



**Title: Investment Policy for Operating Funds**

**Approved by: Board of Trustees**

**Date Approved by Board of Trustees: February 16, 2023**

**Effective Date: February 16, 2023**

**Responsible Official: Treasurer**

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

**Revision History: Replacing policy adopted October 14, 2017**

**Related legislation and University Policies: None**

**Review Period: 5 Years**

**Date of Last Review: February 16, 2023**

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

**A. POLICY APPLICABILITY**

This investment policy applies to unrestricted University funds in the operating accounts (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 typically operates with a limited 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 may become negative, and during those periods the Operating Fund is supported with draws on bank lines of credit so that there is sufficient cash for operations at all times.

Due to improved liquidity, the University will create two investment pools to allow for a greater diversity of investment alternatives and to allow for maturities greater than 60 days.



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

- Capital preservation, and
- Maintaining liquidity.

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

### C. MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio shall maintain sufficient liquidity to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs. Cash flow forecasts, based on reasonable knowledge of future fiscal events and historical fiscal trends, shall be developed and maintained by the Treasurer's office. Investment opportunities shall be based on these forecasts as well as having a minimum Days Liquidity<sup>(1)</sup> on hand so that funds may be available to meet anticipated expenditures.

#### 1. Tier 1

- a. **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.
- b. **Days Liquidity-** no minimum Days Liquidity necessary for Tier 1 investments.

#### 2. Tier 2

- a. **Maturity-** Investments with a stated maturity may be purchased only if the maturity date is no more than 180 days from the date of purchase.
- b. **Days Liquidity-** minimum of 50 Days Liquidity before any funds are allowed to be invested in Tier 2 investments.

### D. 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. All other proposed investments must be authorized by the Executive Vice President and Chief Financial Officer



A. Tier 1

- 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*
- f. Domestic corporate commercial paper with a maturity of 60 days or less  
*credit requirement: A1/P1/F1 or better*
  - g. Variable rate demand bonds with a rate reset of 30 days or less  
*credit requirement: Aa/AA or better*

B. Tier 2

- a. Tier 1 investments that have a maturity of 180 days or less.
- b. Variable rate securities with an interest rate reset of greater than 30 days.  
*credit requirement: Aa/AA or better*

**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.

**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 shall report to the Finance Committee on Operating Fund investment activities and performance to ensure that the University adheres to this policy on an annual basis.

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

(1) Days Liquidity: Cash on hand divided by days expenses.

Days Expenses: Total Annual Operating Expenses (from budget) divided by 365.