FINANCE AND ADMINISTRATION - INVESTMENT MANAGEMENT

BOT 6.6

Date of Last Update:
July 11, 2025

Approved By:

- Board of Trustees

Responsible Office:
Office of General Counsel

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**

   The Operating Cash and Investments Pool consists of short-term funds intended to cover the investment of University funds that are needed for daily operations over the next year (“Primary Liquidity”), intermediate-term funds intended to cover funds that could be earmarked for use in the next one to five years (“Secondary Liquidity”), and long-term funds, which are funds similar in nature to a term-endowment or

quasi-endowment (“Tertiary Liquidity”). The Operating Cash and Investments Pool is exclusive of 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.

The Treasurer shall form an Operating Cash Investment Committee the composition of which shall be at the discretion of the Treasurer. The Operating Cash and Investments pool will be invested in accordance with the Operating Cash and Investments Pool Investment Policy Statement as approved by the Operating Cash Investments Committee and shall not be inconsistent with this Section 6.6.2.

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.

a.Primary Liquidity Investments

1. Objective

Primary Liquidity shall be invested with the objective of preserving assets to cover the University’s shorter-term, ongoing programmatic and operational expenses requiring immediate liquidity with a duration of less than one year. Capital preservation is the primary goal of the Primary Liquidity and the enhancement of yield is a secondary objective.

2. Parameters

a) Types of investments include cash-equivalent investments such as: savings accounts, money market accounts, certificates of deposit (with maturities appropriate for expected needs), Treasury Bills, commercial paper, 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 Primary Liquidity investments will be evaluated based on the US Treasury Bill 1-3 Month Total Return Index.

4. Maximum Allowable Investment

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

b. Secondary Liquidity Investments

1. Objective

Secondary Liquidity shall be invested with the objective of preserving assets to meet the University's medium-term obligations with a duration of one to five years for the entire pool. While capital preservation is still a primary goal, there is some tolerance for price fluctuations and a role for yield enhancement.

2. Parameters

Types of investments include investment grade fixed income instruments, such as: 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 basis.

Other parameters for the Secondary Liquidity Pool include:

- Average credit rating of the entire pool of A or higher
- Maximum of 25% BBB rated bonds for the entire pool
- Maximum of 40% per corporate industry for the entire pool
- Maximum of 20% Floating Rate Notes for the entire pool
- Maximum of 5% per corporate issuer for the entire pool
- Minimum credit rating for individual bonds of BBB

3. Benchmark

The performance of Investment Grade Fixed Income Investments will be evaluated based on the Bloomberg Barclays 1-3 year US Government/Credit Total Return Index.

The performance of Non-Investment Grade Investments will be evaluated

based on the Bloomberg Barclays US Corporate High Yield 2% Issuer Cap Total Return Index.

4. Maximum Allowable Investment

Secondary Liquidity Investments and Tertiary 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.

c. Tertiary Liquidity Investments

1. Objective

The primary objective for Tertiary Liquidity investments is to preserve the long-term real purchasing power of the pool while seeking an appropriate level of investment return. Tertiary Liquidity investments are intended to be invested for the long-term, with the total return evaluated on a five-year rolling basis. It is recognized that not every five-year period will meet the Tertiary Liquidity investment pool's objectives, but the aim is to attain these objectives over a series of five-year periods. The University seeks to control risk and reduce the volatility in the Tertiary Liquidity pool through diversification. However, short-term volatility is characteristic of the securities markets and will be tolerated if such volatility is consistent with the volatility of similar investment portfolios. Initial principal invested in Tertiary Liquidity shall be preserved. Earnings from Tertiary Liquidity may be reinvested, or at the recommendation of the Vice President of Finance and Administration and Treasurer to the Board of Trustees and approval by the Board, be expended to support University operations.

Parameters

Types of investments will include fixed income and equities. A Target Asset Allocation, with allowable ranges, will be reviewed annually in accordance with the Operating Cash and Investments Pool Investment Policy Statement. Investments shall be redeemable on no more than a quarterly basis in the event of exigent financial circumstances.

2. Benchmark

The performance of Tertiary Liquidity investments will be evaluated based on the 90% MCSI ACWI Index / 10% Bloomberg Barclays 1-3 Year US Government/Credit Total Return Index.

3. Maximum allowable investments

The initial five-year principal investments in tertiary Liquidity cannot exceed 15% of the rolling 12-month average of the Operating Cash and Investments pool. The Board will annually approve this level based on projected liquidity needs. Tertiary liquidity will be invested on a recurring basis, with the maximum that may be annually invested equal to one-fifth of 15% of the rolling 12-month average balance of the Operating Cash and Investments pool, for a term of at least five years unless exigent circumstances arise. If the tertiary pool exceeds 15% of the Operating Cash and Investment pool prior to expiration of each five-year investment term, the tertiary pool is permitted to reach a maximum of 20% of the Operating Cash and Investment pool before rebalancing is required. The Endowment Fund Investment Committee or sub-committee may be consulted on Tertiary Liquidity investments.

4. 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.

d. 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 shall include a portion that is designated to support University operations. This portion shall be the first 0.5% of the approved endowment spend rate each year. The Vice President for Finance and Administration and Treasurer of the Board of Trustees will recommend through the annual budget approval process the amount to be utilized to underwrite the institutional costs of Endowment management. Any difference shall be utilized towards the original, intended use of the Endowment spend. 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. The Treasurer shall form an Investment Advisory Committee and serve as the chair, to assist with investment decisions for the Endowment Fund. The Investment Advisory Committee shall be comprised of up to four community members some of whom may be members of the Board of Directors of the Grand Valley University Foundation. The Board Chair shall appoint two Board of Trustee members to serve

on Investment Advisory Committee.

e. The Endowment Fund will be invested in accordance with an Endowment Fund Investment Policy Statement as approved by the Investment Advisory Committee. The Endowment Fund Investment Policy Statement shall not be in conflict with this Board policy (BOT 6.6.3).

f. Endowment assets will be placed with two or more investment managers at the discretion of the Treasurer.

g. Complete discretion in selecting individual investments is delegated to the investment managers. The Treasurer and the appropriate Board Committee shall monitor the investment advisor and individual 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.

h. The Treasurer will provide the Board of Trustees with an annual report of all long-term Endowment investment funds.