

## Exhibit A

# FINANCE AND ADMINISTRATION - INVESTMENT MANAGEMENT

BOT 6.6

**Date of Last Update:**

June 01, 2017

**Approved By:**

- Board of Trustees

**Responsible Office:**

Legal, Compliance & Risk Management

## POLICY STATEMENT

### 6.6 Investment Management

Investment management shall be the responsibility of the treasurer or assistant treasurer of the Board of Trustees. The treasurer, assistant treasurer, or authorized designee shall have authority to sell, assign, endorse for transfer, and do all other things necessary to secure the transfer of certificates representing stocks, bonds or other securities registered in the name of Grand Valley State University or such other name which denotes a subdivision of Grand Valley State University.

In compliance with Article IX, sections 19 and 20 of the Michigan Constitution, investments in instruments issued by any financial institution organized under Federal or State law are not to exceed 50% of the net worth of that institution.

#### 1. Real Estate Investments

The treasurer shall have authority to manage real estate investments for the production of rental income by entering into leases and by expending accumulated income there from for the repair, renovation, or alteration of any property held as an investment.

#### 2. Operating Cash and Investments Pool

Operating cash and investments pool is the collective cash balance held in bank accounts plus funds invested with the intent of generating a return and is exclusive of restricted and endowment cash and investments.

The overall philosophy of the operating cash and investments is to have sufficient liquidity to support the operating needs of the university and to preserve purchasing power with a secondary emphasis on capital growth while not exposing the university to undue risk of loss of principal.

This may be accomplished through either direct ownership of securities, participation in pools or funds managed by external managers, or through use of a custom portfolio managed by one or more external managers.

In order to qualify to hold university funds, financial institutions organized under Federal or State law must meet or exceed the following financial criteria:

Viability ratio (defined as equity capital to total assets) must be at least 5% of the total assets.

Maximum safe dollars (defined as the total amount invested at an institution to that institution's assets) cannot exceed .5% of the total institutions assets.

No more than 10% of operating cash and investments may be invested in any industry. No more than 5% of operating cash and investments may be invested in the securities of any single issuer with the exception of U.S. Government and Agency obligations. No more than 10% of operating cash and investments can be invested in securities with a rating of BBB or below.

#### **a. Operating Cash**

Operating cash is the cash needed for daily operations.

#### **b. Short-term Investments**

##### **1. Objective**

The primary investment objective for short-term investments will be to provide for preservation of capital with a secondary emphasis upon maximization of investment income without undue exposure to risk. Investments with a duration of less than one year will be considered short-term.

##### **2. Parameters**

a) Types of investments include interest-bearing time deposits, short-term cash funds, money market funds that maintain net asset value, commercial paper, banker's acceptances, U.S. Government Obligations, obligations of U.S. Government Agencies and other investment types with similar investment objectives.

b) Commercial paper must be, at the time of purchase, rated within the highest classifications established by not less than two national rating services.

##### **3. Benchmark**

The performance of short-term investments will be evaluated based on the Merrill Lynch 91-Day Treasury Bill Index.

#### **4. Maximum Allowable Investment**

Short term investments can be up to 100% of the monthly available operating cash and investments pool.

#### **c. Intermediate-term Investments**

##### **1. Objective**

The primary investment objective for the intermediate-term investments will be preservation of capital and maximization of income without undue exposure to risk. Investments with a duration of one to five years will be considered intermediate-term.

##### **2. Parameters**

Types of investments include corporate bonds, U.S. Government Obligations, U.S. Government Agency Obligations and other investment types with similar investment objectives.

These funds would be available on a weekly or monthly basis.

##### **3. Benchmark**

The performance of intermediate-term investments will be evaluated based on the Barclay's US Aggregate Bond Index.

##### **4. Maximum Allowable investment**

Intermediate-term investments and long-term investments added together cannot exceed 90% of the monthly operating cash and investments pool. Month end balances of operating cash and investments will be calculated on a 12-month rolling average to determine compliance with this parameter.

#### **d. Long-term investments**

##### **1. Objective**

The primary objective for the long-term investments will be to provide a return over a five year period, greater than short- and intermediate-term investments. Investments with a duration greater than five years will be considered long-term.

##### **2. Parameters**

Types of investments include corporate bonds, U.S. Government Obligations, U.S. Government Agency Obligations and other investment types with similar investment objectives.

### **3. Benchmark**

The performance of long-term investments will be evaluated based on the Lehman Brothers' Long-Term Government/Credit Index.

### **4. Maximum allowable investments**

Long-term investments cannot exceed 30% of the monthly operating cash and investments pool. Month end balances of operating cash and investments will be calculated on a 12-month rolling average to determine compliance with this parameter.

### **5. Collateralization**

The treasurer or assistant treasurer may collateralize the long-term investments in order to secure a line of credit from a Board-approved bank or brokerage firm that holds the long-term investments, up to the value of the long-term investments.

#### **e. Reverse Repurchase Agreements**

Reverse repurchase agreements involving the purchase and sale of securities and guaranteed investment contracts from a Board-approved bank or brokerage firm that holds university investments, the par value of which is collateralized by the perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, obligations of the type set forth in paragraph b, or c of this section 2, which collateral is held by the university, or for the benefit of the reverse repurchase agreement, with a collateralized value of at least 102% of the par value of such reverse repurchase agreement or guaranteed investment contract or 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest.

### **3. Endowment Funds**

The Board of Trustees is aware of its responsibility to manage prudently those Endowment Funds which are given to the university. It is assumed that Endowment Funds will have permanent life and that investment policies will be followed which will protect the principal of the funds and produce maximum total return without assuming extraordinary risks. Funds designated as endowment will be managed according to the same goals.

The Board of Trustees and the designated investment managers shall adhere to the following goals:

a. To provide spendable Endowment income levels which are reasonably stable and sufficient to

meet budgetary requirements;

b. To maintain a spending rate that insures a proper balance between the preservation and the enhancement of the purchasing power of Endowment principal.

In order to administer the Endowment Funds the following policies shall be applied:

- a. Each year the Board of Trustees will approve the spending rate for individual Endowment accounts for the succeeding fiscal year upon recommendation of the treasurer who shall consult with the investment managers and the appropriate Board Committee. The spending rate will be applied on the trailing twelve-quarter average of the Endowment account value.
  - b. Any income in excess of the approved spending rate on the Endowments shall be reinvested as retained earnings in each Endowment Account.
  - c. To the extent that the annual distributed income and retained earnings for an individual endowment is insufficient to meet the spending rate, the Undistributed Endowment Income account shall be used.
  - d. Endowment assets will be placed with two or more investment managers at the discretion of the treasurer.
  - e. Complete discretion in selecting individual investments is delegated to the investment managers. The GVSU treasurer and the appropriate Board Committee shall monitor the investment manager's performance but take no part in the buy-sell decisions or transactions. Ongoing Endowment gifts are to be deposited with the designated investment managers at the discretion of the treasurer. Investment decisions for asset funds not managed by the investment managers and that exceed 5% of the asset value of the Endowment Funds will be submitted to the Board of Trustees for approval after reviewing the decision with members of the appropriate Board Committee.
  - f. The treasurer will provide the Board of Trustees with an annual report of all long-term Endowment investment funds.
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