

LUTHER COLLEGE

POLICIES AND PROCEDURES

Department: Financial Services
Subject: Cash Investment Policies and Procedures
Date Issued: October 18, 2013
Date Revised: February 10, 2014; July 11, 2016
Approved By: Investment Committee

I. Policy

This policy sets forth the guidelines for investing the cash held by the College.

II. Purpose

The purpose of this policy is to ensure that cash held by the College will be invested, in order of importance, to:

- Preserve the capital value of the cash
- Provide sufficient liquidity so the College is able to pay its financial obligations in a timely manner
- Minimize the risk of the cash investments
- Maximize the interest earned consistent with the above objectives.

III. Scope

This policy applies to all cash held by the College except for the cash held in the Endowment Fund Investment portfolio and in the Deferred Gifts investment portfolios.

IV. Terms and Definitions

- Cash Investment Committee consists of the vice president for finance and administration, the controller, and the accounting clerk.
- Operating reserve – operating reserves are liquid, unrestricted assets that the College can use to support its mission.

V. Procedures and Guidelines

- A. The Cash Investment Committee will meet quarterly to review asset allocation, investment selection, portfolio performance and overall adherence to the investment policy guidelines. The Cash Investment Committee will report quarterly to the Investment Committee including holdings and the portfolio's performance relative to

appropriate indices such as the average three-month US Treasury bill auction yield and the Merrill Lynch 1-3 Year Treasury Index.

- B. The Cash Investment Policy and Procedures will be reviewed by the Cash Investment Committee and the Chair of the Investment Committee on a biennial basis.
- C. A 'ladder of maturities' is to be used so investments have staggered maturity dates to minimize interest risk and to provide for liquidity needs. The Controller will produce monthly reports identifying the amount invested, type of investment, rate of return, and maturity date for all funds. The Vice President of Finance and Administration will review this report quarterly.
- D. Authorized investments include:
- U.S. Treasury Securities – U.S. Treasury notes, bill, and bonds with maturity of 24 months or less. Since these are government backed, there is no upper limit restriction as to the maximum dollar amount or percent of the portfolio that may be invested.
 - Federal Agency Securities – Any debt obligation issued by the U.S. Government agencies with a maturity of 24 months or less. No more than 25% may be invested in obligations of any one federal agency, but since these are government backed, there is no upper limit restriction as to the maximum dollar amount or percent of the portfolio that may be invested.
 - Repurchase Agreements – Any Repurchase Agreement purchases is at least 102% collateralized by U.S. Government or U.S. Agency obligations.
 - Bank Obligations – Any certificate of deposit, banker's acceptance, bank note, or letter of credit issued by a U.S. bank possessing at least the long-term debt rating of "A" from at least two recognized investor rating services and at least a short-term credit rating of A1-Standard and Poors, P1-Moody's, and F1-Fitch; or investments must be fully protected by FDIC or by excess deposit insurance.
 - Commercial Paper – Any commercial paper issued by a domestic corporation with a maturity of 270 days or less that carries the highest rating by at least two of the recognized investor rating services. Commercial paper shall not represent more than 50% of the portfolio and no more than 5% in any one issuer.
 - Certificate of Deposit Account Registry Service (CDARS) <http://www.cdars.com/>
 - A pooled vehicle which otherwise meets the criteria of the Cash Investment Policies and Procedures.
 - Endowment Pool
 - Refer to the Statement of Investment Policy for the Luther College Endowment Fund for further information.
 - No more than 35% of operating reserves should be invested in the Endowment Pool.
- E. Non-authorized investments include but are not limited to:
- Municipal bonds/notes
 - Guaranteed investment contracts (GICS)
 - Medium term notes (MTNs)

- Fixed rate corporate obligations
- Variable rate demand notes (VRDNs)
- Structured securities such as asset-backed securities (ABS,) mortgage backed securities, (MBS,) floating rate notes
- Auction rate preferred securities (ARPs)
- Any off shore deposits (i.e. Eurodollars, etc.)
- Remarketed preferred stock
- Foreign currency
- Cyber currency

F. Investment authorization process

- The following positions are authorized to make investment transactions on behalf of the College: the controller, the vice president of finance and administration, the accounting clerk, the president

VI. Extended Cash Investments

- Occasionally an investment outside the scope of these guidelines and procedures may be made at the discretion of the Vice President of Finance and Administration and the President.
- This type of investment will be limited to no more than 10% of the average cash position.

VII. Confidentiality and Record

Each party shall take all reasonable steps to safeguard and protect information disclosed by the other party from any theft, loss, unauthorized access, unauthorized use or disclosure and accord it at least the same degree of proprietary treatment as it gives its own proprietary information. Each party shall not, without the prior written consent of the other party, disclose any information to any third party.