University Of Idaho
Investment Policy Statement

Effective Date: ________________________________

Responsible Party: Vice President for Finance and Administration

Policy Purpose
To establish and define objectives, authority, and guidelines for the University’s investment program. This applies to all University funds used for investment purposes.

Policy Statement
This policy establishes and defines the objectives of, and authority for, the University’s investment program. It sets forth the investment policies and practices based on state law and State Board of Education (SBOE) policy. All funds will be invested in accordance with this policy.

Authority
Investment authority for university funds is delegated to the Vice President for Finance and Administration or that individual’s designee(s). The Vice President for Finance shall establish, through appointment, a Treasury Advisory Committee.

Investment Objectives
University investments shall include two portfolios: (a) short-term portfolio to manage cash that is expected to meet liquidity needs over the next 12 months; and (b) long-term portfolio to grow reserves not needed for short-term liquidity. The following objectives guide the remainder of this investment policy.

Safety
Safety and preservation of principal is the single most important objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. The objective will be to reasonably mitigate credit and interest rate risk balanced with the other objectives listed here.

Liquidity
The short-term 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 maturities to align with anticipated cash requirements. While the University 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.

Total Return
The investment portfolio shall be designed with the objective of achieving maximum total returns within the context parameters set forth by the objectives above. Return on investment is of secondary importance as compared to the safety and liquidity objectives described above.
Standard of Conduct
The University and its investment managers shall comply with the standard of conduct in managing and investing the University’s funds under the Uniform Prudent Management of Institutional Funds Act for the State of Idaho (Idaho Code Section 33-5001 et seq.)

Eligible Investments
Funds may be invested without prior Idaho State Board of Education approval in the following areas. All investments will be made in US dollars.

- Federal Deposit Insurance Corporation (FDIC) passbook savings accounts
- Certificates of Deposit
- United States (U.S.) government securities
- Federal funds repurchase agreements
- Reverse repurchases agreements
- Federal agency securities
- Government money market funds
- Banker’s acceptances
- Corporate bonds
- Mortgage-backed securities
- Commercial paper
- For the State of Idaho:
  - 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.
  - General obligations or revenue bond of any county, city, metropolitan water district, municipal utility district, school district or other taxing districts.
  - 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.
  - Tax anticipation note and/or registered warrants.
  - Tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts.
  - Revenue bond of institutions of higher education of the State of Idaho.
- State of Idaho run investment funds for state agencies and other governmental entities.

Investments of funds 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. This includes the investment of University assets by the University of Idaho Foundation, either as part or separate from the Consolidated Investment Trust.

Credit Quality
The University will use nationally recognized rating agency scales as the standard when evaluating investments in debt securities to limit the credit risk of those holdings. Investments must meet the following ratings from two major agencies at the time of acquisition.
• Non-state and non-municipal short-term investment holdings will have a minimum rating of Prime-1 (P-1) or equivalent.
• 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).
• 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.
• State and municipal entities long-term investment holdings will have a minimum rating of “A”.
• Investment holdings in State of Idaho run funds, for example, the Local Government Investment Pool (LGIP), or the State of Idaho requires no credit rating.
• 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.

Investment managers should monitor and provide feedback to the University on ratings. In the event a credit rating of a security in the portfolio is downgraded by a rating organization, the investment manager shall notify the University within 5 business days with a recommended course of action. Once the University is aware of a ratings downgrade of a security during the holding period, the University will consider the impact on the objectives of the portfolio and may decide to hold and continue to monitor or liquidate to preserve capital to the extent possible.

The average credit rating of the short-term and long-term investment portfolio(s) must be A/A2 or higher.

Maturity
• Short-term investments (investments maturing within one year of acquisition date)
  o The University will seek to control interest rate risk in short-term investments by attempting to match anticipated cash requirements for investment maturities. In conjunction with maintaining proper liquidity, the investment program should remain flexible enough in its design to enable the University to take advantage of opportunities in a changing interest rate environment.
  o The short-term portfolio should have a maximum WAM of six (6) months.
• Long-term investments
  o The maximum maturity of any security purchased will be ten (10) years. The expected duration, at time of purchase, of the managed portfolio will not exceed four (4) years.
  o For securities with puts or resets, the maturity date will be deemed the put or reset date of the security.
  o For purchases of mortgage-backed securities, weighted average life will be utilized rather than legal maturity. For these assets, the weighted average life cannot exceed five (5) years.

Diversification
Investments will be diversified to minimize the risk of loss resulting from the concentration of assets. Individual investments and managed portfolios shall meet the following concentration limits:
<table>
<thead>
<tr>
<th>Security</th>
<th>Individual Limit</th>
<th>Aggregate Portfolio Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government securities and U.S. government sponsored</td>
<td>No limit</td>
<td>No limit</td>
</tr>
<tr>
<td>State of Idaho securities</td>
<td>No limit</td>
<td>25% of portfolio</td>
</tr>
<tr>
<td>State of Idaho investment funds (LGIP, Diversified Bond fund (DBF), etc.)</td>
<td>No limit</td>
<td>No limit</td>
</tr>
<tr>
<td>FDIC passbook savings accounts</td>
<td>Limited to FDIC insurance amount</td>
<td>No limit</td>
</tr>
<tr>
<td>Bank certificate of deposit</td>
<td>Limited to FDIC insurance amount</td>
<td>No limit</td>
</tr>
<tr>
<td>Money market funds</td>
<td>5% of total money market fund value</td>
<td>No limit</td>
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<tr>
<td>Mortgage-backed securities</td>
<td>5% of investment portfolio per CUSIP</td>
<td>20% of portfolio</td>
</tr>
<tr>
<td>State of Idaho and its municipalities, including any county, city,</td>
<td>A. Limited to 20% of issue size</td>
<td>25% of portfolio</td>
</tr>
<tr>
<td>metropolitan water district, municipal utility district, school district,</td>
<td>B. Limited by issuer (at purchase date) to 10% of the</td>
<td></td>
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<tr>
<td>institute of higher education, or other taxing district</td>
<td>investment portfolio</td>
<td></td>
</tr>
<tr>
<td>Non-government issuers – excluding financial institutions</td>
<td>A. Limited to 20% of issue size?</td>
<td>40% includes all non-government issuers of</td>
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<td></td>
<td>B. Limited by issuer (at purchase date) to 5% of the</td>
<td>portfolio</td>
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</table>

**Non-Eligible Investments**

The University is prohibited from any investment activity that would be considered speculative in nature according to principles of conservative’s investment management, whether the activity is specifically prohibited elsewhere in this policy.

**Safekeeping/Custody**

Long-term investments shall be held in the name of the University, under the custody of an Investment Manager(s) 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 agent.

**Reporting and Review**

Investment portfolio performance and statistics will be reviewed on an ad hoc basis, but no less frequently than quarterly.