

**Florida Polytechnic University
Board of Trustees
Investment Policy**

A. APPLICABILITY / ACCOUNTABILITY

This policy applies to cash and investments for University funds under the University's control in excess of those required to meet current expenses and is consistent with the relevant Florida Statutes. This policy does not apply to pension funds or funds related to the issuance of debt.

B. POLICY STATEMENT

This policy sets forth the investment objectives and parameters for the management of the cash and investment of Florida Polytechnic University (the "University") funds in excess of those required to meet current expenses ("funds"). The Policy guidelines require the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

1. Scope. All funds received by the University, from whatever source and for whatever purpose, shall be deposited promptly in a BOT approved qualified depository.

In accordance with Florida Statutes, this policy applies to cash and investments for operating funds under the University's control in excess of those required to meet current expenses.

While any or all such funds may be invested in the State Treasury's Special Purpose Investment Account (SPIA), this policy applies only to funds not invested in SPIA. Funds which have statutory investment requirements conflicting with this policy are not subject to the provisions of this policy.

2. Oversight. An Investment Committee (the "Committee"), appointed by the Chief Financial Officer (the "CFO"), will consist of three or more University employees who are familiar with investments. The Committee oversees the University's investment program, and may utilize the expertise of an investment consultant to assist in the oversight and implementation of the funds.
3. Investment Objective. The primary investment objective places the highest priority on the safety of principal and liquidity of funds, in an effort to maintain an orderly cash flow that continuously meets the operating capital and contingent needs of the University. The optimization of current income and investment returns shall be secondary to the requirements for safety and liquidity.
4. Prudence and ethical standards.
 - a. Prudent Person rule. The University adopts the Prudent Person Rule, which states that: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the 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 from the investment."

- b. Prudent Expert Rule. Any person or firm hired or retained to invest, monitor, or advise concerning these assets ("consultant") shall be held to the higher standard of the "Prudent Expert". This higher standard for investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, requires that the consultant shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.
5. Maturity and liquidity requirements. The overall investment portfolio shall be constructed in such manner as to provide sufficient liquidity to pay obligations as they become due. Recognizing that market value volatility is a function of maturity, a segment of the portfolio for the investment of funds required to meet current expenses shall be maintained as a short-term maturity portfolio. Funds in excess of those required to meet current expenses may be invested in longer-term portfolios in order to match investment maturities with known cash needs and anticipated cash-flow requirements. The Committee shall review the allocations to each segment on an ongoing basis in order to accurately consider the investment strategy of the Funds in correlation to the changing requirements of the University.
6. Performance measurement. In aggregate, there will be three segments for investments segregated by time horizon and investment objective, and are as follows: the Overnight, Intermediate-Term and Long-Term Segment. The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the University's risk constraints, the cash flow characteristics of the portfolio, Chapter 218.415 of Florida Statutes, and any local laws, ordinances or resolutions that restrict investments. The Committee shall measure investment performance for each segment against appropriate, readily available market indexes with similar maturity characteristics. The University will strive to maintain a range of +/- 20% of the duration consistent with the appropriate index.
7. Risk and diversification. Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The University will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.

- The invested funds of any single issuer will be less than 5% of the total assets of the fixed income portfolio, with the exception of issuers that are formally guaranteed by the US Government, US Agency securities, and government sponsored mortgage backed securities.
- The University may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or University's risk preferences.
- Investments will be limited to obligations rated the equivalent of Baa3/BBB- or higher at time of purchase, based on the highest rating assigned to a security by one of the NRSROs which have assigned a rating to the security.

Securities rated in the "BBB" category will be in total no greater than 25% of the total assets of the portfolio based on the highest rating assigned to the security.

If securities owned by the University are downgraded by an NRSRO to a level below the quality required by this investment policy, it will be the University's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. If the University utilizes the services of an investment manager, the investment manager shall assist the University in monitoring the credit ratings of securities in the portfolio and shall notify the University of any such downgrade.

The Committee shall periodically review and revise the diversification strategies within these guidelines.

8. External investment managers and consultants. The Committee has the authority to engage external professional advisors and investment managers who are registered under the Investment Advisers Act of 1940 that it deems appropriate. The Committee will conduct performance reviews of all external advisors and managers at least annually.
9. Authorized investment institutions and dealers. The CFO maintains an approved list of investment institutions and/or dealers for the purchase and sale of securities. The CFO or authorized Investment Manager shall only purchase securities from financial institutions that are Qualified Institutions by the University or institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York. The Committee shall approve the criteria for Qualified Institutions. Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the University, except where the University utilizes an external investment adviser in which case the University may rely on the adviser for selection.
10. Third party custodial agreements. All securities purchased by the University or by its approved Investment Manager shall be properly designated as an asset of the University and held in safe keeping by a third party custodial bank or other third party custodial institution. The custodian shall accept transaction instructions only from those persons who have been duly authorized by the University and for which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, unless by such a duly authorized person.

- a. Monthly reports. The custodian shall provide the University with safekeeping statements that provide detailed information on the securities held by the custodian. On a monthly basis, the custodian will also provide reports that list all securities held for the University, the book value of holdings and the market value as of month-end.
 - b. Transfers on a delivery vs. payment basis. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.
 - c. Sale of investments. When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the Committee or designee may sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund of the University.
11. Master repurchase agreement. The Investment Manager shall maintain a master repurchase agreement and require all approved institutions and dealers transacting repurchase agreements to adhere to the requirements of the master repurchase agreement.
12. Bid requirement. The University staff will determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate.

Except as otherwise required by law, the bid deemed to best meet the University's investment objectives must be selected. Exceptions to this approach may be made when (1) prices for purchases/sales are compared to systems providing current market prices and deemed reasonable; (2) when the security to be purchased is unique to one institution; or (3) when the security has recently been issued and is trading at the same price by all financial institutions.
13. Internal controls. The CFO shall establish a system of internal controls and operational procedures which will be documented in writing and made a part of the University's procedures. The controls will be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by University employees. These controls shall be reviewed by independent auditors as part of any financial audit periodically required of the University.
14. Ethics and Conflicts of Interest. All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the Committee any material interests in

financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the University.

15. Continuing education. The CFO/designee will annually complete eight hours of continuing education in subjects or courses of study related to investment practices and procedures.
16. Transfer of funds. The University President or his or her designee, may transfer funds from one depository to another, within a depository, to another institution, or from another institution to a depository for investment purposes and may transfer funds to pay expenses, expenditures, or other disbursements, evidenced by an invoice or other appropriate documentation.
17. Account procedures. The University may maintain a separate checking account for each fund or may utilize a single checking account for the deposit and withdrawal of moneys from all funds and segregate the various funds on the books and records only. No check or withdrawal shall be drawn in excess of the balance to the credit of the appropriate fund. Funds awaiting clearing may be invested in investments earning interest in a qualified depository, in the State Treasury, and in the State Board of Administration. Investments of University funds shall comply with the requirements of Florida Statutes for the investment of public funds by local government. The Committee shall exercise due diligence to assure that the highest available amount of earnings is obtained on investments.
18. Prohibited Securities. The following securities and transactions are not authorized and shall not be purchased: securities lending, equities, unregistered securities, commodities or commodity contracts, short sales, margin transactions, or private placements (with the exception of Rule 144a securities). Derivatives, options or futures for the purpose of portfolio leveraging, and issues of or by instrumentalities deemed to be in violation of the Prohibited Transactions Standards of the prudent man rule are also prohibited.
19. Reporting. The CFO shall prepare periodic investment reports for submission to the Board of Trustees at least annually. The reports shall include securities in the portfolios by class or type, book value, income earned, and market value as of the report date.
20. Accounts maintained in the books and funds on deposit. Each account shall show the amount subject to withdrawal, the amount deposited, the amount expended, and the balance of the account.
21. Securities. Each investment advisor or manager shall provide the University with a "Quarterly Investment Report" that summarizes but is not limited to the following:
 - a. Recent market conditions, economic developments and anticipated investment conditions.
 - b. The investment strategies employed in the most recent quarter.
 - c. A description of all securities held in investment portfolios at month-end.
 - d. The total rate of return for the quarter and year-to-date versus appropriate benchmarks.
 - e. Any areas of concern warranting possible revisions to current or planned

investment strategies.

The market values presented in these reports must be consistent with accounting guidelines in Governmental Accounting Standards Board ("GASB") Statement 31.

22. Authorized investments-Overnight segment. Investments shall be limited to the following within each Segment. Percentage holding limits listed in this section apply at the time the security is purchased.

- a. Governmental Investment Pools. The Overnight segment may use the State Board of Administration Local Government Investment Pool (LGIP), or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969 that maintains a stable net asset value ("NAV") and a maximum stated maturity and weighted average maturity in compliance with SEC Rule 2a-7, and has the highest credit quality rating from a nationally recognized rating agency. The portfolio composition: a maximum of fifty percent (50%) of available funds may be invested in governmental investment pools, and a maximum of twenty-five percent (25%) of available funds may be invested with any one pool.
- b. Money Market Funds. The Overnight segment may use Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. The CFO/designee may invest in shares in open-end and no-load money market funds provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7. In addition, the share value of the money market funds must be equal to \$1.00. The portfolio composition: a maximum of Fifty percent (50%) of available funds may be invested in money market funds, and a maximum of twenty-five percent (25%) of available funds may be invested with any one fund.

The Committee develops a questionnaire containing a list of due diligence considerations that deal with the major aspects of any investment pool/fund. A current prospectus must be obtained and/or current pool documents and portfolio reports. The Committee must conduct a thorough investigation of any government investment pool or money market fund prior to investing, and thereafter on a continual basis.

- c. Interest-bearing time deposits or savings accounts. The Overnight segment may use interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes section 280.02. The Committee/designee may invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of Florida and/or in national banks organized under the laws of the United States and doing business and situated in Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and provided that the bank is not listed with any recognized credit watch information service. The Portfolio Composition: a maximum of fifty percent (50%) of available funds may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.

A maximum of twenty-five percent (25%) of available funds may be deposited with any one issuer. The maximum maturity on any certificate shall be no greater than one

(1) year from the date of purchase.

- d. Direct obligations of the United States Treasury. The CFO/designee may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:

- i. Cash Management Bills
- ii. Treasury Securities - State and Local Government Series (SLGS)
- iii. Treasury Bills
- iv. Treasury Notes
- v. Treasury Bonds
- vi. Treasury Strips
- vii. TIPS

Portfolio Composition: a maximum of one hundred percent (100%) of available funds may be invested in the United States Government Securities.

- e. Federal agencies and instrumentalities. The CFO/designee may invest in bonds, debentures or notes issued or guaranteed by Federal Agencies or United States Government sponsored enterprises (Federal Instrumentalities which are non-full faith and credit agencies), including but not limited to the following:

- i. Federal Farm Credit Bank (FFCB)
- ii. Federal Home Loan Bank or its District banks (FHLB)
- iii. Federal National Mortgage Association (FNMA)
- iv. Federal Home Loan Mortgage Corporation (FHLMC)

Portfolio Composition: a maximum of seventy-five percent (75%) of available funds may be invested in Federal Instrumentalities. A maximum of twenty-five percent (25%) of available funds may be invested in any one issuer.

- f. Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMOs). The CFO/designee may invest in MBS and CMOs with a rating of at least "AA" by a NRSRO and issued by a Government Sponsored Enterprise (GSE). A maximum of twenty-five percent (25%) of available funds may be invested in MBS and CMOs.

- g. Commercial Paper. The CFO/designee may invest in U.S. dollar denominated commercial paper that is rated, at the time of purchase, A-1/P-1/F-1 or higher (prime commercial paper) based on the highest rating assigned by a NRSRO.

Portfolio Composition: a maximum of twenty-five percent (25%) of available funds may be directly invested in prime commercial paper. A maximum of five percent (5%) of available funds may be invested with any one issuer. The maximum length to maturity for prime commercial paper shall be two hundred seventy (270) days from the date of purchase.

- h. Bankers' Acceptances. The CFO/designee may invest in Bankers' Acceptances which are U.S. dollar denominated which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "A-1/P-1/F-1 or higher based on the highest rating assigned by a NRSRO.

Portfolio Composition: a maximum of thirty percent (30%) of available funds may be directly invested in bankers' acceptances. A maximum of five percent (5%) of available funds may be invested with any one issuer. The maximum length to maturity for bankers' acceptances shall be one hundred eighty (180) days from the date of purchase.

23. Authorized investments- Intermediate-Term Segment and Long-Term Segment. The authorized investments for the Intermediate-Term Segment and Long-Term Segment include those allowable for investment via the Overnight Segment, in addition to:

- a. Corporate Notes. Domestic Corporate obligations and US dollar denominated foreign corporate, foreign government and political subdivisions, and Supranational debt obligations issued domestically and abroad that have a long term debt rating, at the time of purchase, the equivalent of Baa3/BBB- or higher, based on the highest rating assigned to a security by one of the NRSROs which have assigned a rating to the security.

Portfolio Composition: a maximum of fifty percent (50%) of available funds may be directly invested in corporate notes. Securities rated in the BBB category will be in total no greater than 25% of the total assets of the portfolio based on the highest rating assigned to the security. A maximum of five percent (5%) of available funds may be invested with any one issuer.

- b. State and/or Local Government Taxable and/or Tax-Exempt Debt. State and or local government taxable or tax-exempt debt General obligation and/or revenue bonds, that have a long term debt rating, at the time of purchase, the equivalent of Baa3/BBB- or higher, based on the highest rating assigned to a security by one of the NRSROs which have assigned a rating to the security. Portfolio Composition: a maximum of twenty percent (20%) of available funds may be invested in taxable and tax-exempt debts. A maximum of five percent (5%) of available funds may be invested with any one issuer.
- c. Asset Backed Securities (ABS). These investments must have a rating of AA or higher by a NRSRO. Portfolio Composition: a maximum of twenty percent (20%) of available funds may be invested in asset backed securities. A maximum of five percent (5%) of available funds may be invested with any one issuer.
- d. Other investments authorized by law and approved by the Committee.

24. Review of Investment Policy. The investment policy will be reviewed and adopted at least annually.

Adopted by the Florida Polytechnic University Board of Trustees on December 6, 2017.

Chair's signature:

