



5.7 Short-Term Investments

Policy Statement

This investment policy statement:

- Defines the role and responsibilities of the University of Georgia Investment Committee
- Defines and identifies the various pools of funds (i.e. Operating funds, Student Activity funds, and Auxiliary funds),
- Specifies the appropriate investment objectives and time horizons for the pools,
- Identifies the appropriate types of investments for the pools,
- Describes risk tolerance associated with each pool,
- Specifies the target asset allocation and diversification for each pool,
- Establishes investment guidelines including maturities, spending policy, custody, and collateralization,
- Outlines the criteria for performance evaluation, management, reporting and monitoring of the assets,
- Discusses the use of investment managers,
- Outlines University policy and procedure to ensure ethical and prudent actions

I. Role and Responsibilities of the Investment Committee

A. Investment Committee Composition

The Investment Committee (the Committee) will be composed of the following individuals:

- Standing Members
- Vice President for Finance and Administration
- Sr. Associate Vice President for Finance & Administration and Budget Director
- Associate Vice President for University Business & Accounting Services
- Associate Vice President for Undergraduate Admissions & Enrollment Management
- Director of Student Financial Aid
- CFO – University of Georgia Foundation
- Members Serving Two Year Term
- Two Deans or their representative(s)
- Faculty Member - preferably a Finance or Public Administration subject matter expert
- Business Affairs Director - from a School/College

Members serving two year terms may be renewed for up to two additional two year terms (total of six years of service). Members of the Investment Committee will nominate and approve new members for these positions.

The Bursar, Bursar's Office staff and other Finance & Administration support staff as needed will attend Committee meetings, prepare minutes, complete analyses, coordinate all reporting and administrative functions outlined in this policy, and serve in a support capacity to the Committee.

B. Role and Responsibilities of the Investment Committee

The Committee will have standing meeting in February and September of each year. The Bursar's Office will prepare quarterly investment performance reports and distribute to the Committee members. The Committee will review investment performance of external consultants or investment managers and based on those reviews, assess the need to add or delete consultants or investment managers. The Committee will be involved in the interview and selection of any consultants or investment managers. The Committee may also call a meeting at any other time. At the February meeting, the Committee will conduct an investment policy review and propose modifications to the Vice President for Finance and Administration. At the September meeting, the committee will review the annual investment report covering the period July 1 to June 30 which is required by the Board of Regents. The report is due by October 31 of each year in accordance with the Board of Regents Investment Policy. The Committee was established to assist University management in fulfilling its fiduciary investment responsibilities. The Committee shall:

- Review investment goals, objectives, and policy to ensure compliance with Board of Regents requirements and other applicable policies and recommendations.
- Meet with external financial services firms at least twice per year to receive performance reports and monitor performance relative to objectives set forth in investment policy and by comparison by stated benchmarks and other appropriate indices.
- Work with Finance & Administration staff to assess performance of existing firms, review fee structures and other costs, and interview external financial services firms as needed.
- Work with Finance & Administration staff and external financial services firms to review and recommend:
 - Changes and improvements with respect to investment goals, objectives, policy and procedure, including suggestions for the University to bring to the University System of Georgia Investment Committee.
 - Changes and improvements to endowment spending limits and other endowment management matters.

The Committee may call other meetings as needed to conduct the business of the Committee.

The Bursar's Office will work with investment advisors and managers to obtain and distribute quarterly performance reports to the Committee members.

II. Investment Objectives

- The investment objectives outlined in this policy apply to operating, student activity and auxiliary funds.
- These funds are deposited in interest earning accounts or income producing investments at all times.
- Funds in excess of current or near term needs are invested as outlined in this policy.

Primary Objective

- The primary investment objective is the preservation of principal.

Secondary Objective

- The secondary objective shall be to provide a competitive market rate of return while maintaining periodic cash needs. It is anticipated that liquidity will be met through maturities, portfolio structure, and interest income.

III. Investment Types

Short-term investments shall be limited to fixed income securities. Investments will be in conformity with Regents policy and applicable federal and state laws (Georgia Code Sections 50-17-59 and 50-17-63). Funds in excess of immediate current needs are invested in one or more of the following investment vehicles, depending on available rates:

- Certificates of Deposit through domestic banks or Eurodollars
- Bankers' Acceptances carrying the highest rating assigned to such investments by a nationally recognized rating agency.
- Commercial Paper issued by a domestic corporation, providing the corporation has a
- market capitalization equivalent to \$100 million.
- Repurchase agreements and reverse repurchase agreements with authorized dealers and banks of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or having a minimum of \$100 million in capital. Repurchase agreements must be collateralized by obligations authorized by the United States government having a market value of at least 110% of the investment.
- U.S. Treasuries and any direct obligation of the U.S. Treasury (bills, notes, bonds, and strips.)
- Obligations of U.S. Government agencies through discount notes or interest bearing bonds. Sample agencies are listed below:
 - i. Commodity Credit Corporation (CCC)
 - ii. Federal Farm Credit Bank (FFCB)
 - iii. Federal Home Loan Bank (FHLB)
 - iv. Federal Home Loan Mortgage Corporation (FHLMC)
 - v. Federal National Mortgage Association (FNMA)
 - vi. Government National Mortgage Association (GNMA)
 - vii. Resolution Trust Corporation (RTC)
 - viii. Tennessee Valley Authority (TVA)
 - ix. Student Loan Marketing Association (SLMA)
- Obligations issued by the state of Georgia or its agencies or other political subdivisions, counties or municipalities
- Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction & Development or the International Financial Corporation (World Bank).

The University may also use the following short-term pooled investment funds, or other Regents authorized short-term investment funds which meet the state of Georgia investment criteria:

- Georgia Fund 1 (Local Government Investment Pool [LGIP])
- Regent's Pooled Short-term Fund

IV. Risk Tolerance

Due to the short-term nature of these funds, investment emphasis will be placed on preservation of principal, maintenance of liquidity to meet cash requirements, and maximization of current income.

V. Investment Guidelines

A. Asset Allocation and Diversification

Investments will be diversified so as to eliminate the risk of loss from over concentration of assets in a specific maturity, issuer, or class of security. Maximum limits by class of security are as follows:

Certificates of Deposit	50%
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Bankers' Acceptances	50%
Commercial Paper	50%
Repurchase Agreements	50%
Georgia Fund 1 (LGIP)	50%
Managed (Regents approved Short-term Funds)	50%
GA County or Municipality Obligations	50%
U.S. Treasury Obligations	100%
U.S. Government Agency Securities	100%

The portfolio should not hold more than 20% in any one issuer, except U.S. Treasury and other federal government issuances and obligations.

B. Maturity

Maximum maturities by class of security are as follows:

U.S. Treasury Obligations	3 years
U.S. Government Agency Securities	3 years
GA County or Municipality Obligations	1 year
Commercial Paper	270 days
Bankers' Acceptances	180 days
Repurchase Agreements	180 days
Certificates of Deposit	90 days

Portfolio maturities will be staggered to provide liquidity to meet cash needs. The average life of a short-term fund (e.g. Regents Pooled Short term fund), managed by an external investment manager, will not exceed two years. For securities where interest rates are adjusted periodically, the reset date will be used to determine the maximum maturity date.

The weighted average maturity of the Georgia Fund 1 (LGIP) changes each month but cannot exceed 60 days.

C. Credit Quality

Rating systems of Standard and Poor's and Moody's will be used to evaluate credit quality. Any security with a split rating between agencies will be considered as only the lower of the two ratings. The following minimum credit ratings will be used to achieve credit quality:

- Certificates of Deposit A+/A1
- Commercial Paper A-1/P-1
- Corporate Obligations A+/A1
- Repurchase Agreements –underlying collateral meets all foregoing requirements
- State issuances A+/A1
- World Bank Obligations A+/A1

D. Spending Policy

Investment of operating funds does not require a spending policy.

E. Collateralization

As provided by Georgia Code Section 50-17-59, all depositories, where funds of the Board of Regents of the University System are held in time deposits, shall either give a depository bond in some acceptable security company qualified to do business in Georgia, or, in lieu thereof, may deposit with some other depository satisfactory to the Treasurer of the Board of Regents, securities of the following classes, the current market value of which shall be equal to or in excess of the amount of the time deposits:

1. Direct obligations of the United States Government
2. Obligations unconditionally guaranteed by the United States Government
3. Direct obligations of the State of Georgia
4. Direct obligations of any political subdivision of the State of Georgia

Georgia municipal, county, or State of Georgia Authority Bonds acceptable to the Treasurer of the Board of Regents.

F. Custody/Safekeeping

All investment accounts will be held in the name of the University of Georgia or The Board of Regents of the University System of Georgia, by and on Behalf of The University of Georgia. Investments may be in the University's name, may be held by the investment's counterparty in the University's name or may be held by the investment's counterparty's trust department or agent, but not in the University's name. Book entry securities are preferred to physical delivery securities.

VI. Use of Investment Managers or Consultants

The University currently invests in the State of Georgia Local Government Investment Pool, managed by the Office of the Treasury and Fiscal Services, and also a Short-term Investment account approved by the Board of Regents and managed by SunTrust Management. The institution considers the following criteria in selecting an investment manager:

- Professional background and experience
- Investment philosophy relative to the institution's stated investment objectives
- Organizational structure and overall product line
- Control with respect to ensuring that individual managers adhere to policy objectives and guidelines
- Total size of managed assets

- Record of performance measured against appropriate benchmarks
- Ability to communicate results effectively and in timely fashion

For investment management or consultant relationships that fall outside of the Georgia Fund 1 and Regents Short-term Fund, the University will formalize any relationships with the respective manager or consultant. This will be accomplished through a contract or memorandum of understanding, signed by the University and the investment manager or consultant and will adequately document the expectations and responsibilities of each entity in the investment relationship.

VII. Policy to Ensure Ethical and Prudent Action

The University understands the importance of establishing an investment policy that fosters sound and prudent judgment and fiduciary responsibility in the management of assets. There can be no guarantees about the attainment of the goals or investment objectives outlined here. Personnel involved in the investment functions will be held to the “prudent person” standard and will be responsible for establishing and maintaining internal controls. Training and education is also a requirement of sound investment management.

A. Prudent Action

The standard of prudence to be used by University personnel shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. University personnel will act in accordance with written procedures and will exercise due diligence. The “prudent person” standard is understood to mean the following:

“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 probable income to be derived.”

B. Internal Controls

The University strives to eliminate the opportunity for collusion by requiring separation of duties and control of safekeeping of assets, and adequate documentation of investment transactions.

Reason for policy

This policy statement outlines the goals and investment objectives of the short-term investment assets administered by the University of Georgia. This policy statement is intended to provide guidelines for those responsible for monitoring these assets.

Procedures

1) Separation of functions –

Separate the transaction authority from the accounting and record keeping authority. The Director of the Bursar’s Office will make investment transaction recommendations to the Associate Vice President and Controller or the Vice President for Finance and Administration. Investment transaction approval will be made in writing. Changes in investment policy, investment type, asset allocation, or diversification will be recommended by the Investment Committee and require approval of the Vice President for Finance and Administration.

Once investment transactions are approved, the Director of the Bursar’s Office will initiate the transfer of funds to the approved investment via electronic banking software. The electronic funds transfer requires dual control so that the Bursar’s Office will initiate the transfer, but the transfer must be approved and finalized in the banking software by the Accounts Payable Manager after reviewing the written investment transaction approval signed by either the Associate Vice President and Controller or the Vice President for Finance and Administration. The banking software will require each user to sign on the system with a unique user id and password and the software must not allow the same user that initiated the transfer to also approve it.

The investment accountant in the Bursar's Office is responsible for the **accounting** entries to record the investment and investment income. These journal entries are input to the **accounting** system by the **Accounting** Department. The **Accounting** Department also prepares the monthly bank reconciliation and financial statements thus providing another layer of control and review over these transfers.

2) Documentation of Transactions and Strategies –

Prepare written records of investment transactions. Due to the potential for errors in telephone transactions, all transactions conducted via phone should be supported by written documentation and approved at the appropriate level. All strategies and information used to develop the transaction should be in writing. An agreement with the bank outlines the various controls and security provisions for making and receiving wire transfers.

I. Training and Education

The University recognizes the need for periodic training in investments for key individuals in the Bursar's Office. Examples of training opportunities include courses and seminars offered by the National Association of College and University Business Officers (NACUBO), the Government Finance Officers' Association, and other organizations specializing in investment and treasury management.

Additional contacts

Judy Scott

Phone Number: 706-542-2542

Responsibilities

Responsible University Senior Administrator: Vice President for Finance & Administration

Responsible University Administrator: Associate Vice President - Finance Division

Policy Owner: Bursar's Office Division

Policy Contact: Judy Scott

Phone Number: 706-542-2542

Record Retention

Description: Records include but are not limited to reconciliation reports; annual operating statements; schedules of rates; and related correspondence.

Retention: 5 years for annual reports, 1 year for monthly and quarterly reports and working papers.

Related information

To ensure that policy changes are adequately documented, this policy will be reviewed and updated annually by the University of Georgia Investment Committee. Per Board of Regents Policy, changes to the University's investment policy must be submitted to the Board of Regents every two years by March 31.

[‹ Petty Cash and Change Funds](#) | [Long-Term Investments ›](#)

Policy Dates

Effective Date:

Date Last Updated: 04/17/2017

Date of Last Review:

Date of Approval:

Previous Version of Policy: