



**COLLEGE of CENTRAL FLORIDA**  
**ADMINISTRATIVE PROCEDURE**

**Title: Investment**

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**Implementing Procedure For Policy # 5.03**

**Date Approved: 08/20/02**

**Date Revised: 08/21/04**

**Date Revised: 05/16/12**

**Division: Administration and Finance**

## **PURPOSE**

This procedure outlines the responsibility, authority, and general and specific guidelines for managing the investment of College funds subject to the safety and liquidity constraints set forth herein.

## **INVESTMENT OBJECTIVES**

### **1. Safety**

- The primary objective of the College's investment activities is the preservation of capital and the protection of investment principal by mitigating both credit risk and interest rate risk.
  - Credit risk is the risk of loss due to the failure of the security issuer. Credit risk will be mitigated by:
    - 1 Limiting investments to the safest form of securities.
    - 2 Pre-qualifying financial institutions, brokers/dealers, and advisors with which the College will do business.
    - 3 Verifying that the financial institution is a qualified public depository (QPD).
    - 4 Diversifying the investment portfolio in order to minimize losses on individual securities.
  - Interest rate risk is the risk that the market value of securities in the portfolio will be negatively affected by fluctuations in interest rates. Interest rate risk will be mitigated by:
    - 1 Building the investment portfolio so that securities mature to meet cash requirements for on-going operations, thereby avoiding the need to sell securities on the open market prior to maturity.
    - 2 Investing in shorter-term securities, generally with maturities of five years or less.

### **2. Liquidity**

The investment portfolio shall remain sufficiently liquid 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 to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio will consist largely of securities with active secondary or resale markets. Unless matched to a specific cash flow requirement, the College will not directly invest in securities maturing more than five (5) years from the date of purchase.

### **3. Return**

The investment portfolio shall be managed with the objective of maximizing the rate of return on invested funds. Return on investment is of secondary importance compared to the safety and

liquidity objectives described above. The portfolio's core investments will be limited to relatively low risk securities in anticipation of earning a fair rate of return relative to the risk being assumed.

## **RESPONSIBILITIES AND OVERSIGHT**

### **1. Investment Committee**

- The investment portfolio will be administered by the Chief Business Officer under the oversight of an Investment Committee. The Committee will consist of the following members:
  - Member of the District Board of Trustees appointed by the Chair.
  - Chief Business Officer will chair the Committee.
  - Assistant Vice President for Finance will serve as the Investment Officer for the College.
  - Member of the Business Department faculty recommended by the Faculty Senate and appointed by the President.
  - One other member appointed by the President.

### **2. Committee Responsibilities**

- To review this procedure on an annual basis and make recommendations for proposed changes.
- To review portfolio transactions and performance on a semi-annual basis.
- To specifically approve exceptions to this procedure.

### **3. Investment Officer Responsibilities**

- To direct the execution of portfolio transactions consistent with this procedure.
- To oversee day-to-day operations of the investment portfolio.
- To make reports to the Investment Committee and the District Board of Trustees. The reports shall include:
  - A review of the current trends in interest rates.
  - A review on the current yield on invested funds, expected cash flow from investments, and current market value of the investment portfolio.
  - A report with a list of all investment transactions since the beginning of the fiscal year.

## **PRUDENCE AND ETHICAL STANDARDS**

1. Standard of Prudence – The standard of prudence to be used by the investment officer shall be the “prudent person rule” and shall be applied in the context of managing an overall portfolio. Investment officers, or persons performing the investment functions, acting in accordance with written policies and procedures and exercising due diligence,
2. The “prudent person rule” is herewith understood to mean the following:  
*“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in 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.*

## **SPECIFIC INVESTMENT GUIDELINES**

### **1. Investment funds are defined as follows:**

- Core balance funds – Funds available for investment for a minimum of one year based on estimates by the Chief Business Officer and the Assistant Vice President for Finance.
- Periodically available funds – Funds available for shorter investment periods due to fluctuations in the income stream.

2. Investments shall be limited to the following classes of securities:
  - Florida State Board of Administration
  - SPIA – Special Purpose Investment Account (Stat Treasurer’s Fund)
  - United States government securities
  - Time Deposits in Federally insured banks
  - Such other investment as authorized by law in FS. 218.415(16), 215.417 and State Board of Education Rules.
  
3. Review of Procedure – The amounts and constraints shall be reviewed by the Investment Committee and modified as necessary to meet current market conditions and the College’s financial condition.

**INTERNAL CONTROLS**

1. Safekeeping and Custody – The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the College are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:
  - The cost of a control should not exceed the benefits derived.
  - The valuation of costs and benefits require estimates and judgment by management.
  
2. Reporting – The Investment Officer is responsible for maintaining adequate financial accounting and reporting systems for the investment portfolio. The Investment Officer shall prepare an investment report, which could include a management summary, that would include the following:
  - A listing of individual investments held at the end of the reporting period.
  - The percentage of the total portfolio which each type of investment represents.
  
3. Exceptions and Modifications to this Procedure – Any exceptions to the procedure must be approved by a vote of the Investment Committee. For convenience, such votes may be taken by telephone poll to expedite transactions. Exceptions shall be included in the periodic reports provided to the Investment Committee and to the District Board of Trustees.
  
4. Review of Procedure – The procedure shall be reviewed at least annually by the Investment Committee and revisions recommended to the President for consideration.

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Vice President, Administration and Finance

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Date

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Approved by President

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Date