



2.3 Investment Policy

Category: Administration

Name of Responsible Office: Administrative Services

Title of Responsible Executive: CFO / Vice President, Administrative Services

Date Established: October 8, 2012

Date Last Approved: February 16, 2021

Summary

The general investment philosophy of the Monroe Community College is to adequately safeguard principal and provide sufficient cash to meet operating needs. Additionally, the College seeks to obtain a reasonable rate of return.

Policy

Policy Statement

This investment policy applies to all monies and other financial resources available for deposit and investment by Monroe Community College ('College').

The primary objectives of the College's investment activities are, in priority order:

- To conform with all applicable federal, State and other legal requirements (legality)
- To safeguard principal (safety)
- To provide sufficient liquidity to meet all operating requirements (liquidity)
- To obtain a reasonable rate of return (yield).

Background

As provided by General Municipal Law Section 11, the College Board of Trustees authorizes the CFO and Vice President of Administrative Services to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York
- Through a Deposit Placement Program, certificates of deposit in one or more "banking institutions," as defined in Banking Law Section 9-r
- Obligation of the United States of America
- Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America
- Obligations of the State of New York
- With the approval of the State Comptroller, obligations issued pursuant to Local Finance Law Section 24.00 or 25.00 (i.e., Tax Anticipation Notes and Revenue Anticipation Notes) by any municipality, school district or district corporation in the State of New York other than the County of Monroe.

All investment obligations shall be payable or redeemable at the option of the College within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided. The investment portfolio duration shall not exceed five (5) years without prior College Board of Trustees approval.

Authorized Financial Institutions and Dealers

All financial institutions and dealers with which the College transacts business shall be creditworthy, and have an appropriate level of experience, capitalization, size, and other factors that make the financial institution or the dealer capable and qualified to transact business with the College. The CFO and Vice President of Administrative Services shall evaluate the financial position and maintain a listing of proposed depositaries, trading partners, and custodians. Recent Reports of Condition and Income (call reports) may be obtained for proposed banks, and security dealers that are not affiliated with a bank and shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers.

The College shall maintain a list of financial institutions and dealers approved for investment purposes, and may establish limits to the amounts of investments that can be made with each financial institution or dealer.

Purchase of Investments

All purchased obligations, unless registered or inscribed in the name of the College, shall be purchased through, delivered to and held in the custody of a bank or trust company. All such transactions shall be confirmed in writing to the College by the bank or trust company.

Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law Section 10 (3) (a). The agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for the College, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to secure the College's perfected interest in the securities, and the agreement may also contain other provisions that the College Board of Trustees deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the College with a perfected interest in the securities.

The records of the bank or trust company shall show, at all times, the ownership of such evidences of investments, and they shall be, when held in the possession of the bank or trust company, at all times, kept separate from the assets of the bank or trust company. All evidences of investments delivered to a bank or trust company shall be held by the bank or trust company pursuant to a written custodial agreement as set forth in General Municipal Law Section 10(3)(a), and as described earlier in this section. When any such evidence of investments is so registered in the name of a nominee, the bank or trust company shall be absolutely liable for any loss occasioned by the acts of such nominee with respect to such evidences of investments.

Applicability

All College deposits and investments that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by:

1. A pledge of "eligible securities" and "aggregate market values", as defined by General Municipal Law Section 10.
2. A pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of deposits at the bank or trust company.
3. An "eligible surety bond" payable to the College for an amount at least equal to 100 percent of the aggregate amount of deposits and the agreed-upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.

4. An “irrevocable letter of credit” issued in favor of the College by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100 percent of the aggregate amount of deposits and the agreed-upon interest, if any.

Definitions

The terms “public funds”, “public deposits”, “bank”, “trust company”, “eligible securities”, “eligible surety bond”, and “eligible letter of credit” shall have the same meanings as set forth in General Municipal Law Section 10.

Responsibility

The College’s Board of Trustees responsibility for administration of the investment program is delegated to the CFO and Vice President of Administrative Services who shall establish procedures for the operation of the investment program consistent with this investment policy and be responsible for the oversight of the management and investment of the Portfolio.

Such procedures shall provide the Controller, or other such persons so designated, an adequate internal control structure to provide a satisfactory level of accountability based upon records incorporating the description and amounts of investments, interest rates and other such information necessary to manage the College’s portfolio and to identify the sources of all funds being invested.

The CFO and Vice President of Administrative Services will review the Investment Policy at least annually with the Board; recommending changes as appropriate. This review will include a detailed review of the portfolio and the provisioning of additional reports as may be requested by the Board.

Procedure

Prudence

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investments shall be made with prudence, diligence, skill, judgment, and care, under circumstances then prevailing, which knowledgeable and prudent persons acting in like capacity would use, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Investment Advisory Consultant

The Administration may, at its discretion, recommend the Board engage an Investment Advisory Consultant as a non-discretionary advisor. The Investment Consultant would be responsible for providing advice and education to the Administration on investment guidelines, asset allocation and manager structure. The Investment Advisory Consultant would assist in the selection of the custodian and alert the Administration to any important developments at the current firms. The Investment Advisory consultant would meet with the Administration annually, to discuss fund performance and other pertinent matters. The Investment Advisory consultant would deal directly with Staff on day to day investment functions.

Diversification

Although it is the policy of the College to diversify its deposits and investments, the opportunity to diversify among types of investments is very limited due to legal constraints. Subject to these constraints, investments and deposits shall, to the extent practical, be diversified by financial institution, maturity and type of investment.

Internal Controls

The CFO and Vice President of Administrative Services is responsible for establishing and maintaining internal control procedures to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, properly recorded, and managed in compliance with applicable laws and regulations.

Authorized Banks and Trading Partners

The CFO and Vice President of Administrative Services will recommend to the Board of Directors banks and/or trust companies authorized to perform the duties of custodian for the deposit and investment of the College monies.

Collateralization and Safekeeping

Eligible securities used for collateralization shall be held by a bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities (or the pro rata portion of a pool of eligible securities) are being pledged to secure such deposits together with agreed-upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon a default. It shall also provide the conditions under which the securities (or pro rata portion of a pool of eligible securities) may be sold, presented for payment, substituted or released and the events which will enable the College to exercise its rights against the pledged securities.

In the event that the pledged securities are not registered or inscribed in the name of the College, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the College or the custodial bank or trust company. Whenever eligible securities delivered to the custodial bank or trust company are transferred by entries on the books of a federal reserve bank or other book-entry system operated by a federally regulated entity without physical delivery of the evidence of the obligations, then the records of the custodial bank or trust company shall be required to show, at all times, the interest of the College in the securities (or the pro rata portion of a pool of eligible securities) as set forth in the security agreement.

The custodial agreement shall provide that pledged securities (or the pro rata portion of a pool of eligible securities) will be held by the bank or trust company as agent of, and custodian for, the College, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt, substitution, or release of the collateral and it shall provide for the frequency of revaluation of collateral by the custodial bank or trust company and for the substitution of collateral when a change in the rating of a security causes ineligibility. The security and custodial agreements shall also include all other provisions necessary to provide the College with a perfected interest in the eligible securities and to otherwise secure the College's interest in the collateral, and may contain other provisions that the College Board of Trustees deems necessary.

Portfolio and Performance Reports

The Board of Trustees is to receive quarterly portfolio reports from the consultant and quarterly performance reports from the College administration.

Annual Review and Amendments

The College shall periodically review this investment policy, and it shall have the power to amend this policy at any time.

Contact Information

Office of Administrative Services