

Title: Investment of Idle Funds

Effective Date: 3/14/18

The purpose of this Policy is to provide the Board of Trustees, individuals developing an investment program and investment managers and advisors with direction on the investment of idle funds. This Policy outlines guiding principles that are specific enough to outline expectations and sufficiently flexible to allow for changing conditions and market dynamics. The long-range investment goal for the management of idle funds is to achieve a maximum rate of return on assets consistent with applicable law and prudent investment principles. It shall be the policy of the Board of Trustees to make effective use of idle funds (monies which have not been invested into any interest-earning vehicle and are earning no income) by earning the best returns possible without sacrificing the safety of the funds or subjecting the portfolio to undue risks.

The primary objectives of investment activities, in priority order, shall be:

Law – All investments shall be made in accordance with applicable laws, codes and regulations of the Commonwealth of Pennsylvania.

Safety – Preservation of principal shall be the highest priority and ensured through the mitigation of credit and interest rate risk. Additionally, fund principal shall be protected through diversification of assets and the setting of specific quality standards.

Liquidity – Investments shall remain sufficiently liquid to meet all operating requirements within a conservative projection of cash flow demands.

Return – Investments shall be made with the objective of attaining a market average rate of return relative to the type of investment and the maturity and risk characteristics inherent in such type.

The College authorizes the following investment instruments which are allowable under PA law including Act 72 of 1971:

- Direct obligations of the United States of America (USA) i.e. US Treasury Obligations.
- Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the USA.
- Obligations of government sponsored agencies which are not backed by the full faith and credit of the USA including Federal Home Loan Mortgage Corporation, Farm Credit System, Federal Home Loan Banks, Federal National Mortgage Associations excluding ‘stripped mortgage securities’ purchased at prices exceeding their principal amounts.
- Deposits in savings accounts or time deposits including certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

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- Repurchase agreements that are fully collateralized by obligations of the USA. Monthly statements of deposit collateral shall be obtained from the authorized depository. Verification of the value of the collateral instrument(s) shall occur annually. If the existing collateral has declined in value and exposes the College to potential loss of principal, additional collateral will be required, or assets will be reallocated to minimize the risk of uncollateralized assets.

The College views its funds in two broad categories:

Short Term Investments – Shall be maintained at a level sufficient to meet the College’s projected operational cash flow needs over the next year.

Mid Term Investments – Shall be limited to a maximum maturity of 5 years or less with a focus on ensuring cash flow demands are met beyond one year. So as to discourage liquidity and interest rate risk, these instruments should be purchased with plans to hold to original maturity.

Prohibited Transactions – In addition to transactions prohibited by applicable laws and regulations, the following transactions are specifically prohibited.

- Any investment deemed not prudent by the Board or as a matter of standard investment practice for institutions such as the College.
- Trading in securities on margin
- Trading in commodity futures
- Selling short
- Leveraged buyouts
- Venture capital
- Private placements
- Investment in derivative securities

SOURCE/LEGAL REFERENCE: F-17-16

RELATED POLICIES/REGULATIONS:

BOARD OF TRUSTEES HAS REVIEWED AND REAFFIRMS: 3/14/18

SUPERSEDES:	<u>F-14-12</u>	DATE: <u>12/10/14</u>
	<u>E-09-03</u>	<u>1/13/10</u>
	<u>E-93-16</u>	<u>6/8/94</u>