

INVESTMENT -- POLICY

Board of Governors for Higher Education
State of Rhode Island and Providence Plantations

Adopted: 03/19/92 (BG)

Legal Citation:

INTRODUCTION

The objective of the Board of Governors' investment policy is to safeguard the financial resources of the institutions of higher education. The policy, therefore, is designed to foster investment practices that preserve and protect principal, and to maintain the purchasing power of its investable assets. The Commissioner of Higher Education has the authority for monitoring institutional investment and cash management practices and for ensuring compliance with Board policy.

INVESTMENT POLICY

The vice president for business and finance at each public institution of higher education is responsible for the investment of funds on deposit with the institution. The vice president shall perform this responsibility within the general framework of the policy established by the Board and in accordance, where applicable, with regulations promulgated by the United States government, bond indentures, and other regulatory agencies of the government.

A. Investment Objectives

- * Preservation and protection of principal.
- * Maintenance of liquidity.
- * Maintenance of orderly cash flow.
- * Production of a yield (return) on investment competitive with that achieved in financial markets from funds invested with similar objectives.

B. Authorized Investments

- * Direct obligations of the United States Government.
- * Obligations of agencies of the United States Government.
- * Commercial paper rated as "investment grade" by Moody, Standard and Poors, or other nationally recognized rating agencies.

- * Corporate bonds, state and municipal bonds and asset-backed securities rated "investment grade" by Moody, Standard and Poors, or other nationally recognized rating agencies.
- * High quality money market mutual funds with \$500 million or more in capital assets.
- * Certificates of deposits and savings accounts in federally insured financial institutions. Investments in excess of the insured limit must be in institutions with \$500 million or more in capital assets or must be protected by pledged collateral having a market value of at least 105% of the investment. Federal insurance includes agencies such as the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Association.
- * Repurchase agreements with banks having a combined capital and surplus of not less than \$20 million. Repurchase agreements shall not exceed 31 days and must be fully collateralized by U.S. Government backed securities.
- * Interest bearing demand deposit accounts (or non-interest bearing where service charges are waived) in federally insured institutions for periods not to exceed three business days unless held by an institution with combined capital and surplus of at least \$20 million or protected by pledged collateral of at least 105% of principal.

C. General Restrictions

- * Short sales, purchase of common stocks, stock index and interest rate futures, bankers' acceptances, purchase of securities on margin credit, purchase of options or investments in commodities or other transactions of a similar nature are not authorized investments.
- * Investments shall not knowingly be made in companies making loans to or doing business with the Republic of South Africa.
- * There shall be no borrowing solely for investment purposes.
- * Notwithstanding the provisions noted above, the Commissioner may authorize investment instruments for specific and limited purposes.

It is the intention of the Board that the Commissioner or his designee review these policies formally with the vice presidents for finance and other appropriate officials at each institution on an annual basis to reaffirm their relevancy and to make revisions as appropriate. Board members, the Commissioner, and the institutions may suggest revisions as changes are warranted.