



Meeting of the Full Board  
September 29, 2022  
8:30 am

---

### **Action Item**

BOT-4      Request for Approval of Investment Policy Statement for Institutional Trust and Special Funds

### **Background Information**

The Vice Chancellor for Finance and Administration is requesting the approval of an Investment Policy Statement for Institutional Trust and Special Funds. The university does not currently have a policy, and the Board of Governors authorizes us to adopt uniform policies and procedures to be approved by the Board of Trustees and the Chancellor.

Attachments:

- 4.1      Criteria for Delegation and Self-Assessment
- 4.2      Proposed Investment Policy Statement for Institutional Trust and Special Funds

### **Requested Action**

That the Board of Trustees of the University of North Carolina at Greensboro approve the proposed Investment Policy Statement for Institutional Trust and Special Funds.

A handwritten signature in black ink that reads "Robert J. Shea, Jr." in a cursive script.

Robert J. Shea, Jr.  
Vice Chancellor for Finance and Administration

## **Criteria for Delegation and Self-Assessment**

### **I. Criteria for Delegation**

Section 600.2 4.1 of The UNC Policy Manual, adopted by the Board of Governors in August 2012, delegated authority for managing institutional trust funds. It lists the following minimum criteria to receive delegated authority:

- The constituent institution has performed a written, comprehensive self-assessment that demonstrates it has the administrative, technical, financial, and support resources necessary to properly carry out the delegated authority.
- The Chancellor has certified in writing that the constituent institution has the administrative, technical, financial and support resources necessary to properly carry out the delegated authority.
- The constituent institution has appropriate and sufficient technical and professional staff with demonstrated capacity in the development, evaluation and execution of cash management and investment operations and an associated understanding of the risk and return attributes of its investment strategies and underlying investments.
- An assessment team, assembled and led by the Vice Chancellor for Finance and Administration, in consultation with the General Counsel, has reviewed the constituent institution's self-assessment and has, if necessary, performed an on-site capabilities appraisal that confirms the institution's self-assessment, and has recommended delegation to the President.

### **II. University Self-Assessment and Ability to Manage Institutional Trust Funds**

The purpose of this document is to outline the University's ability to manage its institutional trust funds pursuant to the delegated flexibility. This document addresses UNCG's investment policies, investment experience, capacity to manage its own cash, current cash management and treasury operations, and other financial considerations.

Due diligence for this assessment, and continuing oversight of this function, includes input from the following working group, all of whom act under the direction of the Vice Chancellor for Finance and Administration (Robert Shea):

- Associate Vice Chancellor for Finance (Paul Forte)
- University Controller (Amanda Nash)
- University Assistant Controller (Ghazala Bibi)

Mr. Forte and Mrs. Nash have passed the CPA exam and Ms. Bibi is currently pursuing a DBA. Mr. Forte and Mr. Shea have experience in investing University available cash balances from their previous positions in the private sector, the Rhode Island State of Higher Education, and private universities.

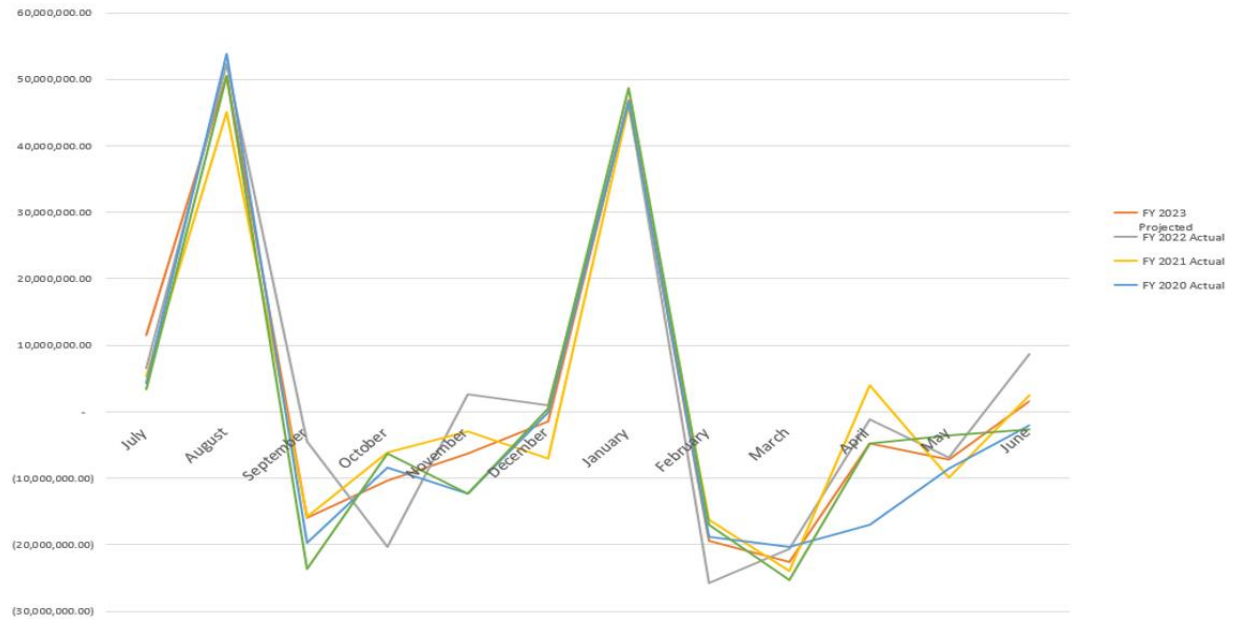
The University is requesting authority under UNC Policy 600.2.4.1 to manage its institutional trust fund balances. Currently all our non-operational cash is invested in the State Short-Term Investment Fund (STIF). The return on this fund has significantly declined for the past years.

Policy 600.2.4.1 requires the constituent institution to provide a comprehensive self-assessment that demonstrates it has the administrative, technical, financial and support resources necessary to properly carry out the delegated authority.

The University has been coordinating with Bank of America on process and they will manage the laddered portfolio investing in federal T-Bills only with an average portfolio duration of one to two years. The University will be very conservative investing no more than 50%% of its free cash balance in T-Bills with the rest remaining in STIF. Cash needs will be projected monthly and actual balances will be monitored daily.

The pattern of changes in cash has been very consistent as shown in the graph below:

## Trend of the Monthly Fluctuation in Bank Balance



We have created a draft cash flow analysis for FY 2022 showing how a \$75 million ladder would affect cash balances below.

## Analysis of Projected Cash invested in STIF versus T-Bills

Month End Date	Projected Cash Balance	T-BILLS investments	STIF Cash in Balance	STIF % over total Cash
8/31/2022	246,749,507.40	-	246,749,507.40	
9/30/2022	230,845,129.65	(75,000,000.00)	155,845,129.65	68%
10/31/2022	220,492,226.77	(75,000,000.00)	145,492,226.77	66%
11/30/2022	214,267,245.82	(75,000,000.00)	139,267,245.82	65%
12/31/2022	212,842,021.52	(75,000,000.00)	137,842,021.52	65%
1/31/2023	259,782,746.05	(75,000,000.00)	184,782,746.05	71%
2/28/2023	240,305,935.42	(75,000,000.00)	165,305,935.42	69%
3/31/2023	217,737,581.08	(75,000,000.00)	142,737,581.08	66%
4/30/2023	213,004,743.00	(75,000,000.00)	138,004,743.00	65%
5/31/2023	205,818,563.42	(75,000,000.00)	130,818,563.42	64%
6/30/2023	207,400,899.08	(75,000,000.00)	132,400,899.08	64%
7/31/2023	196,311,820.42	(75,000,000.00)	121,311,820.42	62%
8/31/2023	246,749,507.40	(75,000,000.00)	171,749,507.40	70%
9/30/2023	230,845,129.65	(75,000,000.00)	155,845,129.65	68%
10/31/2023	220,492,226.77	(75,000,000.00)	145,492,226.77	66%
11/30/2023	214,267,245.82	(75,000,000.00)	139,267,245.82	65%
12/31/2023	212,842,021.52	(75,000,000.00)	137,842,021.52	65%
1/31/2024	259,782,746.05	(75,000,000.00)	184,782,746.05	71%
2/29/2024	240,305,935.42	(75,000,000.00)	165,305,935.42	69%
3/31/2024	217,737,581.08	(75,000,000.00)	142,737,581.08	66%
4/30/2024	213,004,743.00	(75,000,000.00)	138,004,743.00	65%
5/31/2024	205,818,563.42	(75,000,000.00)	130,818,563.42	64%
6/30/2024	207,400,899.08	(75,000,000.00)	132,400,899.08	64%

As part of the control process, we will meet monthly to review the investment portfolio with Bank of America. The team reviewing this will include the Vice Chancellor for Finance and Administration, the AVC for Finance, Budget Director, and Controller.

As a final step in the assurance process the University will have Office of Institutional Integrity and General Counsel, through its internal audit function, review our procedures and processes as part of its annual audit plan. This will assure compliance with the investment policy and assure that the controls outlined in this document are implemented and regularly assessed for adequacy.

### **A. Investment Policies**

In preparation for this delegation to the Chancellor we prepared an Institutional Trust (and Special Funds) investment policy for those funds not invested with the State Treasurer's Investment Fund (STIF). The Institutional Trust Fund policy, which

has been reviewed by the Board of Trustees, and approved by the Vice Chancellor for Finance and Business and the Chancellor. The policy limits the university to investing in U.S Treasury Bills and State Treasurer's Investment Fund.

**B. Investment Strategy for Institutional Trust Funds**

Our approach will be to invest in a laddered T-Bill portfolio to generate a slightly higher return on a portion of Institutional Trust than the State Treasurer's Investment Fund. We will continue to keep a substantial core portion of working capital invested in the State Treasurer's Investment Fund (STIF).

Below is a sample ladder based on rates in August 2022.



Joel Volkening, VP  
Global Liquidity Investment Solutions  
Bank of America Securities  
Bank of America, N.A.

Hypothetical T-Bill Proposal for UNC Greensboro  
08/12/22

Security Description	Type	Amount	Maturity Date	Duration	Yield	% Portfolio
3 Month U.S. Treasury Bill 11/10/22	UST	5,000,000.00	11/10/22	0.247	2.48%	0.07
6 Month U.S. Treasury Bill 02/09/23	UST	10,000,000.00	2/9/23	0.496	2.98%	0.13
9 month U.S. Treasury Bill 5/18/23	UST	10,000,000.00	5/18/23	0.764	3.00%	0.13
1 Year U.S. Treasury Bill 08/10/23	UST	10,000,000.00	8/10/23	0.995	3.18%	0.13
U.S. Treasury Note 2.75% 11/15/23	UST	10,000,000.00	11/15/23	1.260	3.18%	0.13
U.S. Treasury Note 0.125 02/15/24	UST	10,000,000.00	2/15/24	1.512	3.19%	0.13
U.S. Treasury Note 0.25 05/15/24	UST	10,000,000.00	5/15/24	1.759	3.20%	0.13
U.S. Treasury Note 3.00% 07/31/24	UST	10,000,000.00	7/31/24	1.970	3.22%	0.13
		\$ 75,000,000				0.53

Total Portfolio	\$ 75,000,000
Weighted Average Maturity	316 Days
Weighted Average Yield	3.09%

The weighted average yield of over 3% compares with an August STIF return of less than 1%.

**C. Investment Experience and Capacity to Manage Fixed Income Investments**

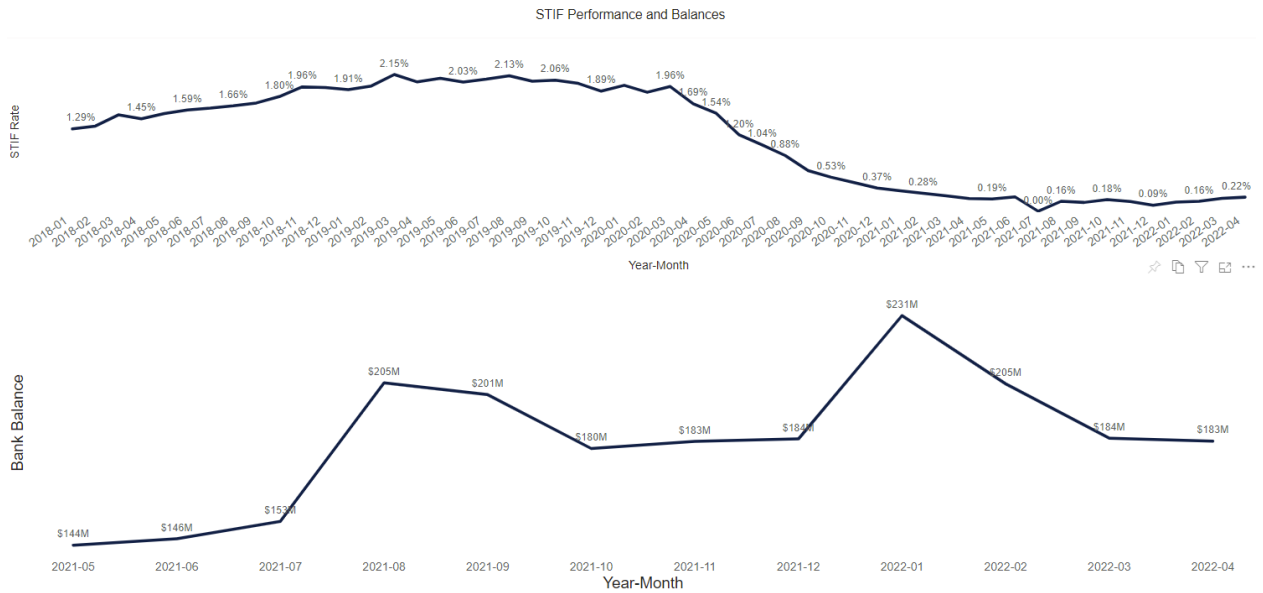
System policy requires the constituent institution to have appropriate and sufficient technical and professional staff with demonstrated capability in the development, evaluation and execution of cash management and investment operations and an associated understanding of the risk and return attributes of its investment strategies and underlying investments

The University clearly understands the risks of this proposal. We understand that in a rising rate environment there is a risk of capital loss. We will structure the portfolio in a ladder of short duration. Our intention is to only invest cash not needed for current operations and to hold investments to maturity when the T-bills will be redeemed in their full face-value. We will not deviate from short term T-bills issued by the US Treasury.

**D. Current Cash Management and Treasury Operations**

We currently two major commercial banks, Bank of America, and Wells Fargo, for most UNCG transactions. We currently invest all UNCG’s cash in the STIF and receive very little yield on our investments.

The University has had an average STIF balance of between \$152 million and \$231 Million in STIF over the last year earning between .09% and .21%. A model portfolio provided to us from Bank of America would earn approximately 3% and earn \$2.25 annually (at rates as of August 2022). On a projected investment of \$75 million this would return an additional \$1.5 million to the University. These are auxiliary funds, and the additional returns would be used to offset rising inflation in R & R, maintenance, and energy costs.



We understand the rates and the rate differential can change and monitoring this will be a part of our investment analysis process.

**E. Financial Considerations**

The University has a seasoned professional staff in both the budget and finance areas including several CPAs. The University has consistently maintained a strong financial position and has an Aa3 bond rating by Moody's. Bond ratings provide external validation that the University has both the ongoing financial strength and administrative capacity to manage its institutional trust funds, with respect to liquidity planning, deposit management/administration, and with respect to investment asset allocation.

Our strong financial picture is complemented by a deep and stable management team. We monitor our internal budgets monthly. We are conservative with respect to our debt burden, and with respect to overall risk. Our purpose in seeking additional flexibility for investment of a portion of our Institutional Trust Funds is to provide additional centrally held cash. It will be crucial as we proceed with both our current strategic plans and encounter additional state reductions going forward. Finally, there are no fees to execute the U.S. Treasuries and there is no cost to hold each U.S. Treasury in safekeeping with Bank of America N.A.

# UNIVERSITY POLICY TEMPLATE

The University of North Carolina at Greensboro

## INVESTMENT POLICY STATEMENT FOR INSTITUTIONAL TRUST AND SPECIAL FUNDS

Approved by the Board of Trustees, September 29, 2022

Revised September 29, 2022

### 1. Purpose

[N.C. General Statute 116-36.1](#) authorizes the Board of Governors of the University of North Carolina ("UNC") to adopt uniform policies and procedures applicable to the deposit, investment, and administration of institutional trust funds and to delegate such authority through the President to the constituent institutions. Through UNC policy "[600.2.4.1: Delegated Authority for Managing Institutional Trust Funds](#)", upon request by the Chancellor, the President may delegate authority to the Chancellor of a constituent institution to deposit, invest, and administer institutional trust funds consistent with N.C. General Statute 116-36.1.

The purpose of this policy is to provide guidelines for the investment of the University's Institutional Trust (excluding, for example, research contracts, grants, and agency receipts) and Special Funds. This policy will delegate management responsibility for the execution of this investment policy; establish overall portfolio goals and objectives; and will identify permitted investment securities/funds and provide associated investment guidelines

### 2. Scope

This policy pertains to University's Institutional Trust funds only (excluding, for example, research contracts, grants, and agency receipts) and Special Funds. It does not apply to state funds.

### 3. Definitions and Roles and Responsibilities

#### 3.1 Definitions



### **3.2 Roles and Responsibilities**

Authority to manage the investment program in accordance with this investment policy is granted to the University's Vice Chancellor for Finance and Administration, who shall act and may further delegate the authority to execute and manage investments in accordance with any procedures and internal controls for the operation of the investment program consistent with this investment policy.

## **4. Policy**

### **4.1 Philosophy**

The university and its associated entities rely on operating cash to fund operations, pay debt service, and build rainy day funds. Therefore, an investment program for operating funds must rely on prudent, conservative methods of preserving cash while generating supplemental return. In this investment policy we seek to maintain the highest credit quality instruments, while limiting duration, sector, and counterparty risk. Limiting duration helps to reduce interest rate risk—the likelihood that movements in interest rates will affect the net asset value of investments in the program. It is likely that a substantial portion of UNCG's and its associated entities operating cash will remain invested with the State of NC Treasurer's Short Term Investment Fund (STIF). However, there may be opportunities to generate additional income with limited additional risk, particularly if duration increases slightly.

### **4.2 Goals and Objectives**

- To preserve principal.
- To optimize the use and investment of university cash and short-term investments.
- To earn rates of return that consistently exceed money market rates of return over time to generate incremental resources for the central administration of the University.
- To provide liquidity for university operating and capital needs.

### 4.3 Benchmarks

- Rate of return on the State of North Carolina Treasurer's Short-Term Investment Fund ("STIF").
- Appropriate market-based indexes that represent the asset classes and duration of the underlying investments in a constructed portfolio.

### 4.4 Investment Guidelines

Permitted investments include direct investments in the following publicly traded securities, in university-related funds, or in the holdings of external managers hired to invest on behalf of the university.

Asset Sector	Sector Limit*	Issuer/Fund Limit*	Minimum Rating**
U.S. Treasury bills, notes, and bonds	50%	50%	AA/AA/AA
State of NC Treasurer's Short Term Investment Fund (STIF)	100%	100%	N/A

\*As a percentage of total balance of all "Institutional Trust and Special Funds", less "Contracts and Grants" funds and "proceeds of bond issues".

\*\* Ratings are listed from left to right for Moody's, S&P, and Fitch Ratings, respectively.

### 4.5 Custody

All investment securities and funds managed by external parties will be held in the name of the University by an independent third-party custodian selected by the University.

### 4.6 Reports and Updates

This policy will be reviewed on an annual basis and a report will be prepared that provides investment results and recommends any potential updates to this policy.

## 5. Compliance and Enforcement

The Division of Finance and Administration will enforce and administer this policy in accordance with the N. C. General Statutes.

The policy administrator is the Vice Chancellor for Finance and Administration.

## 6. Additional Information

### 6.1 Supporting Documents

- [N.C. General Statute 116-36.1](#)
- [600.2.4.1](#)

### 6.2 Related Policies

- <https://www.northcarolina.edu/apps/policy/doc.php?type=pdf&id=2642>
- [https://www.ncleg.gov/EnactedLegislation/Statutes/PDF/BySection/Chapter\\_147/GS\\_147-79.pdf](https://www.ncleg.gov/EnactedLegislation/Statutes/PDF/BySection/Chapter_147/GS_147-79.pdf)
- [https://www.ncleg.net/EnactedLegislation/Statutes/PDF/BySection/Chapter\\_116/GS\\_116-36.1.pdf](https://www.ncleg.net/EnactedLegislation/Statutes/PDF/BySection/Chapter_116/GS_116-36.1.pdf)

### 6.3 Approval Authority

The Chancellor and the Board of Trustees are responsible for approval of this policy.

### 6.4 Contacts for Additional Information and Reporting

- Robert J Shea, Jr., Vice Chancellor for Finance and Administration, 336-334-5200, [r\\_shea@uncg.edu](mailto:r_shea@uncg.edu)
- Jerry Blakemore, Vice Chancellor of Institutional Integrity and General Counsel, 336-334-3067, [j\\_blakem@uncg.edu](mailto:j_blakem@uncg.edu)
- Paul Forte, AVC for Finance, 336-334-5806, [pdforte@uncg.edu](mailto:pdforte@uncg.edu)
- Jennifer Leung, Budget Director, 336-256-1181, [jwleung@uncg.edu](mailto:jwleung@uncg.edu)
- Amanda Nash, University Controller, 336-334-5180, [awnash@uncg.edu](mailto:awnash@uncg.edu)