

# William Paterson University Policy

## University Policy

<b>SUBJECT:</b>	University Policy	<b>TITLE:</b>	Cash and Investments Policy		
<b>CATEGORY: Check One</b>	<b>Board of Trustees</b> <input type="checkbox"/>	<b>University</b> <input checked="" type="checkbox"/>	<b>Functional</b> <input type="checkbox"/>	<b>School/Unit</b> <input type="checkbox"/>	
<b>Responsible Executive:</b>	VP Finance and Administration		<b>Responsible Office:</b>	Controller's Office	
<b>CODING:</b>	01-10-30-10	<b>ADOPTED:</b>	6/16/16	<b>AMENDED:</b>	2/22/23
<b>LAST REVIEWED:</b> 2/17/22					

### I. PURPOSE

This policy is intended to govern the overall investment management of the University's short term investments, including cash and equivalents.

Cash balances of the University accumulate during periods of the year due to the cyclical business cycle inherent to higher education. The investment activity described in this policy is intended to safeguard and preserve the University's cash while achieving reasonable returns on idle cash. It does so by outlining a cash and investments structure within a tiered framework based on liquidity and diversification strategies.

This policy does not cover long term investments or endowment funds.

### II. ACCOUNTABILITY

The Finance, Audit and Institutional Development (FAID) Committee and the Associate Vice President for Finance and CFO are accountable for the execution and implementation of this policy as well as the ongoing investment activities under this policy. Their specific responsibilities are defined below. External investment managers are accountable for management of funds in compliance with this policy.

### III. RESPONSIBILITIES

#### A. FAID Committee of the Board of Trustees

Responsibilities of the FAID Committee are:

1. Approve the Cash and Investments Policy (this policy).
2. Authorize revisions to the Cash and Investments Policy (this policy).
3. Receive and review investment reports at meetings of the FAID Committee.

#### B. Associate Vice President for Finance and CFO

Responsibilities of the Associate Vice President for Finance and CFO are:

1. Recommend revisions to the Cash and Investments Policy (this policy).
2. Approve investments and investment managers for the portfolio.
3. Ensure that Investment Managers are in compliance with their responsibilities as outlined in this policy.

4. Execute investment documents.
5. Maintain the cash flow analyses that incorporate needs of all operating and capital disbursements as defined in this policy and serve as support for transfers between the bank and/or investment accounts within the portfolio.
6. Ensure that funds are moved as needed and as planned between bank accounts and/or investment accounts or between portfolio tiers.
7. Ensure adequate liquid cash is available for timely operational payments (AP, payroll, debt service, etc.).
8. Monitor the portfolio for compliance with the Cash and Investments Policy (this policy).
9. Ensure that managers meet the deliverable responsibilities stated in this policy.
10. Reconcile reports of investment managers and the general ledger.
11. Generate monthly reports regarding portfolio performance and compliance with this policy.

### **C. Investment Managers**

Responsibilities of the Investment Managers are:

1. Invest assets under their management according to the mandate presented and approved at time of investment.
2. Exercise discretionary authority over assets entrusted to them subject to the manager guidelines herein and separately provided.
3. Provide written documentation of portfolio activity, portfolio valuation, performance data, and portfolio characteristics no less frequently than on a monthly basis in addition to other information as requested by the University's VP for Administration and Finance or Associate Vice President for Finance and Controller.
4. Vote (and annually report to university administration) proxies vigorously in the best interest of the University, where applicable.
5. For those investment manager/products that are registered with the SEC, annually provide an updated copy of the investment advisor's form ADV Part II, if applicable.
6. Communicate with the Vice President for Administration and Finance upon the occurrence of any of the following events:
  - a. Any adverse/unfavorable shifts in the marketplace;
  - b. Any material and/or unfavorable change to the operating portfolio.
  - c. Any change to the ownership structure of the investment manager;
  - d. Any key personnel changes at the investment manager; and
  - e. Any charges levied by the SEC, CFA Institute, State Regulatory Agencies, or any other regulating body against the investment management firm or key personnel responsible for the short term investments.
7. Select and oversee custodians for assets under their management, if applicable. This role includes fund management, holding of securities, accounting of transaction, and reconciliation of reports.

## **IV. POLICY**

### **A. Portfolio**

The overall investment objective is to preserve principal cash balance, maintain appropriate liquidity for day-to-day operational and capital disbursements, and conservatively optimize earnings on excess cash.

Investment Managers and/or Investment Advisors may be used to meet policy objectives.

Diversification as to liquidity, maturity, market, and risk will be achieved by structuring the portfolio in three tiers: cash, contingency and core, with the following parameters specified for each tier:

1. **Cash**
  - a. Access to funds: Daily
  - b. Investment objective: Liquidity and safety
  - c. Permissible investments:
    - Current accounts with banks
    - Money market accounts
    - Certificates of deposit
    - NJ Cash Management Fund
    - No equities
  - d. Average maturity: Up to one year
  - e. Benchmark: To be defined for each individual investment or fund, where applicable
  - f. Requirement: bank balances in excess of FDIC-insured amounts must be collateralized in accordance with NJ Statue Title 18A Chapter 64
  
2. **Contingency**
  - a. Access to funds: At least weekly
  - b. Investment objective: Preservation of capital, contingency access to funds, returns
  - c. Permissible investments:
    - Fixed income funds
    - Short term bond funds
    - Treasury bills
    - No equities
  - d. Average maturity: Up to three years
  - e. Benchmark: To be defined for each individual investment or fund
  - f. Credit/quality ratings: Investment grade or better
  
3. **Core**
  - a. Access to funds: At least monthly
  - b. Investment objective: Preservation of capital, returns
  - c. Permissible investments:
    - Fixed income funds
    - Long term bond funds
    - Indexed equity funds
    - Equity max = 10% of total portfolio (all tiers)
  - d. Average maturity: Up to five years
  - e. Benchmark: To be defined for each individual investment or fund
  - f. Credit/quality ratings: Investment grade or better

Tier allocations:

- Liquidity: minimum average daily balance \$10 million.
- Contingency: no minimum balance; up to 100% of total portfolio.
- Core: no minimum balance; up to 75% of total portfolio.

**B. Signature Authority**

The approval requirements for transfers between investment accounts or transfers between current accounts and investment accounts will be the same as those required for University cash disbursements. At a certain threshold, more than one signature may be required, and at all times approval requirements must be consistent with the University's delegation of authority resolution.

**C. Currency Risk**

All cash and investments must be denominated in US dollars.

**D. Return of Measurement Objectives**

Benchmarks for any portion of the portfolio managed by external investment managers will be set at the time of the engagement and will be based upon the mandate given to that investment manager.

**E. Exceptions to Policy**

Exceptions to this investment policy are prohibited without the prior approval of both the Associate Vice President for Finance and CFO and the University President or Cabinet.

By Direction of the President and Cabinet:

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Vice President for Finance and Administration and CFO

Date