



Cash Management and Investment Policy



AUTHORITY

Massachusetts General Laws Chapter 15A provides that the Fitchburg State University Board of Trustees (BOT) has the authority to establish and manage trust funds. The administration of these funds will comply with MGL Chapter 73, Section 14 as well as with MGL Chapter 180A, also known as the Uniform Management of Institutional Funds Law. A concurrent responsibility of the management of the funds is the thoughtful investment of trust monies. This Cash Management and Investment Policy is intended to guide the Trustees and the University Administration in the investment of cash balances held in University trust accounts.

OBJECTIVE

To establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements and principal growth of locally held funds while ensuring sufficient liquidity for a reasonable degree of flexibility in the operations of the University. The basic objectives of the Cash Management and Investment Policy are:

1. Safety of principal
2. Liquidity for operating needs
3. Return on Investment
4. Diversification of risk

POLICY

The Fitchburg State University Cash Management and Investment Policy applies to locally held funds. The policy excludes federal funds or funds appropriated to the University by legislative act. All funds are accounted for in the University's financial reports.

The cash and investment balances of the University are classified as: 1) Bank Balances, 2) Short Term Funds, 3) Intermediate Investment Funds, and 4) Long Term Investment Funds.

Bank Balances are funds used to meet immediate cash flow needs for operations and are often required as part of minimum balance requirements for bank services provided. The purpose of the Short Term Fund is to provide sufficient cash to meet the ongoing financial obligations of the University in a timely manner including the ability to meet expenses that may result from unanticipated events. The Intermediate Fund aims to produce returns greater than the Short Term Fund balances while allowing for reasonable conversion to meet extraordinary expenses that may arise. The Long Term Investment Fund is a dedicated fund to meet specific long term strategic investment goals of the University.

INVESTMENT INSTRUMENTS AND MATURITIES

1. Bank balance funds are held predominantly in interest-bearing checking accounts. Where account activity and balances warrant, fund balances may be deposited in money market accounts.
2. The maturities of the Short Term fund shall generally not exceed one (1) year; provided however, upon review of the BOT Finance Committee, the University's Chief Financial Officer may invest in maturities beyond one year if such investment is determined, after review of ongoing financial obligations and cash flow requirements, to be consistent with the objectives of the portfolio and in the best interest of the University. Short Term Fund balances will be deposited with the State Treasurer in the Massachusetts Municipal Depository Trust account or similar vehicles as described in item #7 B below.
3. The maturities of the Short Term and Intermediate Investment Funds may exceed one (1) year, provided however, that such maturities consider potential cash flow and liquidity requirements arising from unanticipated events. Funds will be deposited in Short-Term and Intermediate-Term accounts or similar vehicles upon approval of the BOT Finance Committee.
4. At the discretion of the Finance Committee the Intermediate and Long Term Investment Funds may be actively managed by a professional fund manager. Investment parameters will be governed by statute and this Cash Management and Investment Policy.
5. The portfolio will maintain liquidity sufficient to meet operating needs.
6. All investments will be held in U.S. dollars.
7. Eligible Investments for Bank Balances Funds, Short Term Funds, Investment Funds and Long Term Funds:
 - A. Bank Balances, which are collateralized, may be deposited in:
 - a. Interest Bearing Checking Accounts
 - b. Money Markets
 - B. Short Term Funds for investment in the portfolio shall be limited to:

- a. Obligations issued by the U.S. Treasury
 - b. Obligations issued by U.S. Federal Agencies
 - c. Obligations of banks for:
 - 1) bankers acceptances
 - 2) certificates of deposit
 - 3) time deposits
 - d. Repurchase agreements secured by U.S. Treasury and U.S. Federal Agencies
 - e. Municipal securities
 - f. Commercial paper
 - g. Vehicles approved by the State Treasurer for MMDT holdings
 - h. Eligible Investments allowable for Bank Balances Funds
- C. Intermediate Investment Funds and Long Term Investments Fund for investment in the portfolio may include:
- a. Corporate mortgage and asset-backed securities
 - b. Corporate equities
 - c. Investment grade bonds
 - d. Mutual Funds
 - e. Eligible Investments allowable for Operating/Liquidity Funds

All holdings will be of high credit quality. Further, Massachusetts General Laws contain directives regarding standards of conduct and authority that apply, under general principles of law, to trustees in their management of trusts. These broader standards obligate a trustee “to conduct himself faithfully and to exercise a sound discretion, and to be enlightened by observance as to how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the safety of the capital.” A trustee, in other words, has a duty to make the trust property productive and to use due care in maintaining a proper trust portfolio.

DELEGATION OF AUTHORITY

Management responsibility for the investment program including the appointment of a professional fund manager, is hereby delegated to the University President and the Finance Committee of the Board of Trustees, which shall operate the investment program consistent with this approved investment policy. The Finance Committee consists of at least three trustees that are appointed by the Chairman of the Board. A majority vote of the Finance Committee is required to execute business in accordance with this approved investment policy.

The President is authorized to invest, or instruct the Chief Financial Officer to invest, the University’s funds within the guidelines established by this policy.

ETHICS & CONFLICT OF INTEREST

Trustees, officers and employees of Fitchburg State University involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions in accordance with the State Ethics Statute, Chapter 268A of the MGL.

INTERNAL CONTROLS

The Chief Financial Officer of the University shall establish a system of internal controls in accordance with acceptable laws and regulations, which shall be documented in writing. The internal controls shall be reviewed by the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the University.

REPORTING

The President shall periodically submit to the Finance Committee an investment report which summarizes investment activity and detail. Said report shall be in a format as prescribed by the Finance Committee. The Finance Committee shall then make a report to the BOT concerning its decisions and actions not less frequently than once per year.

DIVERSIFICATION

It is the policy of Fitchburg State University to diversify its investments in ways that are reflective of market returns and conditions, including, but not limited to, growth and income instruments. The President, in concert with Finance Committee, may establish strategies and guidelines for the percentages of the total portfolio that may be invested in securities described on page #1 item #7 having regard to the diversification purposes the particular fund addresses other than repurchase agreements, treasury bills or insured/collateralized certificates of deposit.

SAFEKEEPING AND CUSTODY

Fitchburg State University investments shall be secured through third-party custody and safe keeping procedures. Bearer instruments shall be held only through third-party institutions.

INVESTMENT POLICY

The Cash Management and Investment Policy shall be formally approved by the BOT and reviewed annually by the Finance Committee. Upon annual review by the Finance Committee, any recommendations concerning change shall be brought before the BOT.