

TITLE	Investment of Funds	NUMBER 6Hx-18-4.42
LEGAL AUTHORITY	F.S. 1001.64; F.S. 1001.65; F.S. ; F.S. 1010; F.S. 218.415; FAC 6A-14.0765	PAGE 1 of 8
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Policy:

The purpose of this Investment Policy is to set forth the investment objectives and parameters for the management of the Surplus Funds of Palm Beach State College.

1. Scope and Purpose:

- a. This Policy and related Procedures apply to the College's surplus funds, excluding those of the Palm Beach State College Foundation, Inc. (Foundation). The Foundation's funds are governed by independent guidelines applicable to its investment objectives.
- b. The purpose of the Procedures are to outline responsibilities, set investment goals, establish strategies to achieve stated objectives, and establish internal controls and operational procedures for the investment of surplus funds.
- c. Management of investments and investment policy shall be in accordance with Florida Statutes, including without limitation, Sections 218.415, 215.45 and 215.47, and the Florida Administrative Code, including without limitation, State Board of Education Rule 6A-14.0765, as any of the foregoing may be superseded, if permissible, by local statute(s), bond trust indenture(s) or resolution(s).
- d. Investment Committee:
 - i. A Palm Beach State College Investment Committee ("Committee") shall be formed to implement the provisions set forth in this Policy.
 - ii. The College President shall be responsible for appointment of Committee members and Chair, as well as implementing specific investment procedures to carry out the College's investment plan.
 - iii. At a minimum, the Committee shall also consist of the following: the Vice President of Administration and Business Services (VPABS), Controller, and Assistant Controller for Treasury.
 - iv. The Committee, shall have the authority to direct investments of College surplus funds.
 - v. The College will employ an Investment Management Firm (Firm) to assist in managing the College's surplus funds. Such a Firm must be registered under the Investment Advisers Act of 1940.

- vi. The Committee shall meet at least quarterly to review investment returns, objectives and other issues pertaining to investment of College surplus funds. Committee meetings are considered public and will be convened in accordance with the provisions of F.S. 286.
- vii. The Committee shall determine the appropriate investment strategy to meet the Investment Objectives, governed by the Guidelines set forth herein, and by applicable Florida Statutes.
- viii. The Committee shall be responsible for maintaining the records of the investment program reflecting the performance of the investments.

2. Investment Objective:

- a. **Safety of Capital:** The foremost objective of this investment program is the safety of the principal of those funds within the portfolio. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- b. **Liquidity of funds:** The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodic cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.
- c. **Investment Income:** The portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. However, return is attempted through active management where the Firm utilizes a total return strategy (which includes both realized and unrealized gains and losses in the portfolio). This total return strategy seeks to increase the value of the portfolio through reinvestment of income and capital gains. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Despite this, the Firm may trade to recognize a loss from time to time to achieve a perceived relative value based on its potential to enhance the total return of the portfolio.

3. Performance Measurement: In order to assist in the evaluation of the portfolio's performance, the Committee will use performance benchmarks for short-term and long-term portfolios.

- a. Investment performance of funds designated as short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return on the S&P Rated Global Investment Performance Standards (GIPS) Index Government 30 Day Yield Gross of Fees.
- b. Investment performance of funds designated as long-term funds and other non-surplus funds that have a longer-term investment horizon will be compared to

the Bank of America Merrill Lynch 1-5 Year U.S. Treasury Note Index and the portfolio's total rate of return will be compared to this benchmark.

- c. Based upon the benchmark comparisons, the Committee will direct any changes to investment holdings to improve the portfolio performance.

4. Prudence and Ethical Standards:

- a. Members of the Committee shall not participate in any personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, Committee members must disclose any material financial investment positions that could be related to the College's investment program.
- b. The standard of prudence to be used by Committee members shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Committee members acting in accordance with the law, written procedures and this investment policy will exercise due diligence of a prudent person. The "Prudent Person" rule states the following:

Investments should 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.

- c. While the standard of prudence to be used by Committee members is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". This shall be the standard when investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the Firm 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 its capital.
5. Authorized Investments: The College shall only participate in investments within the definitions of 218.415(16) as follows:
- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
 - b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
 - c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.
 - d. Direct obligations of the United States Treasury.
 - e. Federal agencies and instrumentalities.

- f. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
 - g. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
 - h. Specific security investment types, percentages, and limitations within items (a) - (g) above will further be delineated within the College's investment procedures for operational purposes.
6. Maturity and Liquidity Requirements: The College's portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due to the extent possible.
 - a. Investments of current surplus funds shall have maturities of no longer than twenty-four (24) months.
 - b. Investments of non-surplus funds ("long term funds") shall have maturities no longer than five and a half (5.50) years.
7. Portfolio Composition: The following are guidelines and limits on security issues, issuers, and maturities, that are applicable for the College considering items (2) through (6) above:
 - a. The Committee will design specific requirements and allocation limits on security types, issuers, and maturities. The Committee shall have the option to further restrict investment percentages from time to time based on market conditions, risk, and diversification investment strategies. The allocation requirements for investment types and issuers are calculated based on the original cost of each investment, at the time of purchase. Investments not listed in this Policy are prohibited.
 - b. Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the College's needs change. Cash flow requirements will be updated and communicated to the Firm on a regular basis, and the Committee will maintain a 'rolling' cash flow requirements forecast to assist in projections.
 - c. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Committee may direct the sale of the investment(s) at the then-prevailing market price.
8. Risk and Diversification: The College's investment portfolio shall be diversified to the extent practical to control the risk of loss resulting from overconcentration of assets in a specific maturity, issues, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies are to be

- reviewed periodically by the Committee and shall be set forth within the College's investment procedures.
9. Authorized Investment Institutions and Dealers:
 - a. The College's Investment Committee shall only purchase securities from financial institutions, which are Qualified Institutions or institutions designated as "Primary Dealers" by the Federal Reserve Bank of New York.
 - b. All brokers, dealers and other financial institutions deemed to be Qualified Institutions shall be provided with current copies of the College's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the College transacts business.
 10. Third Party Custodial Agreements: Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the College should be properly designated as an asset of the College.
 - a. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.
 - b. The third party custodian shall accept transaction instructions only from the College's Investment Committee.
 - c. 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.
 11. Master Repurchase Agreements: College will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the SIFMA Master Repurchase Agreement.
 12. Bid Requirement: The Firm shall execute purchases and sales in a competitive bid environment wherein at least three (3) offers or bids are obtained for each security. Exceptions to this approach may be made when:
 - a. No active market exists for the issue being traded due to the age or depth of the issue.

- b. A security is unique to a single dealer, for example, a private placement.
 - c. The security to be purchased is unique to one institution.
 - d. The security has recently been issued and is trading at the same price by all financial institutions.
 - e. Prices for purchases/sales are deemed reasonable based on the following market provider benchmarks including, but not limited to:
 - i. TradeWeb.
 - ii. Bloomberg Information Systems.
 - iii. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing.
13. **Internal Controls:** The VPABS is responsible for providing for a system of internal controls and operational procedures. The controls shall be detailed in writing, and at a minimum address loss prevention from issues arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the College. The system of internal controls shall be reviewed by the Committee and audited by independent Certified Public Accountants (CPAs).
14. **Continuing Education:** At a minimum, the Controller, and Assistant Controller for Treasury will participate and obtain eight (8) Continuing Professional Education (CPE) credits. The College may at its discretion provide other staff the opportunity or requirements to obtain similar training related to investments.
15. **Reporting:** The College's VPABS is responsible for providing investment activity reports quarterly to the DBOT, at its next regularly scheduled meetings following the Committee meetings, and shall include:
- a. Securities in the portfolio by class or type, book value, income earned, and market value as of the report date.
 - b. The market values presented in these reports will be consistent with accounting guidelines in Governmental Accounting Standards Board (GASB) Statement number 31 "*Accounting and Reporting for Certain Investments and for External Investment Pools*".
 - c. Recent market conditions, economic developments and anticipated investment conditions.
 - d. The total rate of return for the period versus appropriate benchmarks. Calculation of the portfolio's total rate of return will comply with the performance measurement standards as defined by the Global Investment Performance Standards (GIPS).
16. **Authorized Investments:** The DBOT may by resolution adopt and amend this policy in order to provide for authorized investments or reinvestments of any surplus funds in its control or possession in various securities outlined in F.S. 218.415 (16) as delineated in section (5) above, and outlined in the specific investment procedures and guideline established by the Investment Committee under general investment limitations as follows:

- a. Investments must be denominated in U.S. dollars and issued for legal sale in U.S. markets.
 - b. Minimum ratings are based on the highest rating by any one Nationally Recognized Statistical Ratings Organization (“NRSRO”), unless otherwise specified.
 - c. All limits and rating requirements apply at time of purchase.
 - d. Should a security fall below the minimum credit rating requirement for purchase, the VPABS or Investment Manager will notify the Committee.
 - e. The maximum maturity (or average life for MBS/ABS) of any investment is 5.50 years. Maturity and average life are measured from settlement date. The final maturity date can be based on any mandatory call, put, pre-refunding date, or other mandatory redemption date.
 - f. General portfolio limitations include: the maximum effective duration of the aggregate portfolio is 3 years; maximum exposure to issuers in any non-U.S. country cannot exceed 10 percent per country.
 - g. Callable, step-up, called, pre-refunded, putable and extendable securities, as long as the effective final maturity meets the maturity limits for the sector.
 - h. Variable-rate and floating-rate securities.
 - i. Subordinated, secured and covered debt, if it meets the ratings requirements for the sector.
 - j. Zero coupon issues and strips, excluding agency mortgage-backed Interest-only structures (I/Os).
 - k. Treasury TIPS.
17. Unauthorized Investments: The following are NOT PERMITTED investments, unless specifically authorized by statute and with prior approval of the DBOT:
- a. Trading for speculation.
 - b. Derivatives (other than callables and traditional floating or variable-rate instruments).
 - c. Mortgage-backed interest-only structures (I/Os).
 - d. Inverse or leveraged floating-rate and variable-rate instruments.
 - e. Currency, equity, index and event-linked notes (e.g., range notes), or other structures that could return less than par at maturity.
 - f. Private placements and direct loans, except as may be legally permitted by Rule 144A or commercial paper issued under a 4(2) exemption from registration.
 - g. Convertible, high yield, and non-U.S. dollar denominated debt.
 - h. Short sales.
 - i. Use of leverage.
 - j. Futures and options.
 - k. Mutual funds, other than fixed-income mutual funds and ETFs, and money market funds.
 - l. Equities, commodities, currencies and hard assets.
 - m. Reverse repurchase agreements.
 - n. Floating rate securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index.