



FINANCIAL AND BUSINESS SERVICES POLICIES AND PROCEDURES

Area:	Business and Finance	Number:	FS-GP-0002-01
Subject:	Investment Policy	Issued:	January 5, 2012
Applies To:	University	Revised:	
Sources:	Financial and Business Services	Updated:	June 1, 2014
		Reviewed:	
Responsible Party:	Vice President for Business and Finance	Page(s):	1 of 3

Purpose

Georgia Southern University is required by the Board of Regents Policy 7.5.2 to establish an investment policy and related procedures that advocate sound and prudent judgment in the management of investment assets consistent with the fiduciary responsibility of the University.

Definitions

- Investment Manager: An external institutional custodian for investment assets belonging to Georgia Southern University. This individual manages the entire fund for the University System and meets with the Board of Regents at least once annually.
- Endowment: Gifts of cash and securities to Georgia Southern University, made in the past, and currently invested for the perpetual benefit of those identified in the donor's bequest. These assets are separate and distinct from similar gifts held by the Georgia Southern University Foundation, the GSU Housing Foundation, or the GSU Athletics Foundation.
- Idle Cash: Cash in Georgia Southern University's possession that will not be expended immediately, and that have the potential to produce short-term investment income.
- UMIFA: Uniform Management of Institutional Funds Act (1972)
- The Historic Dollar Value (HDV) as defined by UMIFA: "the value of contributions made to an endowment fund, without increases or decreases from investment results, inflation, or other factors."
- UPMIFA: Uniform Prudent Management of Institutional Funds Act (2006) – Eliminates the concept of HDV and provides a prudence rule concerning the perpetual nature of endowments and the future purchasing power they represent.
- Corpus: The original historic dollar value of an endowment fund plus the realized gains/losses.

Policy

An Investment Committee exists to review investment activity and earnings. The investment committee is comprised of:

- Vice President for Business and Finance
- Associate Vice President for Financial and Business Services
- Funds Manager, Bursar's Office

The Investment Committee meets no less than annually to:

- Review Investment Performance
- Review earnings allocation recommendation for next academic year
- Set the level of spending for the endowment
- Ensure that earnings, gains/losses and/or distributions are booked in a timely manner

- Determine the best investment options for the University
- Recommend any necessary changes to this Investment Policy and Business Procedure

Georgia Southern University has elected to participate in the Pooled Investment Fund Program using SunTrust bank according to University System of Georgia Business Procedures Manual section [9.2.2](#).

The University participates in the Short Term Fund for idle cash and the Diversified Fund for endowments.

The characteristics and investment objectives of the two types of pooled funds that the University uses are detailed below.

Short Term Fund

The Short Term investment fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. The investment maturities in this fund will range between daily and two (2) years.

Investment Objectives

- The primary investment objective shall be preservation of principal.
- The secondary investment objective shall be to provide a competitive return on the short term funds of the University System of Georgia participants, while providing for periodic cash needs.
- The overall character of the portfolio shall be of U.S. treasury and agency quality, and holdings shall be well diversified as to issuer and maturity.
- It is anticipated that liquidity needs generally will be met through maturities, portfolio structure, and interest income.

General Investment Guidelines

- The investments shall be in conformity with Regents policy and applicable federal and state laws.
- The investment manager is authorized to make investment changes as deemed necessary and in accordance with the objectives and guidelines set forth by the Board of Regents Business Procedures Manual on a discretionary basis.
- The investment manager will meet as necessary, but at least once a year, with the Board of Regents to review investment strategies and investment objectives.
- The investment manager shall prepare investment performance results on a quarterly basis. Results will be compared against the Money Net All Taxable Index and the Georgia Fund (LGIP Pool).

Diversified Fund

The Diversified fund is designed to gain further diversification and increase exposure to assets that have lower correlation to equity and bond markets by utilizing alternative asset classes. In addition, this fund is constructed to build an optimal portfolio where return is increased and risk is reduced.

Investment Objectives

- The overall character of the portfolio should be one of above-average quality, possessing, at most, a moderate degree of investment risk.
- The investment objective shall be to seek a reasonable and meaningful total rate of return with emphasis on capital appreciation.
- For comparative purposes, the stock portion of the portfolio will be reviewed over a full market cycle relative to the results achieved by the Standard & Poor's 500 Index.
- The bond portion of the portfolio will be measured against the Lehman Aggregate Index.

General Investment Guidelines

- The investment manager will give frequent and active attention to the fund to develop and implement strategy.
- The investment manager is authorized to make investment changes as deemed necessary and in accordance with the objectives and guidelines set forth by the Board of Regents Business Procedure Manual on a discretionary basis.
- The investment manager will meet as necessary, but at least once a year, with the Board of Regents to review investment strategies and investment objectives.

Spending Plan

- The Short Term Fund used for idle cash requires no minimum investment, and funds can be invested or withdrawn daily according to need.
- The Diversified Fund used for endowments requires no minimum investment, and funds can be invested or withdrawn daily according to need.
 - Unless otherwise stipulated by the donor, net realized gains and losses may be utilized to fund scholarships as described in the donor's bequest. (UPMIFA, 2006)
 - Unless otherwise stipulated by the donor, an endowment will not be allowed to initially incur expenses until the corpus fair market value reaches 110% of its historic dollar value which will be considered permanently restricted assets.
 - The spending plan determines annual endowed scholarship funding as 4% of the 3 year moving average of the endowment fair market value.
 - The minimum endowment shall be \$20,000.
 - Interest, dividends, and realized gains/losses are posted on a quarterly basis.
 - In the event that more scholarships are awarded for the fiscal year than is realized in dividend and interest income, and if allowed by donor's bequest, additional funds will be transferred from the endowment fund to meet the obligation but prudent management practices require that distributions be suspended if the endowment is allowed to go "underwater" or drop below corpus value as of July 1, 2006. In no circumstance should the endowment drop below the historic dollar value.

Procedure

- Short Term Income/Losses
 - Wire Transfers from Sun Trust Bank for the Short Term Fund investment income/losses is deposited into the operating account monthly.
 - Investment income/loss is Income Received minus fees, plus/minus Net Accrued Income and Amortization/Accretion as well as Realized and Unrealized Gains/Losses.
 - Income/loss is recorded via journal entry in the financial system in the fund of investment origin (i.e.: 12270, 13000, and 20000).
- Diversified Income/Losses
 - Wire transfers from SunTrust Bank for the Diversified Fund net investment income is deposited into the operating account quarterly.
 - Investment income/loss is interest and dividend income less administrative expense for the quarter, and net realized gains/losses.
 - Interest, dividends and realized gains and/or losses are recorded via journal entry in the financial system.
 - Interest and dividends are recorded in the Restricted Fund (20000).
 - Net realized gains/losses increase/reduce the fair market value of the endowment and are initially recorded to the General Ledger in the Endowment Fund (40000) and then transferred to the Restricted Fund (20000) by non-mandatory transfer.