

Policy 123

Internal Investment Fund Investment Policy

Section: 100 – General Administration

Responsible Executive: Lead Financial Administrator

Responsible Department: Investments and Treasury Management

First Effective Date: March 14, 2003

Last Reviewed: March 2018

Next Scheduled Review: September 2023

1.0 PURPOSE

- 1.1. To provide investment management direction concerning the Internal Investment Fund (“II Fund”).

2.0 BACKGROUND

- 2.1. Underlying the II Fund's Investment goals is its need to effectively manage Cal Poly Corporation (“CPC”) operating cash requirements as well as provide for steady income to partially fund CPC’s administrative and management budget, funding for advances to Campus Program accounts for projects and operations as approved by the Board of Directors, and management of notes receivable related to appropriate non-campus investments.

3.0 POLICY

- 3.1. General. This policy and any related guidelines must complement and comply with Policy 121-General Investment Policy and its guidelines, as applicable.
- 3.2. Investment Return Objectives. The objective is to provide a return on investment of available cash which:
 - 3.2.1. Is reasonably stable and predictable from year to year,
 - 3.2.2. Equals or exceeds the 90-day treasury bill rate on a consistent basis, and
 - 3.2.3. Protects asset values by minimizing market value risks.
- 3.3. Allowable Investments. Allowable investments will include, but are not limited to:
 - 3.3.1. Cash Management Accounts or Short-Term Bond Funds,
 - 3.3.2. Certificates of Deposit of a term of three years or less,
 - 3.3.3. Short to intermediate “Duration” Fixed Income Mutual Funds, and
 - 3.3.4. Other investments that meet the security, liquidity and yield requirements of the II Fund and are approved by the Lead Financial Administrator, in consultation with the Investment Advisory Committee.
- 3.4. Other Allowable Investments.
 - 3.4.1. Advanced Funds. An investment of “Advanced Funds” through the II Fund may be made in extraordinary circumstances. Advanced Funds may be provided to University departments for a specific project or program and must be requested in writing by the University President. The CPC Chief Executive Officer has authority to approve requests up to \$250,000 and will report the

advance to the Board of Directors as soon as feasible. Requests greater than \$250,000 must have the prior approval of the Board of Directors.

- 3.4.1.1. The term of the Advanced Funds will require repayment and may or may not provide for return on investment, and may or may not be secured, and all terms will be agreed upon in writing.
 - 3.4.1.2. Interest charged on Advanced Funds shall generally be the current prime rate, plus 1%, adjusted and charged quarterly.
 - 3.4.1.3. Variances from interest rate and payment schedule are allowable with the written consent of the University President.
- 3.4.2. Program Investments. “Program Investments” are defined as loans generally made by CPC to a college or department with the expectation that the note will be readily marketable and provide a return on investment. They are typically secured by personal or real property. Any Program Investment must ultimately benefit the purpose of a University or CPC program. Program Investments must have the approval of the Board.
- 3.5. Socially Responsible Investing. The Board of Trustees of California State University adopted a resolution urging auxiliary boards that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The CPC Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.
- 3.6. Custodial Arrangements. All marketable securities will be held by a bonded or insured, notable and nationally known operating custodian. The terms and conditions of this custodial relationship shall be detailed in a written agreement.
- 3.7. Spending Objectives. Appropriations of investment earnings will be made periodically as follows:
- 3.7.1. All investment earnings will be recorded in the general investment accounts to facilitate the reporting on total investment activities;
 - 3.7.2. Interest credits, based on CPC’s current money market rate, can be transferred to individual Campus Program Fund accounts at the Chief Executive Officer’s discretion; and
 - 3.7.3. The remaining income from the II Fund will be transferred to the General and Administrative Budget.
- 3.8. Reporting. The Lead Financial Administrator, or his/her designee, will provide reports periodically to the Board of Directors and the Investment Advisory Committee, to include information on asset allocation, rate of return and significant transactions.

4.0 DEFINITIONS

- 4.1. Cash Management Account. Savings vehicle of indeterminate length with variable rate of return.
- 4.2. Certificate of Deposit (CD). A time deposit paying interest, typically offered by banks and credit unions. Unlike bonds and bond mutual funds, CD’s do not fluctuate in market value and are insured up to \$250,000 per customer per bank.
- 4.3. Fixed Income Mutual Fund. A publicly traded, pooled collection of investments each yielding a fixed return. Mutual funds also have exposure to market value fluctuations. Unlike individual bonds, bond or fixed income mutual funds never mature. A bond fund can invest in bonds in varying measure of

maturity including; short-term—generally one to three years, and; intermediate-term—generally between three and seven years.

- 4.4. Duration. The measure of a bond or bond fund's sensitivity to changes in interest rates. Duration is expressed in years based upon the weighted average of cash flows and the maturity value of the bond; the greater the duration, the greater effect in market value due to a change in interest rates.

5.0 PROCEDURES, GUIDELINES AND FORMS

- 5.1. The Lead Financial Administrator, or his/her designee, with consultation from the Investment Advisory Committee, may establish written guidelines for practical operations to implement this policy. Guidelines will include philosophy, forms, and procedures, as needed.

6.0 COMPLIANCE

- 6.1. All CPC personnel involved in trusts and investments must comply with this policy.

7.0 REFERENCES AND RELATED POLICY

- 7.1. CSU Board of Trustee Resolution RFIN 7-78-6 Social Responsibility and Investments
- 7.2. CPC Policy 121-General Investment Policy and its Guidelines

Technical and administrative change updates

7-26-12 for title and organization structure changes.