

APPROVAL OF A REVISED COLLEGE INVESTMENT POLICY

RESOLUTION NUMBER 2015-72

WHEREAS, the Trustees of Ivy Tech Community College are authorized and empowered by IC 21-29-2-2 to establish written policies for the investment of funds, and

WHEREAS, the Trustees approved the current investment policy in 2013, and

WHEREAS, revisions have been identified that will improve the policy, and

WHEREAS, the Senior Vice President and Chief Financial Officer of the College has presented a revised Investment Policy to the Budget and Finance Committee of the Board, and

WHEREAS, the Budget and Finance Committee has reviewed the plan and recommends approval;

NOW THEREFORE BE IT RESOLVED, that the Investment Policy, attached hereto, is adopted.

**State Trustees
Ivy Tech Community College**



Paula S. Hughes, Chairman



Robert G. Jones, Secretary

Dated: December 3, 2015

(Attachment 1)

INVESTMENT POLICY FOR IVY TECH COMMUNITY COLLEGE

I. Statement of Purpose:

The investment policies are adopted by the State Board of Trustees to direct the prudent investment of College operating funds in a manner consistent with the objectives as hereby stated.

II. Investment Philosophy and Objective:

It shall be the policy of Ivy Tech Community College to manage the investment portfolio of the College in a manner described in the Indiana Constitution and Indiana Code.

The investment portfolio is a source of funds for current and future operations of the College. Objectives include:

- A. Compliance with all statutory requirements of the State of Indiana
- B. Safety and preservation of principal
- C. Sufficient liquidity to meet institution needs
- D. Maximum return on investment while maintaining safety of principal and adequate liquidity for institutional needs
- E. Efficient management of costs and fees to administer and manage the investment portfolio

III. Scope of the Investment Policy:

This investment policy applies to those assets for which the State Board of Trustees and the Senior Vice President and Chief Financial Officer have discretionary authority. Assets subject to this investment policy include:

- A. Designated funds held by the College to be invested separately as required by law, contract, or College policy
- B. Pooled investments held by the College that are not specifically designated.

Assets excluded from this policy include:

- A. Funds held by a bond trustee
- B. Endowment funds
- C. Voluntary Employee Beneficiary Association (VEBA) trusts

IV. Investment Officer - Authority:

The Senior Vice President and Chief Financial Officer of the College or designee has the exclusive authority to implement and comply with the investment policies set forth in this document. The Senior Vice President and Chief Financial Officer also has the authority to make exceptions to the Investment Policy. Exceptions will be reported back to the State Board of Trustees at the next State Board meeting. If current investment holdings do not meet the parameters of this Investment policy on the date it becomes effective, those holdings not in compliance may be sold or maintained at the discretion of the SVP/CFO taking into consideration the best interests of the College as a whole.

V. Asset Allocation:

The portfolio shall maintain a prudently diversified investment portfolio. The investment structure is divided into liquidity tiers to provide for income maximization while meeting the daily liquidity requirements of the College. The overall investment allocation is designed in accordance with the College's Investment Philosophy and Objectives.

VI. Authorized Investments:

The following investments shall be authorized subject to the limits indicated:

A. Certificates of Deposit and/or Interest-bearing Deposit Accounts

1. Must be insured by the Federal Deposit Insurance Corporation (FDIC) and the Public Deposit Insurance Fund (PDIF)
2. Maximum maturity: five (5) years.
3. One bank's deposits must not exceed twenty (20%) of the College's total investment portfolio at time of purchase.

B. U.S. Government Treasury Securities

1. Maximum maturity: five (5) years.

C. U.S. Government Agency Securities

1. Maximum maturity: five (5) years.

D. Repurchase Agreements

1. Maximum maturity: fourteen (14) days.

2. Collateral: U.S. Treasury and Agency Securities with the College having a perfected interest in the securities. The value of the securities must equal or exceed the principal plus anticipated interest earnings.

E. Commercial Paper

1. Maximum maturity: two hundred seventy (270) days.
2. Must be rated at least A-2 or P-2 by Standard and Poor's or Moody's.
3. The College's total investment in Commercial Paper and corporate bonds combined may not exceed 65% of total investments.

No more than one million (\$1,000,000) or ten percent (10%) of the College's total investment, whichever is less, may be invested in any one company at one time.

No more than twenty-five percent (25%) of the total Commercial Paper portfolio may be invested in a single industry.

F. Money Market Accounts/Funds

1. Investment participation is limited to funds that are subject to SEC Rule 2a-7 with assets totaling at least \$1,000,000,000 or funds managed by Indiana banks insured by the Public Deposit Insurance Fund (PDIF).

G. Corporate Bonds and Notes

1. Maximum maturity: 5 years and 3 weeks.
2. At least 85% of the securities shall have, at the time of purchase, a credit quality rating of no less than "BBB-/Baa3".
3. Corporate bonds and commercial paper combined shall not exceed 65% of the College's total investment portfolio.
4. No security of an individual corporate bond or note issuer shall exceed 5% of the College's total investment portfolio.

H. Municipal Bonds

1. Maximum maturity: 5 years and 3 weeks.
2. At least 85% of the securities shall have, at the time of purchase, a credit quality rating of no less than "BBB-/Baa3".
3. Municipal bonds shall not exceed 25% of the College's total investment portfolio.

4. No security of a municipal bond issuer shall exceed 5% of the College's total investment portfolio.

I. Asset and Mortgage Backed Securities (ABS, MBS, CMBS)

1. Shall be rated at least "AA-" at the time of purchase.

2. Asset-Backed Securities and Mortgage-Backed Securities shall not exceed the following limits:

- Asset Backed (ABS) may not total more than 40% of the portfolio.

- Residential Agency Mortgage-Backed (MBS) may not total more than 60% of the portfolio.

- Residential Non-Agency MBS may not total more than 10% of the portfolio.

- Commercial Mortgage-Backed (CMBS) may not total more than 20% of the portfolio.

3. The maximum amount invested in any single issuer of an asset-backed security or mortgage-backed security shall not exceed 2.5% of the College's total investment portfolio. Securities backed by the full faith and credit of the United States Government or any of its instrumentalities shall not be subject to these exposure limitations.

Overall Portfolio Guidelines

1. Combined exposure to non-Government sectors, including Commercial Paper, Corporates, Municipal Bonds, Mortgage-Backed, Commercial Mortgage-Backed and Asset-Backed Securities, shall not exceed 85% of the College's total Investment portfolio (15% minimum investment in U.S. Government and Agency securities).
2. The overall portfolio must adhere to a minimum average quality requirement of A-.

VII. Prohibited Securities

A. It is the intent of this policy to not have College funds invested in equities, commodities, preferreds, convertible fixed income securities, purchases of futures and options, swaps, precious metals, purchases of unregistered securities and any transaction that is a "prohibited transaction" under the Internal Revenue Code. Gifts of stock, to the College, may be accepted and held until the SVP/CFO determines a prudent time to dispose of the equities.

VIII. Quality Ratings:

A. The quality rating guidelines that are to be used shall be the ratings as of the date of the purchase of the security. If a rating change occurs which disqualifies a security that is already present in the College's portfolio, the following procedures are to be implemented:

1. If the investment is to mature within six months from the date of the rating change, no action is required. Action may be taken, however, if it is deemed to be in the College's best interest.
2. If the maturity of the investment exceeds six months from the date of the rating change, it must be sold within 30 days from the discovery of the rating change.

B. Cash and securities held by brokerage firms must be insured in full to protect the College against loss from other than market fluctuations.

IX. Qualified Institutional Buyer:

Ivy Tech Community College is a Qualified Institutional Buyer and is permitted to participate in the market for securities under Rule 144A.

X. Placement of Investments:

It is the College's policy to solicit bids. Investments are to be placed with the eligible financial institution submitting the highest and best net bid for the type and amount of investment requested. Diversification of College assets may be considered in selecting the best bid. Overnight investments need not be bid. Exceptions to the bid process are authorized when time constraints are such that a loss of income would result if bids were solicited.

In determining the number of bids to be solicited and which institutions are to be contacted, time available to place investments in order to obtain same-day investments of funds, total net yield over the life of the investment and level of service are to be considered.

In the event two or more eligible institutions submit the same high net bid for the type of investment requested, the investment may be placed with the institution selected at the discretion of the SVP/CFO after considering such factors as accumulated investments already placed and service provided by the institution.

XI. External Investment Managers:

The management of the College portfolio may be delegated in whole or in part to an outside professional investment manager(s)/advisor(s) upon recommendation of the Senior Vice President and Chief Financial Officer and subject to State Board approval. The College may retain a prudent expert (a bank, insurance company or investment advisor as defined by the Registered Investment Advisors Act of 1940). In delegating management to an outside professional investment manager or advisor, the following characteristics shall be considered:

- Investment manager or advisor strategy and approach
- Minimum and maximum investments under management
- Client service capabilities and fees
- Performance criteria relative to an appropriate index or peer group

The Senior Vice President and Chief Financial Officer is responsible for on-going monitoring of investment managers and advisors, including adherence to the Investment Policy, rates of return and investment results relative to appropriate indices and peer groups and material changes in the investment manager or advisor's investment philosophy, organization or key personnel.

Periodic reporting shall be provided to the Budget and Finance Committee of the Board of Trustees.

Investment Managers are expected to adhere to the Investment Policy. They may, however, be subject to more specific guidelines in their respective contracts or as noted within written exhibits or addendums.

XII. Premiums or Discounts:

Securities may be purchased at either a premium or a discount. If securities are purchased at other than par value, the discount or the premium will be amortized over the life of the investment in compliance with Generally Accepted Accounting Principles (GAAP).

XIII. Gains/Losses:

Securities may be sold for more or less than book value if such action would be consistent with the College's investment goals. Any sale of a security that results in a gain or loss must be reflected in current investment income.

XIV. Safekeeping:

Investments purchased from financial institutions are to be safe kept at the institution from which they are purchased. Investments purchased from securities firms may be safe kept at the securities firm on behalf of the College or delivered to the financial institution designated for custodianship.

XV. Reporting:

The Cash and Auxiliary Accounting Department will prepare, on a quarterly basis, reports, which list the investment purchases, income, maturities, and the ending investment balance by College fund. A summary report will be presented to the Board of Trustees and the detail reports are filed in the Senior Vice President and Chief Financial Officer's office.

Last Updated: December 2015.