six months after assuming duties relating to investment responsibilities as required. The investment officers shall thereafter attend an investment training session relating to investment responsibilities from an independent source not less than once each state fiscal biennium. The approved independent training sources include:

- Texas Higher Education Coordinating Board
- Center for Public Management at the University of North Texas
- Government Treasurer's Organization of Texas
- PFM Asset Management LLC

The university may provide other training in investments in order to ensure the quality and capability of the university's investment officers to make investment decisions.