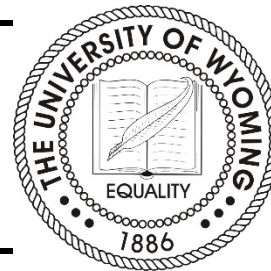

UNIVERSITY OF WYOMING REGULATIONS

Subject: Investment and Management of University Funds

Number: UW Regulation 7-7



I. PURPOSE

This Regulation establishes the general guidelines and procedures for the investment of University funds and is established by the University of Wyoming Board of Trustees (Board) to guide the Board, its Fiscal and Legal Affairs Committee (Committee), and the University administration in the process of fund investment. The Board retains the right to make decisions contrary to this policy, when such decisions are deemed to be in the best interests of the University. The Board also retains the right to accept and administer donated funds or property with donor restrictions contrary to this policy.

It is not the purpose of this document to specify the details of every situation, nor to set forth specific short-term goals. The policy governs the investment management of University operation funds and long-term investment practices, and is supplemented annually with discussion of market conditions and short-term goals, including return targets.

II. SCOPE OF FUNDS

A. The scope of funds governed by this policy will be managed as a pool of resources available for investment. The level of funds invested is based on required payroll, the tuition and fee collection cycle, timing of draw down and receipt of state appropriations, and timing of capital projects and purchases, which may be outlined in the University's Capital Plan.

Where managed and invested as a single pool ("Pool"), the Pool is composed of the following sources:

1. Cash flow generated from state appropriations, tuition, fees and other unrestricted sources. These sources are invested due to timing of receipt and payment obligations within a fiscal year.
2. Unrestricted investment income earned by the investment Pool.
3. All unrestricted funds at the division/college level.

4. Official University reserve accounts (Operating, Capital Construction, Passenger Plane, Risk Pool/Litigation, Residence Hall, Recruitment and Retention, and Special Projects Reserve Accounts)
5. Current year funds added to reserves per the university's carryforward policy.
6. All other funds allowable or suitable for investment.

III. STANDARDS OF CARE

A. Prudence

All University officers and employees involved in the investment process shall act responsibly as custodians of the public trust. The standard of prudence to be applied is the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

B. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions, broker/dealers, or security issuers with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the University.

IV. SAFEGUARDS AND CONTROLS

A. Third-party or Bank Safekeeping

Securities may be held by an independent third-party safekeeping institution selected by the University or be held in bank safekeeping. The Vice President for Budget and Finance and the Associate Vice President, Finance will monitor the portfolio held in bank safekeeping. All securities will be evidenced by safekeeping receipts in the University's name.

B. Sales Prior to Maturity

The University's intent is to hold to maturity; however, securities may be sold prior to maturity for reasons that include but are not limited to the following:

1. To meet liquidity needs,
2. To reduce risk or minimize loss of principal,
3. As part of a security swap that seeks to improve the quality, yield, or expected return of the portfolio, or to reduce risk,
4. To adjust or rebalance the portfolio to:
 - a. Be in compliance with policy guidelines,
 - b. Better match expected cash flows,
 - c. Adjust the portfolio duration to better match the target,
 - d. Better align with current and expected market conditions, or
 - e. Better match a designated performance benchmark.

V. USE OF MANAGER AND ADVISORS

- A. It is the policy of the Board to invest in funds through a combination of the University's Associate Vice President, Finance and externally contracted, professional registered investment advisor(s). The University shall obtain requests for qualifications, requests for proposals, bids or quotes or competitively bid the services of any externally contracted, professional registered investment advisor(s) at least every five (5) years. The University shall recommend to the Board of Trustees the successful external investment advisor(s). The Board of Trustees may review the recommendation and consider taking appropriate action.
- B. Portfolios managed by the Associate Vice President, Finance (internal) include those outlined in W.S. 9-4-831 and by the State of Wyoming Loan and Investment Board Master Investment Policy and Sub-Policies, Section 21, Local Government Investing.
- C. Portfolios managed by contracted managers (external) include instruments appropriate to the style of each manager, limited to security types in W.S. 9-4-831

and by the State of Wyoming Loan and Investment Board Master Investment Policy and Sub-Policies, Section 21, Local Government Investing.

- D.** It is also the policy of the Board, or the Board's designee, to determine the need to contract with an independent investment advisor or performance evaluation service. The Board, or the Board's designee, determines, and periodically reviews, the level of services desired.

VI. INVESTED FUNDS

A. Endowment Type Funds

Endowment funds are invested by the University of Wyoming Foundation, as outlined in the Memorandum of Agreement dated May 10, 1989 and Addendum to the Memorandum dated November 10, 2003, and Addendum No. 2 dated April 14, 2006. See Section XIV, Funds Managed by the Foundation like an Endowment.

B. Operating Funds (including University Reserves)

The Associate Vice President, Finance invests the Pool in a combination of securities listed at W.S. 9-4-831.

VII. INVESTMENT OBJECTIVES

- A.** The University of Wyoming Foundation's annual investment objective will be determined by the Foundation Investment Committee, with approval of the Foundation Board of Directors, from time to time based upon medium and long term modeling and asset class assumptions (with significant input from the Committee's investment consultant), payout policy, inflation rates, fees and expenses and such other considerations as the Committee deems advisable. In accordance with W.S. 17-7-303 (a) and (b), in managing and investing endowment funds, the Foundation will consider the intent of the donor, the charitable purposes of the Foundation and the purposes of the endowment funds and will manage and invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
- B.** Investment goals for operating funds are designed to achieve the following primary objectives. These goals dictate a policy that utilizes relatively low-risk, investment-grade, fixed-income investments:
 - 1. Safety** – Safety of principal is the foremost objective of the investment program. Investments of the University shall be undertaken in a manner that

seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required.

2. **Liquidity** – The University’s investment portfolio must remain sufficiently liquid to enable the University to meet all operating requirements which might be reasonably anticipated. To attain this objective, the portfolio should be structured so that securities mature concurrent with anticipated cash needs.
3. **Yield/Return on Investment** – The University’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the University’s investment risk constraints and the cash flow characteristics of the portfolio.

VIII. ASSET ALLOCATIONS

A. Endowment type funds

These funds will be invested in allowed investments under the University of Wyoming Foundation investment policy and follow their asset allocation guidelines.

B. Operating Funds

The University will invest in those types of securities allowed by W.S. 9-4-831 for public entities and by the State of Wyoming Loan and Investment Board Master Investment Policy and Sub-Policies, Section 21, Local Government Investing.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

A. Security Type Limits

Investments shall be diversified, subject to the following maximum allocations per security type:

Security Type	Maximum Allocation
• U.S. Treasuries and securities guaranteed by the U.S. Government	No limit
• U.S. federal government agency or instrumentality	No limit
• Repurchase agreements (must be collateralized by U.S. government or U.S. federal government agencies/mortgage backed securities)	No limit
• U.S. agency/instrumentality mortgage-backed securities	30%

Security Type	Maximum Allocation
• U.S. government agencies callable securities	30%
• Collateralized time and demand deposits (must be collateralized by U.S. government or U.S. federal government agencies/mortgage backed securities)	No limit
• Commercial paper and bankers' acceptances combined	50%
• Money Market Mutual Funds/LGIPS	50%
• Investment grade Corporate Bonds	50%

B. Issuer Limit

No more than 5% of the total market value of the portfolio may be invested in any one non-government issuer. Investments in bankers' acceptances and commercial paper will be combined to determine aggregate exposure.

C. Collateralization

1. To provide an adequate level of security, all deposited funds shall be collateralized at a minimum of 102% with a daily mark to market. For certificates of deposit, the market value of collateral must be at least 102% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation or the National Credit Unions Share Insurance Fund.
2. The collateral will be adequate to secure both principal and accrued interest of the deposits.
3. Authorized instruments for collateralization are those found in W.S. 9-4-821.
4. In addition to the collateralization requirements found in W.S. 9-4-821, collateralization will also be required on the following types of investments:
 - a. Time deposits
 - b. Repurchase agreements

D. Portfolio Maturities

Maturities of securities will be managed in coordination with the cash flow needs of the University.

1. Funds needed to satisfy operating cash flows of the University will be invested in securities and funds that mature in less than one year.

In general, the index used to judge the performance will be the three-month U.S. Treasury Bill.

The portfolio's weighted average maturity shall not exceed 90 days. All securities shall have a maximum maturity of 365 days.

2. Funds not needed to satisfy operating cash flows, or core funds, of the University can be invested in a portfolio where the maximum maturity of any one security may not exceed one hundred twenty (120) months. At any given time, the proportion of the portfolio invested in securities with a maturity greater than sixty (60) months shall not exceed 10% of the total portfolio. The effective duration of the account can be no greater than the duration of the Bloomberg Barclays U.S. Aggregate Bond Index by more than 0.5 years.

All investments must fall within the State of Wyoming Loan and Investment Board Master Investment Policy and Sub-Policies, Section 21, Local Government Investing.

E. DIVERSIFICATION

Diversification of investments reduces overall portfolio risks while attaining market average rates of return. It is the intent of the University to diversify the investments within its portfolio to avoid incurring unreasonable risks inherent in excessive investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should be flexible depending on the outlook for the economy, the securities market, and the University anticipated cash flow needs. Prior to purchasing securities for the University's portfolio, the credit rating of the security and the credit rating of the senior debt of the issuer, if applicable, shall be verified to assure compliance with investment policy guidelines. Securities that have been downgraded to below the minimum ratings will be sold or held at the investment manager's discretion. The investment manager is responsible for bringing the portfolio back into compliance as soon as practicable.

X. INCOME DISTRIBUTION

A. Return Allocations

Operating funds are in various pools dependent on type of funds. The principal may change daily and the earnings are distributed on a prorate basis at the end of each month.

XI. PERFORMANCE EVALUATION AND REPORTING

A. Reporting

1. Performance reports are supplied to the Board following the end of each quarter.
2. Management reports and related discussions are prepared and conducted quarterly, generally within sixty (60) days after the end of a quarter.

B. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a full market cycle, generally a period of 3-5 years or more. A market benchmark may be established against which portfolio performance shall be compared.

C. Marking to Market

The market value of the portfolio shall be calculated monthly and a statement of the market value of the portfolio shall be issued at least quarterly to the Board.

D. Credit Downgrades

Credit ratings should be monitored on a regular basis. The University or its investment advisor shall review any downgrades below the minimum ratings guidelines and recommend an appropriate course of action.

E. Policy Considerations

The policy shall be reviewed annually by the Fiscal and Legal Affairs Committee and recommended changes will be presented to the Board for consideration.

XII. AUTHORITY AND RESPONSIBILITIES

A. Board of Trustees

The Board is responsible for prudent investment of funds and distribution of earnings to applicable programs.

B. Fiscal and Legal Affairs Committee

The Committee provides oversight of investment performance and makes recommendations to the Board regarding policy and investment management. The Committee has the authority to approve short-term deviations from the stated policy, when urgent situations threaten the safety of invested funds.

C. Vice President for Budget and Finance (Deputy Treasurer)

The Vice President is responsible for administration of Board policy and recommendations to the Fiscal and Legal Affairs Committee. The Vice President has authority to deviate from the policy in an urgent situation, after consultation with members of the Committee.

D. Vice President for Budget and Finance

The Vice President for Budget and Finance is responsible for maintenance of all endowment files, preparation, compilation, and review of reports, and coordination with the Foundation and the Associate Vice President, Finance.

E. Associate Vice President, Finance

The University Associate Vice President, Finance is responsible for daily decisions regarding internal investments and periodic reports on the internally invested portfolio. The Associate Vice President, Finance has authority to make short-term investment decisions in accordance with Board-approved policy and established process. The Associate Vice President, Finance, in consultation with the Vice President for Budget and Finance, has the authority to make long term investment decisions in accordance with Board-approved policy and established process. Any investment in securities with maturity dates exceeding sixty (60) months requires consultation with the Fiscal and Legal Affairs Committee of the Board of Trustees.

F. External Managers

Contracted managers are responsible for management of external portfolios and quarterly and annual reports. Managers have the authority to select investment instruments and make trade decisions, in accordance with the objectives and policies of the University, as agent for the Board.

XIII. AUTHORIZATION FOR STOCK TRANSFERS

The President of the University and Treasurer of the Board are authorized to:

- A. Sell, assign, and transfer stocks, bonds, evidences of interest, evidences of indebtedness and/or other obligation, and all other securities, corporate or otherwise, now or hereafter held by this corporation in its own right or in any fiduciary capacity, and to execute any and all instruments necessary, proper or desirable for the purpose, and to ratify any past actions;
- B. Act as agents of UW and to sign agreements, resolutions and any other documentation required to establish, maintain, and terminate security cash accounts with security dealers and brokers for the purpose of taking ownership and possession of cash, bonds, stocks and other securities held by such dealers and brokers which have been directed to the University by gift, bequest or any other act of transfer; and as agents they are fully authorized to sell, assign and transfer stocks, bonds, evidence of interest, etc. and all other securities, corporate or otherwise, now or hereafter held by the corporation its own right or in any fiduciary capacity pursuant to this authorization and to execute any and all instruments necessary, proper or desirable for the purpose.

XIV. FUNDS MANAGED BY THE UW FOUNDATION LIKE AN ENDOWMENT

The University of Wyoming Foundation Investment Policy enables the University to transfer funds, with approval of the President or the Board of Trustees as outlined below, to the Foundation that are neither institutional funds (W.S. 17-7-302 (a)(v)) nor endowment funds (W.S. 17-7-302 (a)(ii)) with a request that the Foundation manage such funds like an endowment in accordance with its Investment Policy.

Funds transferred to the Foundation to be managed like an endowment may be added to an existing fund or may establish a new fund. The minimum amount required to establish a new fund is \$100,000.

The Board of Trustees and the President of the University may request that the Foundation manage University funds like an endowment in their discretion.

College Deans and University Officers may, with the approval of the Vice-President to whom they report, submit a request to the Vice President for Budget and Finance to transfer funds to the Foundation to be managed like an endowment.

The Vice President for Budget and Finance, with the consent of the President of the University, may approve such requests for amounts of \$250,000 or less. For amounts exceeding \$250,000, approval of the Board of Trustees is also required.

The Foundation Investment Policy allows the University, in its discretion, to withdraw funds that are being managed like an endowment in any amount, in whole or in part,

provided, however, that, depending upon the amount requested and the cash flows from the endowment pool, it may take as long as 12 months for the Foundation to fully transfer the requested funds. The Foundation will use its best efforts to transfer the funds as soon after receiving the approved request for withdrawal as possible.

The Board of Trustees and the President of the University may request withdrawal of funds managed by the Foundation like an endowment, in whole or in part, in their discretion.

College Deans and University Officers may, with the approval of the Vice President to whom they report, submit a request to the Vice President for Budget and Finance to withdraw funds from the Foundation that are being managed like an endowment.

The Vice President for Budget and Finance, with the consent of the President of the University, may approve requests for withdrawal of amounts of \$250,000 or less. For requests for withdrawal of amounts exceeding \$250,000, approval of the Board of Trustees is also required.

Responsible Division/Unit: Division of Administration

Source: None

Links: <http://www.uwyo.edu/regs-policies>

Associated Regulations, Policies, and Forms: None

History:

UW Regulation 1-102(I)(G) adopted Minutes of the Trustees, July 25, 1998
Moved to UW Regulation 7-7 on 11/15/2018 Board of Trustees meeting

UW Regulation 1-102, Attachment B; adopted 6/15/2015 Board of Trustees meeting
Revisions adopted and moved to UW Regulation 7-7 on 11/15/2018 Board of Trustees meeting

Revisions adopted 5/11/2023 Board of Trustees meeting