

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

Action Item

BOT – 4 US Treasury Investment Policy

Background Information

On September 29, 2022, the Board of Trustees approved an Investment Policy Statement for Institutional Trust Funds permitting direct investments in US Treasury bills, notes, and bonds at sector and issuer/fund limits of 50% in order to optimize the use and investment of university cash and short-term investments, earn rates of return that generate incremental resources for the central administration of the University, and provide liquidity for university operating and capital needs. The Vice Chancellor for Finance and Administration, ex officio, was authorized to manage the investment program pursuant to and in accordance with the Investment Policy. Thereafter, UNC System President Hans approved that delegated responsibility for institutional trust fund investments in instruments fully backed by the US Department of the Treasury.

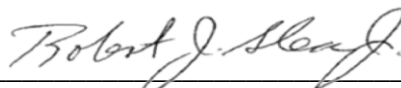
Due to the opportunity of an inverted yield curve, which will allow UNCG to earn a risk free and increased interest rate on available free cash balances, the University now seeks authority to amend Section 4.4 of the Investment Policy for Institutional Trust and Special Funds to increase the amount allowable in U.S Treasury bills, notes and bonds from 50% to 75% of available free cash balances. Current 6-month US Treasuries are yielding in excess of 5%, whereas 5 year treasuries are at 3.5%.

Attachments:

- 4.1 Investment Policy Statement for Institutional Trust and Special Funds approved September 29, 2022 (with requested redlined amendments)
- 4.2 President Hans Letter dated October 18, 2022

Requested Action

That the Board of Trustees of the University of North Carolina at Greensboro approve the proposed amendment to the September 29, 2022 Investment Policy Statement for Institutional Trust and Special Funds.



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

INVESTMENT POLICY STATEMENT FOR INSTITUTIONAL TRUST AND SPECIAL FUNDS

The University of North Carolina at Greensboro

Approved by the UNC Greensboro Board of Trustees, 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 75%	50 75%	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.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
- Jerry Blakemore, Vice Chancellor of Institutional Integrity and General Counsel, 336-334-3067, j_blakem@uncg.edu
- Paul Forte, AVC for Finance, 336-334-5806, pdforte@uncg.edu
- Michele Laudenbacher, Interim Budget Director, 336-334-4050, mjboultuc@uncg.edu
- Ghazala Bibi, University Controller, 336-256-0402, g_bibi@uncg.edu



THE UNIVERSITY OF NORTH CAROLINA SYSTEM

PETER HANS
PRESIDENT

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October 18, 2022

Chancellor Franklin D. Gilliam, Jr.
The University of North Carolina at Greensboro
P.O. Box 27160
Greensboro, NC 27402

Dear Chancellor Gilliam

Pursuant to authority granted under Board of Governors of the University of North Carolina System Policy 600.2.4.1, I approve The University of North Carolina at Greensboro's request for limited delegated authority to manage institutional trust funds. In addition to investing funds in the State's Short Term Investment Fund (STIF), this delegated authority authorizes UNC Greensboro to also invest institutional trust funds in instruments fully backed by the U.S. Department of the Treasury. Investment instruments not backed by the department are not within the scope of this delegated authority. Based on our review of the institution's self-assessment and the investment policy approved by the UNC Greensboro Board of Trustees on September 29, 2022, we concur the institution has the administrative, technical, financial, and support resources necessary to properly carryout this delegated authority consistent with the parameters requested.

If you have any questions about your responsibilities associated with this delegated authority, please do not hesitate to contact Jennifer Haygood.

Sincerely,

Peter Hans

cc: Jennifer Haygood, SVP Finance, UNC System Office
Bob Shea, Vice Chancellor for Finance and Administration
Paul Forte, Associate Vice Chancellor for Finance