



Item: BF: I-1

BUDGET AND FINANCE COMMITTEE

Tuesday, June 10, 2025

SUBJECT: Revised Florida Atlantic University Operating Funds Investment Policy Statement

PROPOSED COMMITTEE ACTION

Information Only. The University is presenting its revised Investment Policy Statement for its Operating funds.

IMPLEMENTATION PLAN/DATE

N/A

FISCAL IMPLICATIONS

N/A.

Supporting Documentation: Florida Atlantic University Operating Funds Revised and Current Investment Policy Statements

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Florida Atlantic University Operating Funds

Investment Policy Statement

June 2025

Overview

This Investment Policy Statement ("Policy") sets forth the specific investment objectives and parameters for the management of Florida Atlantic University's Operating Funds. The three internally segmented portfolios are collectively referred to as the Operating Funds. Individually, they are the Short-Term Fund, the Intermediate-Term Fund and the Long-Term Fund. This Policy is designed to ensure the prudent management of these financial assets, the availability of operating funds when needed, and to earn an investment return competitive with comparable funds and appropriate measurement benchmarks.

All investment activities shall be governed first and foremost by the applicable provisions of the Florida Statutes, specifically Section 1011.42 and Section 218.415, as may be amended from time to time. This Policy shall always be interpreted and administered in accordance with applicable Florida law.

Prudence and Ethical Standards

All investment decisions shall be made in accordance with the principles of prudence and care as outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and in strict adherence to applicable provisions of the Florida Statutes, including section 218. Fiduciaries must exercise sound judgment "about each asset in the context of the portfolio of investments, as part of an overall investment strategy," consistent with the long-term objectives and operational needs of the University.

Fiduciaries shall uphold the fundamental duties of loyalty, care, and impartiality, acting solely in the interest of Florida Atlantic University. This includes the prudent delegation of duties, the careful selection and supervision of agents, and the incurrence of costs only where reasonable and appropriate to the University's mission and investment strategy.

The University does not engage in ESG (Environmental, Social, and Governance)-driven investing. ESG-related factors shall not influence the selection, retention, or termination of investments. All investment decisions will be based on financial merit and compliance with Florida law.

Definition of Duties

Board of Trustees

Pursuant to Board of Governors Regulation 1.001(6)(a), the Board of Trustees (BOT) has the ultimate responsibility for the financial management of its University. Pursuant to University Regulation 6.001, the BOT has delegated responsibility to the President of the University, who in turn delegates operational authority to the Vice President of Financial Affairs and Chief Financial Officer (CFO).

Investment Committee

In accordance with the authorities vested to the CFO, the Investment Committee is hereby established by the CFO. It serves as the primary investment advisory and oversight body to the CFO for the University's Operating Funds portfolio. The Committee acts under the oversight of the CFO and is composed of:

- A. One individual appointed by the President
- B. The University Treasurer, the University Controller and the Associate Director of Financial Strategies and Analytics

Responsibilities of the Investment Committee Include:

- A. Developing and recommending investment strategies and asset allocation targets
- B. Monitoring portfolio performance and adherence to policy objectives
- C. Recommending the hiring or termination of investment managers, consultants, and custodians, in accordance with applicable University procurement policies and procedures.
- D. Reviewing and recommending revisions to the Investment Policy annually
- E. Meeting at least quarterly to evaluate results and consider needed adjustments
- F. Ensuring alignment with fiduciary obligations, University policy, and applicable statutes
- G. Completing eight (8) hours of annual continuing education in investment-related topics (fulfilled by the CFO)

Investment Consultant

The Investment Consultant works in coordination with the Investment Committee and CFO. Key responsibilities include:

- A. Providing quarterly performance reports within 30 days of receiving custodial data
- B. Attending Committee meetings to provide investment updates and strategic insights
- C. Monitoring the performance of investment managers
- D. Recommending manager hires, terminations, and tactical allocation changes
- E. Responding to requests for analysis or reporting as needed

Custodian

The custodian is an integral part of managing and overseeing the University's Operating Funds. Any custodian will promptly provide the CFO and Consultant all information reasonably necessary for compliance, implementation and monitoring purposes.

The custodian shall:

- A. Be of institutional quality;
- B. Provide monthly transaction and asset reports in a timely manner; and,
- C. Promptly communicate any errors, irregularities or concerns regarding portfolio issues.

General Overview / Investment Structure

The University's investments are segmented into three pools, each structured to reflect distinct risk and return profiles aligned with the University's liquidity needs and strategic objectives. While allocations may evolve over

time, the current structure prioritizes liquidity and operational readiness, with approximately 35% allocated to the Short-Term Fund, 50% to the Intermediate-Term Fund, and 15% to the Long-Term Fund:

- A. The **Short-Term Investment Fund** is designated for cash reserves to support immediate operational expenses. Approximately 35% of funds are initially allocated to this pool, though the allocation may be adjusted as needed.
- B. The **Intermediate-Term Investment Fund** is intended for assets expected to be used within one to five years. Approximately 50% of funds are initially allocated to this pool, subject to adjustment based on projected cash flow needs and market conditions.
- C. The **Long-Term Investment Fund** represents the portion of the portfolio deemed to be in excess of foreseeable operational needs and is invested with a longer time horizon in mind. Approximately 15% of funds are initially allocated to this pool, though this allocation may also shift over time.

Investment Strategies

A. Overview

The Investment Committee has established three pools of investments. Separate investment objectives are defined for each pool.

B. General Objectives and Acceptable Investments

Investments should provide for the preservation of capital with an emphasis on the generation of optimal levels of income and liquidity, without undue exposure of risk. The investments shall seek to achieve these objectives using a strategy of cash, cash equivalents, equity securities (for long-term capital appreciation), United States Government securities, high-grade corporate securities and high yield fixed income securities with laddered maturities and/or high-quality funds approved by the Investment Committee in a mix that, in the opinion of the investment manager, is expected to be conducive to participation in rising markets, while allowing for adequate protection in falling markets. The following outlines the general objectives for each fund: (See Specific Performance Objectives)

- 1. The primary investment objectives for the Short-Term Investment Fund will be to provide for preservation of capital with a secondary emphasis upon maximization of investment income without undue exposure to risk. *These funds are operational in nature.*
- 2. The primary investment objectives for the Intermediate-Term Investment Fund will be preservation of capital and maximization of income without undue exposure to risk within the parameters specified in this investment policy statement. *Funds needed for expenditures within one to five years will be considered intermediate-term.*
- 3. The primary investment objectives for the Long-Term Investment Fund will be to provide for long-term growth of principal and income without undue exposure to risk. *This pool consists of funds not expected to be needed for operational purposes in the foreseeable future. These assets are designated as "permanent-core," meaning they are intended to remain invested over the long term and are not anticipated to be drawn down under typical budgetary or cash flow scenarios. The investment strategy may reflect a longer time horizon and the ability to tolerate higher market volatility relative to the short- and intermediate-term funds.*
- 4. Allocations between the funds will be managed internally toward achieving the overall objectives of the University.

C. Asset Allocation

1. The Short-Term Investment Fund shall be managed by one or more short-term fixed income investment managers (which may include the administrative staff), each maintaining a portfolio with an average weighted maturity between one day and three months. A dedicated allocation to SBA and SPIA may also be considered.
2. The Intermediate-Term Investment Fund shall be managed by one or more short or intermediate-term fixed income investment managers, with the total Intermediate Term Fund maintaining a portfolio duration of less than four years.
3. The Long-Term Investment Fund shall be managed by one or more longer-term investment managers with investment horizons beyond five years. The fixed income assets in the long-term investment Fund may be invested in longer-term fixed income instruments, with a duration between three and seven years. The Long-term Investment Fund may also include up to 20% in equity and up to 20% in non-investment grade fixed income managers.

The total amount of assets within each fund should be regularly monitored by the University's Office of the CFO in consultation with its financial Consultant as allocation among the categories is always subject to change.

D. Time Horizon

The Investment Committee realizes the importance of maintaining a longer-term focus when evaluating investment performance; however, shorter-term time horizons are also evaluated. Therefore, it is intended that the investment objectives stated below will be achieved by the investment managers over a three-year moving average, net of investment management fees and transaction costs. However, the University's Investment Committee reserves the right to evaluate and make any necessary changes regarding the investment managers over a shorter-term basis using the criteria established in the "Evaluation of Investment Managers" section of this statement.

E. Specific Performance Objectives - Market Benchmarks

The rolling 3-year period performance objectives shall be as follows:

1. The total return for the Short-Term Investment Fund and for each short-term investment manager shall exceed the rate of return on 3-month U.S. Treasury Bills.
2. The total return for the Intermediate-Term Investment Fund shall exceed the total return of a Balanced Index comprised of 50% of the Bloomberg/Barclays 1-3 Year Government/Corporate Bond Index and 50% of the Bloomberg/Barclays Capital Intermediate Government/Credit Bond Index.
3. The total return for the Long-Term Investment Fund shall exceed the total return of the Bloomberg/Barclays Capital Aggregate Bond Index.

F. Variability

1. The standard deviation for each short-term investment manager shall not exceed 1.2 times the standard deviation of 3-month U.S. Treasury Bills.

2. The standard deviation for each Intermediate-term investment Fund manager shall not exceed 1.2 times the standard deviation of the appropriate index (Bloomberg/Barclays 1-3 Year Government/Corporate Bond Index or Bloomberg/Barclays Intermediate Government/Credit Bond Index or other such appropriate index).
3. The standard deviation for each Long-term investment Fund manager shall not exceed 1.2 times of its respective benchmark.

G. Peer Group Ranking

1. The total return for each Intermediate-term Fund and Long-term Fund investment manager shall rank in the top half of the appropriate universe over a 3 year horizon.

H. Liquidity

1. The Short-term investment Fund shall have 100% daily liquidity
2. The Intermediate-term investment Fund is expected to be largely liquid but is not required to maintain 100% daily liquidity. The fund should maintain sufficient liquidity to support anticipated cash flow needs over the one- to five-year horizon.
3. The Long-Term Investment Fund may allocate up to 20% of assets to investment vehicles with monthly liquidity. The remaining portion of the portfolio is expected to be invested in vehicles offering daily or near-daily liquidity, with an overall preference for higher liquidity to maintain operational flexibility and responsiveness to market conditions.

Investment Guidelines and Restrictions – All Funds

1. All assets must be invested in accordance with Florida law, including but not limited to Section 218, Florida Statutes, as may be amended from time to time.

The University affirms that its investment policies do not prohibit or restrict investment in Israeli securities or companies operating in Israel.

2. In the event of severe economic or market conditions, such as a systemic credit crisis, market-wide liquidity disruption, sovereign debt default, ratings downgrades of major short-term instruments, or interruptions in access to key investment vehicles (e.g., SPIA, SBA, or U.S. Government-backed securities), a separate account investment manager may request a temporary deviation from the stated asset structure.

Such a deviation may only occur upon written notification to and prior approval from the CFO of the University. The request must include a rationale and proposed course of action. No change may be executed until written approval is received from the CFO.

The University acknowledges that this approval process may introduce delay, which could increase portfolio risk in rapidly deteriorating markets. However, such oversight is necessary to preserve fiduciary control. Any deviation not related to a defined severe market condition must also receive prior CFO approval.

3. Where a separate account investment manager has improperly exceeded the specified ranges, the CFO and the consultant shall be authorized to inform the manager to bring the funds back within these state ranges in a prudent fashion.
4. The requirements stated below apply to investments in non-mutual and non-pooled funds (i.e. separate accounts), where the investment manager is able to construct a separate, discretionary account. Although the policy cannot dictate to pooled/mutual fund investment managers, the intent is to select and retain only pooled/mutual funds with policies that are similar to this policy statement. All managers (pooled/mutual and separate), however, are expected to achieve the stated performance objectives.
 - (a) The investment manager shall immediately notify the CFO of the University and Consultant in writing of any material changes in its investment outlook, strategy, portfolio structure, ownership, or senior personnel.
 - (b) Bank Certificates of Deposit and Bankers' Acceptances are to be rated within the top two rating classifications by any one national rating service.
 - (c) Not more than 10% of an investment manager's portfolio shall be invested in commercial paper of any single issuer. The credit quality must be rated A1 and P1.
 - (d) There shall be no investment in any non-marketable security.
 - (e) There shall be no short-selling, securities lending, options trading, financial futures or other specialized investment activity.

The investment managers shall not utilize derivative securities to increase the actual or potential risk posture of the accounts. Subject to other provisions in this Investment Policy Statement, the use of primary derivatives, including, but not limited to, structured notes*, non-investment grade tranches of collateralized mortgage obligations (CMOs), principal only (PO) or interest only (IO) strips, inverse floating securities, futures contracts, options, short sales, margin trading, and such other specialized investment activity is prohibited.

Moreover, the investment managers are precluded from using derivatives to affect a leveraged portfolio structure (if options and futures are specifically approved, such positions must be offset in their entirety by corresponding cash or securities). The University must explicitly authorize the use of such derivative instruments.

- * Permits investments in "conservative" structured notes, which are principal guaranteed, unleveraged, and of short to intermediate maturity.

FIXED INCOME GUIDELINES

- (a) Short-term investment managers must invest at least 50% of the portfolio in U.S. Government Securities and/or U.S. Government Agency issues.
- (b) No more than 5% of the portfolio, at cost, or 8% at market can be invested in any single issue, except the investments in U.S. Government or U.S. Government Agency Securities.
- (c) No more than 25% of each manager's fixed income assets, at market value, shall be invested in any single industry.
- (d) The weighted-average credit quality is to be no less than "AAA" (or its equivalent rating by two national rating agencies) for the Short-Term Investment Fund and the minimum acceptable credit quality at the time of purchase for individual securities shall be "AA"
- (e) The weighted-average credit quality is to be no less than "A" (or its equivalent rating by two national rating agencies - split rated securities will be governed by the lower rating.) for the Intermediate-Term Investment Fund and the minimum acceptable credit quality at the time of purchase for individual securities shall be "BBB".
- (f) The weighted-average credit quality is to be no less than "BBB" (or its equivalent rating by two national rating agencies) for the fixed income holdings in the Long-Term Investment Fund. Split rated securities will be governed by the lower rating. In addition, up to 20% of the Long-Term Investment Fund can be invested in each of the following:
 - High yield/bank loans (securities rated below investment grade),
 - Public equity
- (g) Each high yield/bank loan investment manager shall:
 - 1. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's.
 - 2. Hold no more than 20% of the portfolio in investments rated below B. Split rated securities will be governed by the lower rating.
- (h) Portfolio holdings for the Short-Term and Intermediate-Term Investment Fund will be sufficiently liquid to ensure that 50% of the portfolio can be sold on a day's notice with no material impact on market value.
- (i) Commercial paper must be, at the time of purchase, rated within the highest classification established by not less than two national rating services.

- (j) The average-weighted maturity for each investment manager in the Short-Term Investment Fund shall be between one day and one year.
- (k) Within the Intermediate-Term Investment Fund, the portfolio average-weighted maturity shall be between one year and four years. The duration shall be within one year of the duration of the appropriate index (50% Merrill Lynch 1-3 Year Government/Corporate Index and 50% Barclays Capital Intermediate Government/Credit Bond Index).
- (l) The duration for each fixed income investment manager in the Long-Term Investment Fund shall be within one year of the duration of the Bloomberg/Barclays Capital Aggregate Bond Index or the manager appropriate benchmark.

III. Evaluation of Investment Managers.

All investment returns shall be measured net of fees. Each investment manager will be reviewed on an ongoing basis and evaluated upon the following criteria:

- A. Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing;
- B. Ability to exceed the return of the appropriate benchmark index;
- C. Adherence to the guidelines and objectives of this Investment Policy Statement; and,
- D. Avoidance of regulatory actions against the firm, its principals or employees.

Performance shall be evaluated according to the following framework:

Short Term – adherence to the stated philosophy and style of management at the time the investment manager was retained; timely communication with the University and investment consultant and, continuity of personnel and practices at the firm.

Intermediate Term (between 3 and 5 years*) – adherence to the stated philosophy and style of management at the time the investment manager was retained; timely communication with the University and investment consultant; continuity of personnel and practices at the firm; and ability to meet or exceed the median performance of other external peer universe of managers who adhere to the same or similar investment style.

Long Term (rolling 5 year periods*) – adherence to the stated philosophy and style of management at the time the investment manager was retained; timely communication with the University and investment consultant; continuity of personnel and practices at the firm; ability to meet or exceed the median performance of other external peer universe of managers who adhere to the same or similar investment style; and, ability to outperform its respective target index.

* Market cycles will vary in duration. Stated time frames apply to typical periods when market cycles occur every three to five years.

IV. Mechanism For Reviewing Investment Manager's Performance

The following are specific steps that The Investment Committee will take when reviewing an investment manager's performance.

- A. The University will evaluate performance results on each manager using reports prepared by the consultant.
- B. Investment managers will be ranked historically based on 1-year, 3-year and 5-year performance.
- C. Performance results for 1-year, 3-year, and 5-year will be reviewed quarterly by Investment Committee and compared with benchmarks. Review meetings may also be made with each manager. But all managers will be reviewed on an ongoing basis.
- D. Managers with persistent poor performance will be brought to the Investment Committee's attention with the Consultant's recommendations. Based on the performance and the recommendations of the Consultant, the Investment Committee will review and pass the recommendation with any changes on to the CFO. The CFO may act on these recommendations.
- E. Consistently poor performance is defined as not meeting the performance objectives and benchmark for the three year moving average set forth in this Investment Policy. However, due to the short term nature of these investments, the Investment Committee with recommendations from the CFO and the Consultant may monitor performance more rigidly.

V. Investment Manager Requirements

Unless prior written approval is obtained from the Investment Committee to the contrary:

- A. Each investment manager must satisfy the performance objective guidelines.
- B. Each investment manager shall have the full investment discretion with regard to market timing and security selection, consistent with the Statement of Investment Policy Statement.
- C. The investment managers will be expected to report in writing, at least quarterly, the performance numbers, all transactions, and asset values at market value.

Investment Managers

Open communication between the investment managers, the University and its consultant are critical to the success of the University's portfolios. The manager shall communicate the following at least annually:

- A. A review of key investment decisions, investment performance and portfolio structure;
- B. An organizational/investment advisor update, including a report on any and all changes in organizational/investment advisor structure, investment personnel and process and a list of new relationships or clients that have terminated their services; and
- C. A review of the manager's understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.

In addition, the following is required of each investment manager:

- A. **Monthly** transaction and asset statements shall be provided to the University, its Consultant and custodian (if not the same) no later than the **tenth** business day following month end;
- B. **Quarterly** performance reviews;
- C. **Immediate notification** to the University and its consultant of any exceptions to this investment policy statement with a recommended plan of action to correct the violation; and
- D. Other reports or information as may be reasonably be requested by the University, its consultant or custodian.

VI. Investment Policy Review

This statement shall be reviewed annually. The investment performance will be reviewed on a quarterly basis and the report will be provided by an independent third party. We recognize the importance of adhering to the philosophy and strategy detailed in the Investment Policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this objective, and therefore, recognize that suggestions regarding appropriate adjustments to the Investment Policy Statement or the manner in which investment performance is reviewed are welcome.

This Policy last was last approved June 4, 2025

Approved by:

CFO, Florida Atlantic University

Date

Acknowledged on behalf:

Investment Consultant

Date

**Florida Atlantic University
Controller's Office
Statement of Investment Policies
Objectives and Guidelines**

Policy:

~~Florida Atlantic University is permitted to invest local funds to maximize the potential earnings through investment of the available cash. The goal of the investment policy is to select strategies to grow the University's assets while simultaneously preserving the principal. The University shall utilize either the Special Purpose Investment Account (SPIA) which is managed by the Florida Division of Treasury or the State Board of Administration (SBA) to invest the assets.~~

Objectives:

~~The long-term return objective for the University's assets is to achieve a minimum return equal to the Consumer Price Index (CPI) on all funds duly invested in by the University.~~

Investment Vehicles:

~~Florida Atlantic University may utilize either the State Board of Administration or the Special Purpose Investment Account for the investing of available funds.~~

~~The State Board of Administration Local Government Pool provides a short-term, liquid investment vehicle available to local governments. Investments are consistent with Section 215.7 Florida Statutes.~~

~~The Special Purpose Investment Account offers liquidity as well as returns that have the ability to exceed money market rates.~~

Liquidation of Assets:

~~Florida Atlantic University may liquidate investments daily in order to meet current obligations.~~

Procedures:

~~The Cash Management staff at Florida Atlantic University reviews available balances and outstanding obligations daily. A determination is made to either invest excess funds or liquidate funds to meet the University's financial obligations for that day.~~
