



**TEXAS WOMAN'S
UNIVERSITY**

Investment Policy

Scope

This investment policy covers all Texas Woman's University funds and funds held by the University for others excluding endowment funds. The University's endowment funds are covered by the Texas Woman's University Endowment Investment and Distribution Policy.

Authority

The Public Funds Investment Act of the State of Texas (*Texas Gov't Code 2256*) (the "PFIA" or the "Act") requires the governing body of Texas Woman's University to adopt a written investment policy and strategy, review the policy and strategy not less than annually, appoint an Investment Officer, and adopt internal controls to safeguard the University's funds. The Public Funds Collateral Act (*Texas Gov't Code 2257*) sets the standards for collateralization of public funds in Texas.

Policy Statement

It is the policy of Texas Woman's University to invest its funds primarily in instruments that emphasize the safety of the capital as well as the expected return on the investment. Investment decisions are based on the overall investment strategy of the University rather than the performance of any single investment instrument. The investment policy is governed by the following objectives:

The investment instruments provide a measure of safety that protects the original principal contribution. The primary aim of the investment is the avoidance of the loss of original investment.

The investment instruments provide the necessary liquidity to meet the University's daily operating and planned capital improvement needs, which might be reasonably anticipated.

The investment portfolio will be designed to maintain a reasonable rate of return on investments through budgetary and economic cycles in line with the University's investment risk constraints and cash flow needs.

Standard of Care

Investments shall be made with judgment and care, under circumstances then prevailing, that a person of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

Strategy

The investment strategy includes a portfolio of funds designed to meet the short-term, intermediate-term, and the long-term cash needs of the University yielding a reasonable market return. Adequate diversification of the high credit quality investment instruments is necessary to preserve principal from unnecessary risk of loss. The marketability of investment instruments and staggered maturity

dates ensure the liquidity of funds needed to meet the cash needs of the University. This investment strategy applies to all fund groups.

The board may contract with another institution(s) to invest all or part of the university's funds in accordance with Texas Education Code Sec. 51.0031. Funds invested with a qualifying institution authorized by Texas Education Code Sec. 51.0031 will be invested pursuant to the qualifying institution's investment policy.

Authorized Investments

Authorized investment instruments include:

- A. Direct obligations of the United States or its agencies and instrumentalities, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

Direct obligations of states and local governments rated not less than Aa3 or its equivalent (long-term rating) or an equivalent short-term rating by at least one nationally recognized investment rating firm.

- B. Fully collateralized certificates of deposit or share certificates issued by a depository institution or broker that has its main office or a branch in the State of Texas and that contractually agrees to place funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the PFIA.
- C. Fully collateralized repurchase agreements in accordance with the conditions prescribed in Section 2256.011 of the PFIA
 - 1) has a defined termination date not to exceed three (3) years,
 - 2) are secured by a combination of cash and/or obligations (including letters of credit) of the United States or its agencies and instrumentalities.
- D. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or any financial institution doing business in the State of Texas and executed under a Master Repurchase Agreement.
 - 1) Additionally, the cash or securities purchased must have a market value greater than or equal to 103% at the time the investment is made and throughout the terms of the repurchase agreement and be held in the University's name and deposited with a third party or the University.
- E. Bankers' acceptances that meet the following criteria. The acceptance has a maturity date of 270 days or less from the issuance date. The acceptance is liquidated in full at maturity. It is eligible for use as collateral for borrowing from a Federal Reserve Bank. It is accepted by a bank organized under the laws of the United States or any state. The short term obligations of the bank or its largest subsidiary, if a bank holding company, are rated A-1 or P-1 by at least one nationally recognized credit rating agency;
- F. Interest-bearing banking deposits that are guaranteed or insured by
 - 1) The Federal Deposit Insurance Corporation or its successor; or
 - 2) the National Credit Union Share Insurance Fund or its successor;

- G. Commercial paper with a maturity date of 270 days or less from the issuance date and is rated A-1 or P-1 by both Moody's and Standard and Poor's.
- H. No-load money market funds which are registered with and regulated by the Securities and Exchange Commission (SEC), provides the University with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), that meets the requirements of the PFIA and in addition:
 - 1. are rated not less than Aaa or an equivalent rating by at least one nationally recognized rating service. A rating is not required for a sweep account investment.
 - 2. have provided the University with a prospectus and other information as may be required by law.
- I. No-load mutual funds which are registered and regulated by the Securities and Exchange Commission, that meet the requirements of the PFIA and have provided the University with an offering circular and other information required by the PFIA.
- J. Guaranteed Investment Contracts for bond proceeds, if the guaranteed investment contract:
 - 1. has a defined termination date;
 - 2. secured by obligations of the United States or its agencies or instrumentalities in an amount at least equal to 102% market value of the amount of bond proceeds invested under the contract; and
 - 3. is pledged to the University and deposited with the University or with a third party selected and approved by the University.
- K. Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds. To be eligible as an authorized investment:
 - 1) the Board of Regents of the University must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance or resolution authorizing the issuance on bonds;
 - 2) the University must receive bids from at least three separate providers with no material financial interest in the bonds from which the proceeds were received;
 - 3) the University must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
 - 4) the price of the guaranteed investment contract must take into account the reasonable expected drawdown schedule for the bond proceeds to be invested; and
 - 5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract;
- L. Local government investment pools which are organized in conformity with Chapter 791 (Inter local Cooperation Contracts Act) and meet the requirements of the PFIA. A public fund investment pool must be (continuously) rated AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. A pool approved by the governing Board shall invest its funds in investment types consistent with the Act and the pool's own adopted investment policies and objectives. An approved pool is not required to invest its funds in investment types according to the investment policies and objective adopted by its participants.

- M. Cash management and fixed income funds sponsored by organizations exempt from income tax under Section 501(f), *Internal Revenue Code* of 1986 (26 U.S.C. Section 501 (f));
- N. Corporate bonds, debentures, or similar debt obligations rated by either Moody's (and) or Standard and Poor's in one of the two higher long-term rating categories without regard to gradations within those categories.
- O. A Securities Lending Program is an authorized investment if it meets the following conditions:
 - a. A loan made under the program must allow for termination at any time;
 - b. A loan made under the program must be placed through a primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the state that is rated not less than A or its equivalent by two nationally recognized rating services. An agreement to lend securities must have a term of one year or less and shall comply with the provisions of section 1058 of the Internal Revenue Code.
 - c. A loan made under the program must be secured as prescribed in Section 2256.0115(b)(3) of the Act. Securities being held as collateral must be pledged to the University, held in the University's name, and deposited at the time the investment is made with a third party approved by the University.
 - d. The amount of collateral must not be less than 100% of the market value of securities loaned, including accrued income. The market value of securities loaned shall be determined daily. Cash received as collateral shall not be invested for a term later than the expiration date of the securities agreement and may only be invested in investments as authorized by this Policy.

Security Procedures

All investment transactions must comply with the policies and procedures established in this policy. Cash is invested so that un-invested cash, which earns little or no interest, is minimized.

A security purchased by the University shall be delivered to the custodial bank selected by the University. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Settlement of all investment transactions, except investment pools and mutual funds, must be on a delivery versus payment basis.

Ratings of applicable investments will be monitored on a monthly basis through the custodian, nationally recognized credit rating agencies or other means. If a rating drops below the established minimum of this policy, the Investment Officer, the Vice President for Finance and Administration and the University's Investment Manager will review the investment and make a decision regarding the liquidation of that investment.

Investments that were authorized at the time of purchase and are now prohibited investments need not be liquidated before their stated final maturity date.

Securities donated to the University, including stocks, will not be governed by this policy but will be reported as part of the overall portfolio.

The weighted average maturity of the entire portfolio shall be maintained at no more than five years calculated on stated maturity and book value basis.

Diversification

Investments shall be diversified to minimize the risk of loss resulting from unauthorized concentration of assets in a specific maturity, specific issuer, or specific class of securities. Investment ranges and investment policy limitations without regard to collateralized mortgage obligations acquired prior to September 1, 1995, gifts of stocks to the University, and guaranteed investment contracts are as follows:

Category	Maximum Stated Maturity	Maximum
U.S. Treasury Securities and securities having principal and interest guaranteed by the U.S. Government	5 Years	100%
U.S. Government agencies, instrumentalities and government-sponsored enterprises (excluding mortgage-backed securities)	5 Years	50%
Federal Agency Mortgage-backed Securities	10 Years	35%
Fully-insured or Collateralized Certificates of Deposit	5 Years	25%
Bankers' Acceptances	270 Days	25%
Commercial Paper	270 Days	25%
Repurchase Agreements	90 Days	25%
No-load Mutual Funds	N/A	20%
Approved Investment Pools	N/A	75%
Cash Management and Fixed Income Funds sponsored by organizations exempt from income tax under Section 501(f), <i>Internal Revenue Code</i> of 1986 (26 U.S.C. Section 501(f))	N/A	50%
Corporate Bonds	5 Years	50%

On a book-value basis, no more than five percent of the portfolio can be invested in any one company and no more than twenty percent of the portfolio can be invested in any one industry, as defined by Standard and Poor's broad categories.

Board, VPFA and Investment Officer Responsibility

The Board delegates authority to the Vice President for Finance and Administration to manage Texas Woman's University's investment portfolio. The Vice President for Finance and Administration may appoint an Investment Officer for the University and may acquire the services of an investment management firm. The authority to deposit, withdraw, invest, transfer, or manage the University's investment portfolio is effective until rescinded or until the termination of the Investment Officer's employment.

Each member of the Board of Regents and the Investment Officers shall attend at least one training session relating to the person's responsibilities within six months after taking office or assuming duties, as required by the Government Code Section 2256.007(a). The VPFA and Investment Officer shall attend training by an independent source approved by the Board of Regents not less than once each state fiscal biennium. The Investment Officer shall prepare a report on changes in the Public Funds Act for the Board within 180 days of the end of each regular session of the Legislature.

The University's designated Investment Officer will initiate and administrate a process for the selection by the Board of a qualified firm to serve as Investment Manager. The Process will solicit proposals from firms that are qualified by the Securities and Exchange Commission under the U.S. Investment Advisors Act of 1940. This qualification provides assurance that the firm chosen to serve as investment manager does comply with Texas Government Code Section 2256.005 (b)(3) concerning the quality and capability of investment management. The term of the contract with an investment management firm shall be two years, and may provide for two additional one-year extensions to the original term.

The VPFA and the Investment Officer must disclose to the Texas Ethics Commission and the Board any personal business or family relationship with any business organization offering to engage in an investment transaction with the University. Any relationship that conflicts with or impairs judgment concerning the investment portfolio must be reported. Relationships such as ownership of ten percent or more of the voting stock or shares of the business organization or ownership of \$5,000 or more of the market value of the business organization, or funds received by the VPFA or Investment Officer from the business organization exceed ten percent of the VPFA or Investment Officer's gross income for the previous year, or the VPFA or Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the VPFA or Investment Officer are considered reportable relationships. Family relationships within the second degree by affinity or consanguinity, as defined under Chapter 573, require disclosure.

The Investment Officer will not be held personally liable for fluctuations in market value or loss on the portfolio if this Policy and all procedures are followed.

Each member of the Board shall receive, not less than quarterly, reports that describe investment activity and changes in market value of all investments. The Board shall review the annual compliance audit of management's controls for investments and adherence to investment policy.

The Board shall review and approve, not less than annually, its Investment Policy and strategy.

It is the responsibility of the Investment Officer in conjunction with the investment management firm to manage the University's investment portfolio in the manner outlined in this policy. The Investment

Officer may establish procedures to conduct the transactions necessary to perform their duties and provide records of the transactions.

Investment Reporting

Not less than quarterly the Investment Officer will submit written quarterly reports to the Board, the President, and the Vice President for Finance and Administration. The report must meet the requirements of the PFIA.

If investments are made in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports shall be formally reviewed at least every two years by an independent auditor, and the result of the review shall be reported to the Board by that auditor.

Broker/Dealers

Information on each broker/dealer with which the University transacts business will be maintained by the University or the investment manager. The Investment Officer may not engage in an investment transaction with a business organization unless a qualified representative of the business organization submits a written instrument stating that:

A qualified representative has received and reviewed the University's investment policy and;

The business organization has implemented reasonable procedures and controls to preclude investment transactions conducted between the University and organization that are not authorized by the University's investment policy.

The Board or the designated investment committee of the University shall, at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the University.

Internal Controls

The Investment Officer is responsible for all investment transactions undertaken and shall control access to investments through a system of controls that regulate the activities of subordinates. The Investment Officer may not establish procedures that abrogate any portion of this policy or the authorizing statute.

No person may engage in an investment transaction for the University except as provided under the terms of this policy and the procedures established by the investment officer.

DEFINITIONS

None

THOSE AFFECTED BY THE POLICY

TWU Students, Faculty, Staff, and Guest

RATIONALE AND NEED FOR POLICY AND SPECIAL NOTES

This investment policy covers all Texas Woman's University funds and funds held by the University for others excluding endowment funds. The University's endowment funds are covered by the Texas Woman's University Endowment Investment and Distribution Policy.

INTERNAL CROSS-REFERENCES AND RELATED MATERIALS

The Public Funds Investment Act of the State of Texas (*Texas Gov't Code 2256*) requires the governing body of Texas Woman's University to adopt a written investment policy and strategy, review the policy and strategy not less than annually, appoint an Investment Officer, and adopt internal controls to safeguard the University's funds. The Public Funds Collateral Act (*Texas Gov't Code 2257*) sets the standards for collateralization of public funds in Texas.

HISTORY

Old Policy #4.03 –Last passed by the Board on 2/19/2016