



## BOV POLICY #12 (2014) INVESTMENT MANAGEMENT

<b>Policy Title:</b>	Investment Management
<b>Policy Type:</b>	Board of Visitors
<b>Policy No.:</b>	BOV Policy #12 (2014)
<b>Approval Date:</b>	December 12, 2014
<b>Responsible Office:</b>	Controller’s Office
<b>Responsible Executive:</b>	President
<b>Applies to:</b>	Board of Visitors and University Community

### POLICY STATEMENT

Public funds held by the University are in trust for the citizens of the Commonwealth of Virginia. Any investment of such funds shall be made solely in the interest of the citizens of the Commonwealth and with care, skill, prudence, and diligence—under the circumstances then prevailing—of a prudent person acting in a like capacity and familiar with such matter would use in the conduct of the institution of like character and aim ([Code of Virginia § 2.2-4514](#), 2001).

The Board of Visitors of Norfolk State University is vested with the rights and powers to control and expend the funds of the institution and any appropriation provided by the Commonwealth of Virginia ([Code of Virginia § 23-174.6](#), 1979). As part of its governance role and responsibilities, the Board of Visitors has a fiduciary responsibility to ensure that the investment philosophy and management practices of the institution are strategically developed and managed to provide the highest investment return, minimize risk, assist the University with maintaining a fiscally-strong profile, and comply with the laws, statutes and regulations of the Commonwealth of Virginia.

The Board, in its Bylaws, delegates the general authority to act on behalf of the University to the President, who serves as the agent of the Board and as the Chief Executive Officer of the University ([Board Bylaws § 6.01](#), 2014). The President may designate another University officer or employee to exercise, in whole or in part, such delegated authority. The President is responsible to the Board for the actions of his/her designee ([Board Bylaws § 6.01 \(c\)](#), 2014).

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### PURPOSE

The purpose of this Policy is to foster a distinct understanding of the University’s investment philosophy and strategy for local funds. This Policy defines eligible securities, limitations, and processes for reviewing and approving investment actions or decisions on behalf of the University. This Policy applies to the Norfolk State University Board of Visitors, and all University employees involved in the Investment Management process and/or the development, execution, evaluation and approval of the Investment Management Policy.

### DEFINITIONS

**Bankers Acceptances:** a short-term debt instrument issued by a firm guaranteed by a commercial bank.

**Certificate of Deposit:** a money-market bond of a preset face value paying fixed interest and redeemable without penalty only on maturity.

**Commercial Paper:** short-term unsecured discounted paper usually sold by one company to another for immediate cash needs.

**Investment(s):** the outlay of money for income or profit.

**Interest Rate Risk:** risk that changes in interest rates so as to adversely affect the fair value of an investment. Governmental Accounting Standards Board (GASB) Statement No. 40 requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates.

**Repurchase Agreement:** a contract giving the seller of securities (such as Treasury Bills) the right to repurchase after a stated period and giving the buyer the right to retain interest earnings.

### CONTACT(S)

The Controller’s Office in the Division of Finance and Administration officially interprets this Policy. The President’s Office is responsible for obtaining approval for any revisions as required by [BOV Policy #01 \(2014\) \*Creating and Maintaining Policies\*](#) through the appropriate governance structures. Questions regarding this policy should be directed to Controller’s Office.



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### **INVESTMENT PHILOSOPHY**

Norfolk State University seeks to invest and achieve the highest investment return on all local funds not expected to be used in the short-term. University funds in local bank accounts are managed by the University however, the majority of the University's endowment and gift funds available for long-term investment are controlled and invested by the Norfolk State University Foundation for the benefit of the institution. Memoranda of Understanding with each University-related foundation or association define the organization's fiduciary responsibilities related to the University.

### **SECURITIES**

Security investments are selected to secure the most profitable mix of assets consistent with adequate liquidity and an acceptable level of overall investment risk. Portfolio management will conform to all state statutes governing the investment of public funds (e.g., Investment of Public Funds Act, [Code of Virginia § 2.2-4500](#) et seq.) Investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The primary objectives, in priority order, of the University's investment activities shall be to:

- 1) Ensure the safety of principal and preservation of capital in the overall portfolio;
- 2) Retain liquidity in its investment portfolio for operational requirements; and
- 3) Maximize the return on investment.

#### Eligible Securities

In all instances, emphasis on securities of high credit quality and high marketability are required. Eligible securities include Certificates of Deposit, Commercial Paper, Corporate Notes, Banker's Acceptances, Repurchase Agreements, Agency Notes and Bonds, Mutual Funds, and Treasury Bills.

Certificates of Deposit are permitted with banks and savings and loans institutions that are federally insured. Any invested amount in excess of federal insurance coverage shall be 100% collateralized. Commercial Paper must be rated at least A-1 and P-1 by Standard & Poor's and Moody's, respectively. Corporate notes must be rated at least AA and Aa by Standard & Poor's and Moody's (respectively) and in accordance with *Code of Virginia* § 2.2-4510. Banker's Acceptances are permitted with major money center banks rated AIB or better in the Keefe, Bruyette and Woods Bank Watch Ratings. Repurchase Agreements may be secured by any eligible instrument, so long as a minimum of 100% market value is kept as collateral against invested funds. The collateral must be properly controlled by a third party.



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### Limitations

The maximum average maturity of the portfolio shall be consistent with adequate liquidity. Maturities are restricted to no more than five (5) years for commercial notes and no more than 270 days for commercial paper.

Not more than thirty-five percent (35%) of the total funds available for investment may be invested in Commercial Paper, and not more than five percent (5%) of the total funds available for investment may be invested in Commercial Paper of any one issuing corporation.

### **APPROVAL AND REVISIONS**

Investment actions may be authorized by the President or the Finance and Administration Committee of the Board of Visitors. The President may designate a University officer or employee to exercise, in whole or in part, the authority provided to the President. The President remains responsible to the Board for the actions of his/her designee ([Board Bylaws](#) § 6.01 (c), 2014).

Investment activity shall be reported to the Finance and Administration Committee of the Board, which shall subsequently report at a regular meeting of the Board of Visitors with any recommendations deemed necessary.

Any revision to this Policy must be presented by and through the President and the Finance and Administration Committee of the Board for consideration. The Committee shall make its recommendation to the full board at a regular meeting of the Board of Visitors.

### **PUBLICATION**

This policy shall be widely published or distributed to the University community. To ensure timely publication and distribution thereof, the Responsible Executive or Office will make every effort to:

- Communicate the policy in writing, electronically or otherwise, to the University community within 14 days of Board approval;
- Submit the policy for inclusion in the online Policy Library within 14 days of Board approval;
- Post the policy on the Board's website and the Division of Finance and Administration offices webpages; and
- Educate and train all stakeholders and appropriate audiences on the policy's content, as necessary.

Failure to satisfy procedural requirements does not invalidate this policy.



## **BOV POLICY #12 (2014) INVESTMENT MANAGEMENT**

### **REVIEW SCHEDULE**

- Next Scheduled Review: September 2020
- Approved date: March 17, 2016; September 15, 2017
- Revision History: December 12, 2014; October 27, 1997
- Supersedes: Investment Philosophy (Oct. 27, 1997)

### **RELATED DOCUMENTS**

- [Code of Virginia § 2.2-4514](#) (as amended 2001). Commonwealth and its political subdivisions as trustee of public funds; standard of care in investing such funds
- [Code of Virginia § 2.2-4400](#) et seq. (as amended 2010). Virginia Security for Public Deposits Act
- [Code of Virginia § 2.2-4500](#) et seq. (as amended 2001). Investment of Public Funds Act
- Norfolk State University [Board of Visitors Bylaws](#)

### **FORMS**

*There are no forms associated with this policy.*