



UNIVERSITY POLICY

SUBJECT: FINANCIAL AFFAIRS

TITLE: UNIVERSITY INVESTMENTS

CODING: 00-01-50-75:00

ADOPTED: 03/01/90

AMENDED: 11/15/95

I. PURPOSE

To define the University's strategy for general investments.

II. ACCOUNTABILITY

Under the direction of the Senior Vice President for Administration and Finance, the Vice President for Finance and Treasurer shall ensure compliance with this policy. Under the Vice President for Finance and Treasurer, the Assistant Treasurer shall implement this policy.

III. DEFINITIONS

General Funds - Funds to be used for ongoing operations which are in excess of the daily needs in both the current funds categories.

Specific Purpose Funds - Funds set aside for specific purposes under various endowments, construction projects, or self-insurance reserves.

Short Term Investments - Investments in various instruments whose maturities generally do not exceed 90 days (as specified in Section IV A-2-a. through h. of this policy).

Long Term Investments - Investments in various instruments whose maturities will not be limited (as specified in Section IV A-3-a. of this policy).

Investment Sub Committee - Group consisting of the Chairman of the Finance Committee of the Board of Trustees, the Senior Vice President for Administration and Finance, and the Vice President for Finance and Treasurer whose responsibilities are outlined in this policy.

IV. REFERENCES

Insurance: General Liability [00-01-50:86.03](#)

V. POLICY

A. Requirements:

1. Objectives of investments:

The following shall be the objectives of University investments listed in order of importance:

- a. Safety - the preservation of capital by investing in high-quality securities with a minimum of credit risk.
- b. Liquidity - the availability of funds at the time needed provided for by structured maturities and the use of readily marketable securities.
- c. Income - maximization of income earned by the portfolio within the parameters defined above.

2. Eligible Investments for Excess General Funds:

For General Funds, the criteria set forth in paragraphs a. through and including h. will apply.

- a. Obligations of the U.S. Government (Bills and Notes).
- b. Securities which are backed by the full faith and credit of the U.S. Government.
- c. Prime Commercial Paper rated A-1 by Standard and Poors or P-1 by Moody's. All issuers must be U.S. corporations.
- d. Certificates of Deposits, Bankers' Acceptance, or Repurchase Agreements of:
 - i. the ten largest U.S. banks, as ranked by total deposits; or
 - ii. any bank maintaining a loan commitment to the University of Medicine and Dentistry of New Jersey; or
 - iii. other banks or investment banking institutions specifically recommended by the Vice President for Finance Treasurer and approved by the Investment Sub Committee.
- e. Eurodollar deposits with the same institutions listed in paragraph d.
- f. An open-end, no-load, diversified short-term investment fund managed by a recognized money market fund manager or major U.S. bank.
- g. Tax-exempt securities of governmental bodies and agencies that are rated M-1 or, if such notes are unrated, then issuers must have bonds outstanding that carry at least an A rating.
- h. Industrial revenue bonds, either taxable or non-taxable rated A-1 by Standard and Poors or P-1 by Moody's. All issuers must be U.S. Corporations.

3. For Specific Purpose Funds (Exhibit I), the criteria set forth in paragraphs V-2-a. through h. will apply.

- a. Investment may also be made in corporate stock, the selection of which will be made from the Approved Common and Preferred Stock and Convertible Securities List as developed annually in November by the State (New Jersey) Investment Council.

4. Maturities for General and Specific Purpose Funds:

Maturities shall be structured to meet the funding needs of the University. Maturities of each investment of excess General Funds are not to exceed 90 days without prior approval of the Senior Vice President for Administration and Finance and will be confined to periods of time consistent with the liquidity requirement of the University. Investment decisions will be documented through use of the Treasury Department checklist of investment funds. Maturities of Specific Purpose Funds investments shall not be limited to a 90 day period. Maturities of General or Specific Purpose Fund investments will be related to cash flow forecasts, current money market conditions and estimated yield trends.

5. Diversification of Investments:

- a. There is no limit on investment in obligations of the U.S. Government guaranteed securities.
- b. The maximum amount invested in any one investment vehicle shall be \$1 million or 25% (whichever is greater) of total portfolio except as noted above.
- c. Holdings, other than U.S. Government securities, will be diversified so as to limit concentration in any single obligor, industry, or geographic area.
- d. Cash in excess of short run transaction reserves will be held in sufficiently marketable securities to protect the University against undue loss, should sale before maturity become desirable.
- e. No investment may be acquired at a price above the market value.
- f. In order to optimize the marketability of securities, investments should be made in par amounts of at least \$1 million, whenever possible. This practice also insures a competitive bid.

6. Investment Safekeeping:

All investments with maturities greater than ten days which involve the direct purchase of an obligation, will be delivered to a designated bank for safekeeping, designated by the Vice President for Finance and Treasurer.

7. Investment Portfolio Review:

There shall be a quarterly and annual review of the Specific Purpose Funds portfolio by the Investment Sub Committee. This review will evaluate performance of all investments and actions taken during the preceding period. These reviews will also enable the Investment Sub Committee to offer additional authorization as needed in order to maximize the performance of the portfolio.

8. The portfolio shall be valued at book value.

B. Responsibilities

1. The Investment Sub Committee is responsible for:

- a. approving and amending this policy;
- b. monitoring and approving all investments of Specific Purpose Funds;

- c. approving all security brokers or dealers recommended by the Vice President for Finance and Treasurer; and
 - d. performing a quarterly and annual review of Specific Purpose Funds investment as stated in paragraph V-A-7, above.
2. The Vice President for Finance and Treasurer is responsible for:
- a. monitoring and approving all investments of excess General Funds; and
 - b. making recommendations for the security brokers or dealers to be utilized in the purchase of securities, the final decision of which will rest with the Investment Sub Committee.
3. Under the direction of the Vice President for Finance and Treasurer, the Assistant Treasurer is responsible for:
- a. placing the investments and ascertaining that the investment policy is followed;
 - b. maintenance of maximum funds investments;
 - c. choosing specific investments, within the above mentioned specific guidelines, for funds in each category;
 - d. ongoing review of forecast requirements in all categories and providing cash in a timely way to meet each requirement;
 - e. ongoing review of available investment opportunities and maximizing return consistent with stated policies and risk tolerance;
 - f. preparing transaction forms for each investment (Exhibit B);
 - g. preparing a quarterly analysis of Specific Purpose Funds investment activity and submitting this report to the Investment Sub Committee. This report should cover amounts invested, forms of investments and investment returns;
 - h. ensuring that securities are placed in safekeeping accounts;
 - i. ensuring that all documents of the transaction are received and properly recorded in the accounts;
 - j. reporting investment income as received or credited;
 - k. receiving prior written approval from the Investment Sub Committee before deviating from this policy; and
 - l. maintaining a current copy of the Approved Common and Preferred Stock and Convertible Securities List referred to in paragraph V A-3-a.

V. EXHIBITS

- A. Description of Specific Purpose Funds.
- B. Transaction Form.

By Direction of the President:

Senior Vice President for Administration and Finance

EXHIBIT A

UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY SPECIFIC PURPOSE FUNDS

ENDOWMENT FUND

Investments in Endowment Fund A bear the stipulation that principal will not be used. The University will continue the policy of using only investment income for the awarding of scholarships and grants. Investment income which is not used will revert back to the Fund. Growth of the Fund will depend on future contributions, plus the accumulation of any unused portion of investment income.

The portfolio mix shall be comprised of ten percent (10%) industrial bonds, twenty-five percent (25%) common stock, sixty percent (60%) governmental issues, and five percent (5%) cash.

Investments in Endowment Fund B bear the stipulation that principal will not be used. The University will continue the policy of using only investment income for the awarding of scholarships and grants. Investment income which is not used will revert back to the Fund. Growth of the Fund will depend on future contributions, plus the accumulation of any unused portion of investment income.

The portfolio mix shall be comprised of ten percent (10%) industrial bonds, twenty-five percent (25%) common stock, sixty percent (60%) governmental issues, and five percent (5%) cash.

GRANT FUND A

Grant Fund A has a policy of using only investment income, which is used for a variety of programs. The principal may be used, but only with the approval of the Board of Trustees. Growth of the fund will depend on future contributions, plus the accumulation of any unused portion of investment income.

The portfolio shall maintain a portfolio mix of ten percent (10%) industrial bonds, eighty-five percent (85%) governmental securities and five percent (5%) cash.

POOLED INVESTMENT (ROBERT WOOD JOHNSON RESTRICTED FUND AND GRANT FUND B)

The demand on this pooled fund is difficult to determine because of the numerous participants involved.

The portfolio shall maintain a portfolio mix of ten percent (10%) industrial bonds, seventy-five percent (75%) governmental securities and fifteen percent (15%) cash.

CONSTRUCTION FUND

The Construction Fund has been built up over the years, growing from \$1.4 million in 1982 to its current value. The funds are used strictly for construction purposes. The various construction projects are evaluated as to beginning and ending dates, as well as progress billings in order that a portion of the funds can be placed in U.S. governmental agency issues with long term maturities to capture higher yields.

The portfolio shall maintain a portfolio mix of ten percent (10%) industrial bonds, eighty-five percent (85%) governmental securities and five percent (5%) cash.

DIGITAL RADIOLOGY FUND

The Digital Radiology Fund is a specific purpose fund established by the UMDNJ Board of Trustees to acquire certain equipment for the University Hospital.

The portfolio mix shall be ten percent (10%) industrial bonds, eighty-five per cent (85%) governmental issues and five percent (5%) cash.

SELF-INSURANCE RESERVE FUND

The purpose of this Fund is to provide insurance against losses from claims of death, bodily injury or damage to the property of others caused by accident or medical malpractice arising from the operations of the University. Accordingly, large withdrawals will only be made as a result of large suits and claims successfully brought against the University.

The Self Insurance Reserve Fund and its operation is explained in greater detail in UMDNJ Policy 00-01-90-15:10.

The portfolio mix shall be ten percent (10%) industrial bonds, eighty-five percent (85%) governmental issues and five percent (5%) cash.

UNINSURED FLEET HOLDING FUND

The purpose of this Fund is to provide a level of self-insurance against losses from claims pertaining to the auto fleet. Accordingly, large withdrawals will only be made as a result of large suits and claims successfully brought against the University.

The portfolio shall maintain any industrial bonds currently in the account until their maturity dates, at which time the bonds will be replaced to comply with the revised portfolio mix.

The portfolio mix shall be ten percent (10%) industrial bonds, eighty-five percent (85%) governmental issues and five percent (5%) cash.

STUDENT LOAN FUND

The Student Loan Fund is a specific purpose fund established with student loan repayments and is used on a revolving basis.

The portfolio mix shall be sixty-five percent (65%) governmental issues, and ten percent (10%) industrial bonds and twenty-five percent (25%) cash.

EXHIBIT B

UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY
TREASURY OFFICE

TRANSACTION FORM

Control #:

Account Name:

Trade Date:

CUSIP #:

Settle Date:

Security #:

_____ the following security:

Security type: _____

Coupon Rate:

Date:

Principal: \$

Accrued Interest Paid:

Net Amount:

Face Value:

Price: \$

Yield: %

Broker:

Run Date: