

SECTION: ADMINISTRATIVE

SUBJECT: INVESTMENT POLICY

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**Background:** The establishment of an investment policy is necessary for the effective management of the College's locally held funds and investments. Locally held funds are those not managed by the state treasurer. The investment policy outlines what investments are permissible, how investment decisions are made, who is responsible for each aspect of this policy, and lays out expectations for investing. The following Idaho codes and policies further describe the need for the College to have an investment policy and the guidelines in which to adhere:

Referenced Authority: Idaho Code §67-1210 et seq, Idaho Code §67-2327, Idaho Code §67-

**Point of Contact:** Vice President for Finance and Administration and the Controller

**Other LCSC offices directly involved with implementation of this policy, or significantly affected by the policy:** This policy applies to all College funds used for investment purposes. Investments are centrally managed; no investments are permissible at the department or division level.

**Date of approval by LCSC authority:** June 4, 2020

**Date of State Board Approval:** N/A

**Date of Most Recent Review:** New

**Summary of Major Changes incorporated in this revision to the policy:** New policy applicable for investment purchases after date of policy enactment.

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**1. Policy Purpose**

This policy establishes and defines the objectives of, and authority for, the College's investment protocol. The investment protocol allows the College to leverage financial resources by reviewing current financial situations and planning for future financial needs. The investment management goals are to determine how much funds can reasonably be afforded to invest and how accessible or liquid the investments need to be for short and long-term cash flow needs.

**2. Authority**

Investment authority for College funds and responsibility for overseeing adherence to this policy is delegated to the Vice President of Finance and Administration (VPFA) by the College President. The VPFA shall establish an Investment Committee comprised of the

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Vice President, the Controller, and a member of treasury management. The Committee will review and make recommendations for the College's investment policy, make investment decisions, and review portfolio performance on a quarterly basis.

**3. Investment Objective and Guidelines**

A. Safety

Safety and preservation of principal is the single most important objective of the investment protocol. Investments must be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

B. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all financial needs and obligations that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash requirements. While the College purchases securities with the intent of holding them to maturity, it may liquidate early to maximize the total return on assets, or to compensate for temporary shortfalls in liquidity.

C. Total Return

The investment portfolio shall be designed with the objective of achieving a maximum total return throughout budgetary and economic cycles, within the context parameters set forth by objectives 3.A and 3.B. Return on investment is of secondary importance as compared to the safety and liquidity objectives described above.

D. Standard of Conduct

The College, the Investment Committee, and its internal investment managers shall comply with the standard of conduct in managing and investing the College's funds under the Uniform Prudent Management of Institutional Funds Act for the State of Idaho (Idaho Code §33-5001 et seq.).

**4. Eligible Investments**

- A. Pre-Approved Funds may be invested without prior Idaho State Board of Education approval in the following areas:

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- 1) Federal Deposit Insurance Corporation (FDIC) passbook savings accounts
- 2) Certificates of Deposit
- 3) United States (U.S.) government securities
- 4) Federal funds
- 5) Federal funds repurchase agreements
- 6) Reverse repurchase agreements
- 7) Federal agency securities
- 8) Large money market funds
- 9) Banker's acceptances
- 10) Corporate bonds
- 11) Mortgage-backed securities
- 12) Commercial paper
- 13) For the State of Idaho:
  - a. General obligations or revenue bond or other obligations for which the faith and credit of the state are pledged for the payment of principal and interest.
  - b. General obligations or revenue bond of any county, city, metropolitan water district, municipal utility district, school district or other taxing districts.
  - c. Bonds, notes or other similar obligations issued by public corporations of the state of Idaho including, but not limited to, the Idaho State Building Authority, the Idaho Housing Authority and the Idaho Water Resource Board.
  - d. Tax anticipation note and/or registered warrants.
  - e. Tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts.
  - f. Revenue bond of institutions of higher education of the State of Idaho.
  - g. State of Idaho run investment funds for state agencies and other governmental entities.

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**5. Other Funds**

Investments into areas other than those delineated above require prior approval from the State Board of Education. Such approval may allow for the investment or reinvestment of cash, securities, and other assets. See State Board of Education Policy, Section V.D. for details.

**6. Investment in U.S. Government/Government Guaranteed Securities**

Covenants of certain bond resolutions restrict investment of specific College funds to U.S. Government or government guaranteed securities.

**7. Investment Medium**

All investments will be in U.S. dollars.

**8. Credit Quality and Rating Scale**

A. The College will use nationally recognized rating agency scales as the standard when evaluating investments in debt securities in order to limit the credit risk of those holdings. The national rating agency must be a credit rating agency approved by the U.S. Securities and Exchange Commission.

B. At the time of acquisition, all investments must meet the following credit quality criteria:

- 1) Non-state and non-municipal short-term investment holdings will have a minimum rating of Prime-1 (P-1) or equivalent.
- 2) Non-state and non-municipal long-term investment holdings will have a minimum rating of "A" or higher or the equivalent of "A" or higher, by two Nationally Recognized Statistical Rating Organizations (NRSROs) of the Securities and Exchange Commission (SEC).
- 3) State and municipal entities short-term investment holdings will have a minimum rating of "P-1", Municipal Investment Grade "(MIG) 1" or Variable Municipal Investment Grade "(VMIG) 1" or equivalent.
- 4) State and municipal entities long-term investment holdings will have a minimum rating of "A".
- 5) Investment holdings in State of Idaho run funds, for example, the Local Government Investment Pool (LGIP), or the State of Idaho require no credit rating.

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- 6) Investment holdings in the U.S. government or Federal agency securities or securities guaranteed by either the U.S. government or a federal agency (excluding government-sponsored enterprises) require no credit rating.

**9. Maturity and Long-Term Investment**

- A. The College will seek to control interest rate risk in long-term investments by attempting to match anticipated cash requirements for investment maturities. Generally, in conjunction with maintaining proper liquidity, the investment program should remain flexible enough in its design to enable the College to take advantage of opportunities in a changing interest rate environment.
- B. The maximum maturity of any security purchased will be five (5) years. The average weighted maturity of any managed portfolio will not exceed thirty-six (36) months. For securities with puts or resets, the maturity date will be deemed the put or reset date of the security.

**10. Diversification**

Investments will be diversified in order to minimize the risk of loss resulting from the concentration of assets. Individual investments and managed portfolios shall meet the following concentration limits:

Investment Policy Diversification

<b>Security</b>	<b>Individual Limit</b>	<b>Aggregate Portfolio Limit</b>
U.S. government securities and U.S. government sponsored	No limit	No limit
State of Idaho securities	No limit	25% of portfolio
State of Idaho investment funds (LGIP, Diversified Bond fund (DBF), etc.)	No limit	No limit
FDIC passbook savings accounts	Limited to FDIC insurance amount	No limit
Bank certificate of deposit	Limited to FDIC insurance,	No limit

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Security	Individual Limit	Aggregate Portfolio Limit
	national credit union share insurance fund, and/or any other deposit guaranty amount	
Money market funds	5% of total money market fund value	No limit
State of Idaho and its municipalities, including any county, city, metropolitan water district, municipal utility district, school district, institute of higher education or other taxing districts	A. Limited to 20% of issue size B. Limited by issuer (at purchase date) to 10% of the investment portfolio	25% of portfolio
Non-government issuers – excluding financial institutions	A. Limited to 20% of issue size B. Limited by issuer (at purchase date) to 5% of the investment portfolio	40% includes all non-government issuers of portfolio)
Non-government issuers – financial institutions	A. Limited to 10% of issue size. B. Limited by issuer (at purchase date) to 5% of the investment portfolio	40% (Includes all non-government issuers of portfolio)

**11. Non-Eligible Investments**

The College is prohibited from any investment activity that would be considered speculative in nature according to principles of conservative investment management, whether or not the activity is specifically prohibited elsewhere in this policy.

**12. Safekeeping and Custody**

Investments shall be held in the name of the College, under the custody of the Controller/Treasury Management or in a safekeeping account. If the portfolio size and related risk of non-delivery of securities make it necessary to utilize the services of an independent safekeeping agent, the cost of that service must be considered when evaluating whether to hire an agent.

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**13. Reporting and Review**

A quarterly report will be prepared by the Controller's office and provided to the Vice President of Finance and Administration and the President detailing the College's investment portfolio composition, performance, and statistics.