RATIFICATION OF EXECUTIVE COMMITTEE ACTION
REQUEST TO AMEND UNIVERSITY STATUTE 2.73.03
CASH MANAGEMENT POLICY

Recommendation

It is recommended that the Board of Governors ratify the action adopted by the Board’s Executive Committee on October 26, 2011, with a vote of 8-0. The recommendation, forwarded by Vice President Nork, recommended that the Board of Governors approve the proposed revision to the Wayne State University Cash Pool Investment Policy, as presented. This revision would replace the existing policy in section 2.73.03 of the Wayne State University Code Annotated.

The revised policy is attached.
Wayne State University Statutes

CASH POOL INVESTMENT POLICY

INTRODUCTION

2.73.03.010 This investment policy is issued to set forth the general investment guidelines of the Wayne State University (WSU) Cash Pool (the "Pool"). Cash account balances shall be pooled for investment purposes.

2.73.03.011 Policy guidelines may be amended by the Board of Governors (the "Board") upon their own initiative and/or upon consideration of the advice and recommendations of the Treasurer. Proposed modifications should be documented in writing to the Board.

STATEMENT OF GOALS AND OBJECTIVES

2.73.03.020 The Treasurer shall invest the cash available in the cash pool, effectively and efficiently balancing reasonable risk with expected returns, and ensuring adequate liquidity to meet the current operating needs of the University. The Treasurer may utilize the services of investment consultants and/or investment managers to ensure that these goals are met.

INVESTMENT GUIDELINES

2.73.03.030 The overall asset allocation targets and permissible ranges for eligible asset classes are detailed in Section 2.73.03.120 (Asset Allocation Policy). Manager specific benchmarks and policy exceptions are established by the Treasurer. All investments within the associated investment pools will follow appropriate regulatory guidelines. No investment will be made in the portfolio which would, or might be expected to place the University's tax-exempt status in jeopardy under the Internal Revenue Code.

Concentration Limits:

2.73.03.040 Investment in the securities of a single issuer shall not be in excess of 5% of the total market value of the assets under management at the time of purchase (excluding U.S. Treasury and Agency obligations, and commingled funds).

2.73.03.041 Total funds in any investment mandate shall not constitute more than 30% of the cash pool.

Quality:

2.73.03.050 Eligible short-term securities must be issued by organizations maintaining short-term debt ratings from at least two of the three primary Nationally Recognized Statistical Rating Organizations listed below. Ratings must meet the minimum requirements below, and in the case of split ratings, the lowest rating will be used to determine the quality of the investment.

<table>
<thead>
<tr>
<th>Rating Organization</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor's</td>
<td>A1</td>
</tr>
<tr>
<td>Moody's</td>
<td>P1</td>
</tr>
<tr>
<td>Fitch</td>
<td>F1</td>
</tr>
</tbody>
</table>

2.73.03.051 Fixed income securities in the "liquidity" investment portfolio shall not be rated less than "A" by Standard & Poor's or "A" by Moody's except as provided for in Section 2.73.03.053. Fixed income securities in the "core" investment portfolio shall not be rated less than "BBB-" by Standard & Poor's or "Baa3" by Moody's except as provided for in Section 2.73.03.053. Fixed income securities in the "opportunistic" investment portfolio shall not be rated less than "B-" by Standard & Poor's or "B3" by Moody's except as provided for in Section 2.73.03.053. This provision does not apply to securities of the U.S. Government or its U.S. Government guaranteed agencies.
No purchase shall be made on margin nor securities sold short.

The Treasurer or his designees may provide an exemption for securities held that have been downgraded below the minimum credit quality limitations set forth by this policy. Otherwise, the investment manager must sell such securities within one week of the downgrade.

**Eligible Investments:**
Investments outlined in Section 2.73.03.130 are approved for inclusion in the Pool.

**Duration:**
The maximum average duration of the Pool is 5 years. The maximum duration of any individual security is 7 years.

**Commingled Funds**
Notwithstanding the terms of this Investment Policy, when Pool assets are invested in commingled funds, which may include mutual funds, limited partnerships or limited liability companies, it is accepted that such assets will be managed in accordance with the objectives, policies and restrictions set forth in the commingled funds' investment guidelines.

**Rebalancing Policy**
The Treasurer shall review the asset allocation policy and approve both target percentages and acceptable ranges for each asset class annually, or more frequently if market conditions warrant. Thereafter, the Treasurer shall be responsible for reviewing the actual asset allocation versus the target asset allocation. At the conclusion of every quarter, staff will rebalance any asset class that has fallen outside its acceptable range to within the permissible range, subject to the liquidity needs of the ongoing operations of the University. Cash inflows and outflows shall be used to assist in the rebalancing of assets to the target mix.

**ROLES AND RESPONSIBILITIES**

**Board of Governors**
The Board shall be responsible for reviewing and approving the investment policy and asset allocation for the Pool.

**Treasurer**
The Treasurer will provide overall direction to the staff in the execution of the investment policy. The Treasurer is responsible for: (1.) evaluating, hiring, and terminating investment managers, custodian banks and consultants, (2.) for proposing revisions to this statement of goals and objectives to reflect modifications and revisions to the Pool, which may develop from time to time and (3.) submitting all revisions to the Board for approval. The Treasurer will communicate any material change to this policy to investment managers.

**IMPLEMENTATION**
All monies invested for the Wayne State University Cash Pool by its investment managers after the adoption of this Investment Policy shall conform to this policy.
# ASSET ALLOCATION POLICY

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short term Liquidity Portfolio</strong></td>
<td>30%</td>
<td>15 – 70%</td>
</tr>
<tr>
<td>Money Market Funds, U.S. Government Obligations, U.S. Government Agencies, Bank Accounts, Certificates of Deposit, Commercial Paper, Corporate Bills, Notes, or Bonds and Variable Rate Demand Obligations</td>
<td>20%</td>
<td>10 – 60%</td>
</tr>
<tr>
<td>Short Term Bond Funds</td>
<td>10%</td>
<td>0 - 20%</td>
</tr>
<tr>
<td><strong>Core Portfolio</strong></td>
<td>62%</td>
<td>30 - 85%</td>
</tr>
<tr>
<td>Short/Intermediate Duration Fixed Income</td>
<td>62%</td>
<td>30 - 85%</td>
</tr>
<tr>
<td><strong>Opportunistic Portfolio</strong></td>
<td>8%</td>
<td>0 - 12%</td>
</tr>
<tr>
<td>Short Term High Yield Bonds</td>
<td>4%</td>
<td>0 - 7%</td>
</tr>
<tr>
<td>Multi Strategy Fixed Income</td>
<td>4%</td>
<td>0 - 7%</td>
</tr>
</tbody>
</table>
Eligible Investments


B) U.S. Government sponsored agency debt obligations rated “A+” or higher by Standard and Poor’s or an equivalent rating by Moody’s or Fitch.

C) Debt Securities issued by a governmental entity within the U.S. rated “A+” or higher by Standard and Poor’s or an equivalent rating by Moody’s or Fitch, including debt issued by any state, U.S. territory, the District of Columbia, or any political subdivision of the aforementioned.

D) Corporate Debt

E) Debt securities of non-United States issuers including foreign governments, corporations, and supranational agencies.

F) Debt securities issued by a foreign subsidiary of a U.S. parent corporation which are guaranteed (on the face of the debt security) by the U.S. parent corporation.

G) Securitized Debt Obligations (with a minimum rating of “AA” at purchase by Standard and Poor’s or an equivalent rating by Moody’s or Fitch). This excludes all collateralized mortgage obligations, except those with a level of risk comparable to or more conservative than a fifteen year agency mortgage.

H) Bank Obligations excluding syndicated loans.

I) Prime, U.S. Government: Treasury & Agency and Treasury Only Money Market Funds (may include repurchase agreements) should be “AAA/Aaa” rated by Standard Poor’s and/or Moody’s.

J) Repurchase Agreements with banks and brokers collateralized by cash or other eligible securities equal to at least 102% of the market value of the repurchase agreement.

K) Separate accounts and commingled funds.

L) The purchase of private placement bonds issued in accordance with Securities and Exchange Commission rule 144A will be permitted by investment managers.