Investment Policy- Operating Funds	Policy-Procedure Number	337
	Effective Date	9/15/2023

1.0 PURPOSE

The purpose of this Investment Policy (the "policy") is to set general guidelines to provide a clear understanding of the investment objectives of the University of Pulaski Technical College (UAPTC) operating funds ("funds"). The policy shall be used as a guideline for the Campus Investment Advisory Committee and UAPTC's administrative officers as well as for the investment advisor, the investment managers and the custodial agents hired by the UAPTC. UAPTC's investment manager, who is also referred to as the cash manager, is authorized to invest UAPTC's funds in investments consistent with this policy and other applicable policies and state law.

The fund's investment objectives, in order of priority, are the following:

A. Safety of Principal – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

B. Maintenance of Liquidity – UAPTC's funds shall remain sufficiently liquid to enable UAPTC to meet all operating requirements which might be reasonably anticipated, including but not limited to payroll, accounts payable, capital projects, debt service and any other payments.

C. Return on Investment – UAPTC's funds shall be managed with the objective of attaining a market rate of return (or higher) throughout the budgetary and economic cycles, while taking in to account UAPTC's risk constraint's and cash flow characteristics of the portfolio.

2.0 REVISION HISTORY

Adopted on:

3.0 PERSONS AFFECTED

- Campus Investment Advisory Committee
- UAPTC's administrative officers
- investment advisor,
- The investment managers
- The custodial agents hired by the UAPTC

4.0 DEFINITIONS

Liquidity – the ability or ease with which assets can be converted into cash

Collateral – property or other assets pledged by a borrower as security for the repayment of a loan

Endow - to provide with a permanent fund or source of income

Endowment – the property, funds, etc., with which an institution or person is endowed

Prudent investor - requires a fiduciary to invest trust assets as if they were her or his own

5.0 PROCEDURES

UAPTC has established a Campus Investment Advisory Committee to oversee and monitor management of the operating funds portfolio. The Campus Investment Committee shall consist of three members, the chief financial officer (CFO), the director of financial services and budget, the assistant controller designated as cash and investment manager.

The Campus Investment Advisory Committee will be charged with the following responsibilities:

A. Review and update the policy at least annually in response to changes in applicable laws, changing economic and market conditions, and current income needs of UAPTC

B. Monitor the investment program to insure proper controls are in place to ensure the integrity and security of UAPTC portfolios

C. Assure that the UAPTC comply with UAPTC's written investment policies

D. Maintain a list of broker/dealers authorized to transact investment trades with UAPTC

E. Meet periodically to deliberate such topics as economic outlook, portfolio structure, cash flow forecasts, potential risks and the target rate of return on the investment portfolio

The committee may retain the services of a third-party investment advisor, registered under the Investment Advisors Act of 1940 or exempt from registration, to assist in performing its duties.

OBJECTIVES

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INVESTMENT PORTFOLIOS

Two methods of investment:

A. **Endowment -**Third party investment firm, **Raymond James and Associates**. This firm invest in various methods ranging from U.S. Treasury & Government guaranteed, Municipals, Corporate Notes, Commercial Paper, etc., on behalf of UAPTC.

B. **Insured & Collateralized Certificate of Deposits -** UAPTC may invest in negotiable certificate of deposits (CDs). It is UAPTC's practice to invest no longer that 12 months, however an exception to this may be made when is it deemed beneficial to UAPTC.

There is a bidding process that involves five banking institutions. the list of banks

are as follows:

1. First Security Bank
2. Bank of OZK
3. Centennial Bank
4. Regions Bank
5. First Arkansas Bank & Trust

STANDARD OF PRUDENCE

Those responsible for the management of UAPTC's investment portfolio will perform their duties in a manner consistent with the standard of a "prudent investor"- "In making investments, the fiduciaries shall exercise the judgement and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, considering probable safety of capital as well as provable income."

UAPTC's investment manager and designees, exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price change provided these deviations are reported in a timely manner to the Investment Advisory Committee and that reasonable and prudent action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

The committee and those responsible and involved with investment process shall seek to act responsibly as custodians of the public trust. They will refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

AUTHORIZED INVESTMENTS

UAPTC is authorized to invest in the following types of securities under this policy:

A. **U.S. Treasury & Government Guaranteed –** U.S. treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. government. B.

B. **Federal Agency/ Government Sponsored Enterprise Debt –** Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. federal agency, instrumentality or government-sponsored enterprise (GSE).

C. **Municipals –** Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.

D. **Corporate Notes –** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by domestic or foreign corporation, financial institution, non-profit or other entity.

E. **Commercial Paper –** U.S. dollar denominated commercial paper issued or guaranteed by a domestic or foreign corporation, company, financial institution, trust or other entity.

F. **Bankers' Acceptances –** Bankers' acceptances issued, drawn on or guaranteed by a U.S. bank or U.S. branch of a foreign bank.

G. **Negotiable Certificates of Deposit –** Negotiable certificates of deposit issued by banks organized under the laws of this state or by national banks organized under the laws of the United States.

H. **Insured & Collateralized Bank Deposits –** Interest bearing time certificates of deposit, savings accounts, or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), or collateralized in accordance with college policy.

I. **Repurchase Agreements –** Repurchase agreements that meet the following requirements:

   1. Governed by a written SIFMA Master Repurchase Agreement, which specifies securities eligible for purchase and resale, and which provides the unconditional right to liquidate the underlying securities should the counterparty default or fail to provide full timely repayment.

   2. Counterparty is a Federal Reserve Bank, a Primary Dealer as designated by the Federal Reserve Bank of New York or a nationally chartered commercial bank.

   3. Securities underlying repurchase agreements are delivered to a third-party custodian under a written custodial agreement that must be of deliverable or tri-party form. Securities must be held in UAPTC's custodial account or in a separate account in the name of UAPTC.

   4. Acceptable underlying securities include only securities that are direct obligations of, or the are fully guaranteed by the United States, an agency of the United States or a United States government sponsored enterprise, including U.S. agency issued mortgage-backed securities.

   5. Underlying securities must have an aggregate current market value, including accrued interest, of at least 105% of the purchase price plus current accrued price differential at the close of each business day.

   6. The term of any repurchase agreement transaction must be 90 days or less.

J. **Money Market Funds –** Shares in open-end and no-load money market funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7. Before investing in any mutual fund, UAPTC shall obtain a copy of the fund's prospectus and review permitted investments, fees and management structure. At no time shall UAPTC own more than 20% of the total net assets of the mutual fund series.

K. **Fixed Income Mutual Funds and ETFs –** Shares in open-end and no-load fixed-income mutual funds or exchange-traded funds (ETFs) whose underlying investments would be permitted for purchase under this policy and all its restrictions.

L. **External Investment Pools –** Any external investment pool sponsored by University of Arkansas Pulaski Technical College Foundation, Inc.

SECURITY DOWNGRADES

In the event that any security held in UAPTC's funds is downgraded below the minimum required credit rating for purchase, the Investment Advisory Committee shall be notified, in writing, within five business days after the security fails to meet the credit quality limitations.

PROHIBITED INVESTMENTS

The following are not permitted for investments without prior approval of the Investment Advisory Committee:

- Trading for speculation
- Derivatives (other than callable and traditional floating or variable-rate instruments)
- Mortgage-backed interest only structures (I/O's)
- Inverse or leverage floating-rate and variable-rate instruments
- Currency, equity, index, and event linked notes (e.g. range notes) or other structures that could return less than par at maturity
- Convertible, high yield and non-U.S. denominated debt
- Short sales
- Use of leverage
- Futures and options
- Equities, commodities, currencies and hard assets

COLLATERALIZATION OF BANK DEPOSITS

UAPTC requires that all cash and other bank deposits maintained in any financial institution be either insured or collateralized, including bank deposits and non-negotiable certificates of deposit. All bank deposits of UAPTC in excess of the amount protected by federal deposit insurance shall be collateralized in accordance with college policy.

UAPTC shall have either legal title to, or a prior perfected security interest in, the investments constituting the collateral. Collateral shall always be held by and independent third-party custodial agent. A clearly marked safekeeping receipt must be supplied to UAPTC as evidence of ownership. The right of collateral substitution is allowed with the advanced written permission of UAPTC. The market value of the collateral will be reviewed on a quarterly basis, or more frequently during periods of market volatility, to ensure adequate coverage of the investments. Copies of custodial agreements with financial institutions will be maintained by UAPTC.

SELECTION OF BROKER/DEALERS

The Campus Investment Advisory Committee will establish and maintain a list of eligible brokers, dealers and banks with which investments transactions can be made. These financial institutions will be selected by creditworthiness (minimum capital requirement of $10,000,000) and at least five years of operation. Qualified firms will be limited to 'primary" dealers and other dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

Before an organization can conduct investment business with UAPTC, it must confirm in writing that it has received and reviewed UAPTC's investment policy. Further, the broker/dealer must complete and submit a "Broker/Dealer Request for Information." The following information will be required:

A. Audited financial statements

B. Regulatory reports on financial condition

C. Proof of Financial Institution Regulatory Authority (FINRA)certification and of state registration

D. Any additional information requested by UAPTC's investment manager in evaluating the creditworthiness of the institution

E. Evidence of being in the business of effecting transactions in U.S government and agency obligations for at least five (5) consecutive years.

UAPTC shall designate broker/dealers on an annual basis. If an external third-party investment advisor is engaged, UAPTC's investment manager may designate responsibility for maintaining the list of approved broker/dealers to the investment advisor.

COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

All securities purchases and sales will be transacted only with designated broker/dealers through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers, taking into consideration current market conditions. Electronic bids will be accepted. UAPTC will accept the bid which, in the sole judgment of UAPTC investment manager or his/her designee: (a) offers the highest rate of return within the maturity required; (b) optimizes the investment objective of the overall college's funds, including diversification requirements. When selling a security, UAPTC will select the bid that generates the highest sale price.

ENGAGEMENT OF THIRD-PARTY INVESTMENT ADVISORS

UAPTC may engage one or more qualified firms to provide investment advisory services for UAPTC. Investment advisory firms who desire to provide investment management services to UAPTC will be provided with a current copy of UAPTC's investment policy. Before an organization can provide investment services to UAPTC, it must confirm in writing that is has received and reviewed UAPTC's investment policy.

Only firms meeting the following requirements will be eligible to serve as investment advisor for UAPTC:

- Registered with the Securities and Exchange Commission under the Investment Advisers ACT of 1940 or exempt from registration
- Must have and provide form ADV, Part II. A and B to UAPTC
- Must be registered to conduct business in the state of Arkansas

Any firm engaged by UAPTC to provide investment services shall:

- Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the state of Arkansas
- Provide monthly reports of transactions and holdings to UAPTC investment manager

SAFEKEEPING AND CUSTODY

All investment securities purchased by UAPTC or held as collateral on deposits or investments shall be held by UAPTC or be a third-party custodial agent that may not otherwise be counterparty to the investment transaction.

All securities in UAPTC's funds will be held in the name of UAPTC and will be free and clear of any lien. Further, all investment transactions will be conducted on a deliver-vs-payment basis. The custodial agent shall issue a safekeeping receipt to UAPTC listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodial agent will provide reports that list all securities held for UAPTC, the book value of holdings and the market value as of month-end.

UAPTC officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of UAPTC shall be bonded in such a manner as to protect UAPTC from losses from malfeasance and misfeasance.

Original or electronic copies of the non-negotiable certificates of deposit and confirming copies of all other investment transaction must be delivered to UAPTC or its custodial agent.

INTERNAL CONTROLS

UAPTC's investment manager shall establish a framework of internal controls governing the administration and management of UAPTC's funds. Such controls shall be designed to screening and control losses of UAPTC monies arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by any personnel. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

REPORTING

UAPTC's investment manager or external investment advisor shall prepare a monthly portfolio report including: (i) a listing of the existing portfolios in terms of investment securities, amortized book value, maturity date, yield-on-cost, market value, credit ratings and other features deemed relevant an (ii) a listing of all transaction executed during the month, such as copies of collateral reports.

REQUIRED APPROVALS	NAME/SIGNATURE	DATE
Originator(s) Name(s):	Rita Fleming, VCFA	8-23-23
Ratified by:	Rita Fleming, VCFA	9/8/23
Recommended by Chancellor (Signature)		9/13/23
UA Policy Alignment:	310.1	