



**Title: Investment Policy for Operating Funds**

**Approved by: Board of Trustees**

**Date Approved by Board of Trustees: October 14, 2017**

**Effective Date: October 14, 2017**

**Responsible Official: Treasurer**

**Responsible University Office: Office of the Treasurer**

**Revision History: Replacing policy adopted June 6, 2009**

**Related legislation and University Policies: None**

**Review Period: 5 Years**

**Date of Last Review: October 14, 2017**

**CASE WESTERN RESERVE UNIVERSITY  
Investment Policy for Operating Funds**

**A. POLICY APPLICABILITY**

This investment policy applies to unrestricted University funds in the operating account (referred to herein as the “Operating Fund”). The Treasurer is responsible for management and investment of the Operating Fund and for the administration of this Investment Policy.

This Investment Policy does not apply to the following University funds:

- proceeds of the University’s bond issues, which are invested in accordance with the requirements imposed by the terms of the financings which generate them,
- restricted funds,
- Board-designated operating funds, and
- the University’s Investment Pool.

**B. OBJECTIVES**

The University operates with only a small amount of unrestricted cash. Cash on hand is cyclical, peaking twice each fiscal year with the fall and winter tuition payments and then declining. During some months of the fiscal year, the net cash in the University’s operating account is negative, and during those periods the Operating Fund is supported with draws on bank lines of credit so that it has cash sufficient for operations at all times.

Because the University never has a large amount of unrestricted cash in the operating account and, for significant periods each year, has a negative net cash balance, Operating Fund investments should be conservative, from both a credit and a maturity standpoint, and highly liquid.

The University's primary objectives in the investment of the Operating Fund are:

- capital preservation, and
- maintaining liquidity.

Yield will be considered when making investment decisions, but it is not a primary objective.

## **C. CREDIT RISK**

Investments under this policy will meet the following credit and diversification requirements. Credit requirements will be applied at the time the securities are purchased.

### **1. Permitted Investments**

Minimum credit requirements are based on ratings from any two Nationally Recognized Statistical Rating Organizations (NRSROs). The Operating Fund may be invested only in the following securities and funds:

- a. U.S. Government, Agency, and Government-guaranteed securities, including mortgage backed agency securities.
- b. repurchase agreements fully collateralized by U.S. Government issues.
- c. pre-refunded municipal bonds.
- d. certificates of deposit, bank money market accounts, bank time deposits and bank demand deposit accounts.  
*credit requirement: U.S. banks rated A2/A or better*
- e. Rule 2a-7 compliant money market mutual funds.  
*credit requirement: Aaa/AAA*

### **2. Portfolio Diversification**

The Operating Fund may hold U.S. Government, Agency, and Government-guaranteed securities in any amount. Other assets held in the Operating Fund will be diversified to eliminate risk of loss resulting from the concentration of assets of a specific maturity, issuer, fund, or class of securities. No more than 50% of the portfolio will be deposited in accounts of any single bank, and no more than 50% of the portfolio will be invested in any single mutual fund; provided that when the Operating Fund balance is less than \$10 million, there is no diversification requirement.

## **D. MATURITY AND LIQUIDITY REQUIREMENTS**

### **1. Maturity**

Investments with a stated maturity may be purchased only if the maturity date is no more than 60 days from the date of purchase.

## **2. Liquidity**

All investments in the Operating Fund will have at least weekly liquidity.

## **E. EXTERNAL MANAGERS**

The University may use external investment managers for all or a portion of the Operating Fund and establish separately managed accounts with such managers.

## **F. REPORTING, COMPLIANCE AND MONITORING**

The weekly cash report prepared in the Treasurer's office and distributed within the Finance Division will identify all Operating Fund investments. The weekly cash report will compare the yield on investments currently held in the Operating Fund to an appropriate benchmark.

Subsequent to the end of each month the Treasurer's office will distribute a cash forecast.

On each occasion where the cash balance in the Operating Fund is such that the Treasurer's office needs to draw on the university's operating lines to maintain adequate liquidity, the Treasurer's office will contemporaneously notify the Chief Financial Officer by email.

## **G. BOARD OVERSIGHT AND PERIODIC REQUIRED REVIEW**

The Treasurer will periodically report to the Finance Committee on Operating Fund investment activities and performance to ensure that the University adheres to this policy.

The Finance Committee will review this policy not less than once every five years.