

## **Title: Investment Policy**

**Initial Action:** 9/28/95

- Board Agenda:** 95-105, 96-005, 98-111,18-045,23-027d
  - Last Revised**
    - Policy: 10/3/2017, **4/2023**
    - Procedure: 10/3/17, 9/1/2005
  - Last Reviewed:** 10/3/2017, 4/22/2004 10/11/2017, 4/2023
  - Effective:** 5/25/2023
  - Next Review:** 10/11/2026
  - Responsibility:** Finance
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### **1.0 Policy:**

Pursuant to Md. Code Ann., State Fin. & Proc. § 6-222 it is the policy of Cecil College to invest public funds in a manner which will provide the highest investment return with the maximum security and liquidity while meeting the daily cash flow demands of the College and conforming to local statutes governing the investment of public funds. Borrowing of funds for the sole purpose of investing those funds is prohibited.

### **2.0 Scope:**

This investment policy applies to all unrestricted financial assets of Cecil College. These funds are accounted for in the Component Unit Financial Statements of Cecil College and in the Cecil County Annual Comprehensive Financial Report and include: 1. General Fund

#### 2. Auxiliary Fund

### **3.0 Prudence:**

Investments shall be made with judgment and care--under circumstance 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.

The standard of prudence to be used by investment officials shall be the "prudent person" standard. Investment officials of the College, acting in accordance with this policy and its procedures shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided information is reported in a timely fashion and appropriate action is taken to control adverse developments.

### **4.0 Objective:**

Cecil College's primary investment objectives are safety of capital, sufficient liquidity to meet cash requirements and attaining a positive return on investments.

4.1 Safety - Safety of principal is the foremost objective of the investment program. Investments of the College shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective the College will maintain appropriate diversification of investments.

4.2 Liquidity - The College's investment portfolio will remain sufficiently liquid to enable the College to meet all operating requirements which might be reasonably anticipated.

4.3 Yield - The College's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles commensurate with the College's investment risk constraints and the cash flow characteristics of the portfolio.

## **5.0 Delegation of Authority:**

Authority to manage the College's investment program is derived from State law, Md. Code Ann., State Fin. & Proc. § 6-222. ~~Md. STATE FINANCE AND PROCUREMENT Code Ann. § 6-222~~. As further established by Md. Code Ann., Educ. § 16-103 in ~~Md. EDUCATION Code Ann. § 16-103~~ the Board of Trustees has the authority to adopt reasonable rules, regulations, or bylaws for the community college. The management of investment funds is delegated to the Vice President of Finance of the College, who is responsible for establishing and implementing procedures consistent with this investment policy. In the absence of the Vice President of Finance this authority may be delegated to the Controller and/or the ~~Accountant for Internal Controls~~ **Accounting Manager - Finance** with the approval of the President.

Procedures include safekeeping of records and assets, wire transfer agreements, banking service contracts and collateral/depository agreements. These procedures shall include explicit delegation of authority to persons responsible for the daily investment transactions. The Vice President of Finance of the College shall be responsible for all transactions and shall establish a system of controls to monitor and regulate the activities of staff involved in investment transactions.

## **6.0 Ethics and Conflicts of Interest:**

In compliance with the Md. General Provisions Code Ann. §1-101 through §5-1001 and the Cecil County Public Ethics Law, Cecil College officials are required to submit annual financial disclosure statements. In addition, Cecil College's conflict of interest policy applies to the individuals involved in the investment of funds. In addition, the Vice President of Finance of the College shall disclose to the President and the Board of Trustees any material financial interest or personal financial/investment positions in financial institutions that conduct business with the College. No employee responsible for the investment of funds, shall receive any personal gain from the investment decisions or relationships.

## **7.0 Authorized Financial Institutions:**

The Vice President of Finance of the College will maintain a list of financial institutions authorized to provide investment service. The use of any security brokers/dealers shall be approved by the Board of Trustees. A current audited financial statement and agreement to adhere to the College's investment policy are required to be on file for each financial institution and broker/dealer in which the College invests.

## **8.0 Authorized Investments:**

Cecil College is empowered by statute to invest in the following types of securities and investments:

Collateralized Sweep Accounts 100%

U.S. Treasury Obligations 100%

U.S. Government Agency and U.S. Government sponsored instrumentalities 100%

Repurchase Agreements 100%  
(Master repurchase agreements required)

Maryland Local Government Investment Pool 100%  
Collateralized Certificates of Deposits 80%  
(only Maryland Commercial Banks)

Banker's Acceptances 40%

BA's from domestic banks which also include the United States Affiliates of large international banks. BA's must be guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission

Money Market Mutual Funds 60%

MMM Funds that contain U.S. Treasuries only or U.S. Treasuries and government agencies and repurchase agreements backed by those types of securities.

Commercial Paper 5%

Paper must have received the highest letter and numerical rating a ~~minimum of an A1/P1 rating~~ by at least one nationally recognized rating agency.

The College will not invest in any instruments associated with or including derivatives.

### **9.0 Diversification:**

In order to meet the objectives of the College's investment activities as listed in Section 8.0 of the policy, the majority of investments of the College will be on a short-term basis, defined as one year or less.

Cecil College will diversify its investments by security type and institution if and when the College modifies its investment plan. Use of the sweep account investment does not permit diversification between institutions at this time.

### **10.0 Collateralization:**

The College chooses to limit collateral to U.S. Treasury Obligations and U.S. Government Agency Obligations and U.S. Government sponsored instrumentalities.

10.1 Collateral is required on all deposits not insured by federal deposit insurance. Additionally, collateralization will also be required for repurchase agreements. In order to anticipate market changes and provide a level of security of all funds, it is required that the repurchase agreement be collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer.

10.2 Collateral will be held by an independent third party with whom the College has a current custodial agreement.

10.3 Acceptable collateral is specified under Md. Code Ann., State Fin. & Proc. § 6-202 ~~Md. STATE FINANCE AND PROCUREMENT, Code Ann. § 6-202.~~ However, the third-party trust custodian, who holds the collateral, has the right to reject otherwise acceptable collateral based on their discretion concerning market conditions.

10.4 The right of collateral substitution is granted, and all associated costs will be paid by the seller (financial institution).

### **11.0 Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, entered into by the College shall be conducted on a delivery v. payment basis. Securities will be held by a third-party custodian designated by the College. All repurchase agreements will be governed by a Master Repurchase Agreement.

**12.0 Internal Control:**

The annual audit shall include an independent review by the external auditor assuring compliance with investment policies and procedures.

**13.0 Performance Standards:**

The investment objectives shall be designed to obtain a rate of return commensurate with the investment risk constraints and cash flow needs of the College. The College's investment strategy is passive. The basis used to determine whether market yields have been achieved shall be the 3-month U.S. Treasury bill.

**14.0 Reporting:**

A report on investment activity and returns will be provided to the Board of Trustees at least ~~annually~~ ~~quarterly~~ which will include data on investment instruments being held, performance and earnings.

**15.0 Investment Policy Adoption:**

Cecil College's investment policy shall be adopted by resolution of the Board of Trustees. The policy shall be reviewed periodically by the Board of Trustees.