

NUMBER: **1636\***

TITLE: **Current Funds Portfolio**

APPROVED: **September 27, 1990 (Finance and Audit Committee<sup>1</sup>)**

### PURPOSE

Earnings from current funds investments provide an important source of unrestricted revenue for the university. Funding for this program includes all current funds held by the university beyond those required to meet the daily cash needs of the university.

### DEFINITIONS

Current funds are funds restricted by donors and unrestricted funds held by the university for current operations.

### AUTHORITY, RESPONSIBILITIES AND DUTIES

The vice president for administration and finance is empowered to open accounts and invest the funds in accordance with the policies presented below.

### GENERAL POLICY STATEMENTS

Current funds investments will be governed in whole or in part by the Uniform Management of Institutions Funds Act, the Virginia Security for Public Deposits Act, the Virginia Investment of Public Funds Act, the Virginia Investments Act, and Board of Visitors current funds investment policy that may from time to time be adopted.

### INVESTMENT OBJECTIVES

The primary investment objective of the fund is to maximize investment income consistent with the need for safety of principal and liquidity. A secondary objective is to realize incremental income or principal appreciation consistent with the primary objective through active management of the portfolio. A target total return for the portfolio is to generate a return in excess of a composite index

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<sup>1</sup>Now known as the Administration and Finance Committee.

consisting of 60% of the 91 day T-bill index and 40% of the Merrill Lynch 1-3 year government/treasury index over rolling one year periods.

### INVESTMENT PHILOSOPHY

Portfolio management and trading may be used to achieve the objectives. Strict quality standards have been established to minimize credit risks. Emphasis will be placed on short term, highly marketable securities to ensure adequate liquidity.

### INVESTMENT POLICIES

1. Funds shall be invested in securities which are considered lawful investments as provided by the Virginia Security for Public Deposits Act. Lawful securities include:
  - a. Obligations of the United States
  - b. Obligations of the Commonwealth
  - c. Obligations of public utilities
  - d. Certificates of deposits of and savings accounts in federally insured Virginia banking institutions
  - e. Federal housing loans
  - f. Obligations and preferred stock of industrial and financial corporations
2. Maturities are restricted to no more than five years for commercial notes and no more than 270 days for commercial paper.
3. The portfolio shall be diversified between different sectors (government agencies and corporates) and different issues within each sector. No more than 35% of the portfolio shall be invested in commercial paper and no more than 5% of the portfolio shall be invested in commercial paper of any one issuing corporation.
4. Securities selection shall be governed by the following quality standards:
  - a. Certificates of deposit and bank deposit notes of any Virginia bank rated A, A/B, or B by Keefe, Bruyette & Woods Bank Watch Bank/Thrift Ratings.

- b. Commercial paper issued by domestic corporations having a credit rating of A1 by Standard and Poor's and P1 by Moody's. Dollar denominated commercial paper issued by foreign issuers with a rating of A1 by Standard and Poor's and P1 by Moody's.
  - c. Corporate notes and bonds rated AA or better by Standard and Poor's or Moody's.
  - d. Bankers' Acceptances issued by any domestic bank rated B/C or better by Keefe, Bruyette & Woods and Bankers' Acceptances issued by international banks with a bank rating of B/C or better.
5. Additionally, funds may be invested in:
- a. Common Fund for Short Term Investments
  - b. Common Fund Intermediate Cash Fund
  - c. Common Fund for Bond Investments

#### CUSTODY

All securities will remain in the custody of the university or its custodian bank.

#### REFERENCES

Uniform Management of Institutional Funds Act as set forth in Section 55-268.1, et seq., Code of Virginia (1950), as amended.

Investment of Public Funds Act as set forth in Section 2.1-327, et seq., code of Virginia (1950), as amended.

Virginia Security for Public Deposits Act as set forth in Section 2.1-359, et seq., Code of Virginia (1950), as amended.

Investments Act as set forth in Section 26-38, et seq., Code of Virginia (1950), as amended.

#### POLICY REFERENCE

This policy replaces Board of Visitors policy number 1636 titled Cash Management Objectives and Policies for Institutional Funds.

### Objective

Provide a source of income through the investment of excess working capital.

### General Policies

- (1) All excess cash of the university shall be pooled for the purpose of investment.
- (2) All income accruing from the investment of pooled cash shall accrue to unrestricted current funds.
- (3) Cash shall be continuously invested until needed.

### Policies Regarding Investments

- (1) The investments shall be limited to the following types of money market instruments:
  - A. Certificate of deposit of savings and loan institutions and domestic banks;
  - B. Commercial paper of domestic corporations in the top two quality ratings of recognized credit services;
  - C. Government and agency issues backed by the full faith and credit of the U.S. Government;
  - D. Money market trusts consisting of high quality money market securities;
  - E. Other miscellaneous instruments such as repurchase agreements, master notes, bankers acceptances, and insured savings accounts.
- (2) Maturities shall be staggered, so as to meet the cash demands of the university.