



*University Community (faculty, staff and students)*

| <b>SUBJECT (R*)</b> | <b>EFFECTIVE DATE (R*)</b> | <b>POLICY NUMBER (O*)</b> |
|---------------------|----------------------------|---------------------------|
| INVESTMENT POLICY   | June 29, 2005              | 1160.010                  |

**POLICY STATEMENT (R\*)**

The purpose of this document is to set forth the goals and objectives of the Florida International University’s operating funds investment portfolio (the “Portfolio”), and to establish guidelines for the implementation of investment strategy.

Any material revisions to this document may be made only with the approval of the Florida International University Finance and Facilities Committee.

The Investment Committee (“Committee”) reports to the Finance and Facilities Committee and recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Portfolio. As such, the Investment Committee has developed this Investment Policy with the following goals in mind:

- To clearly establish the objectives and constraints that govern the investment of the Portfolio,
- To establish a long-term target asset allocation with a high likelihood of meeting the Portfolio objectives given the constraints, and
- To protect the financial health of the Portfolio through the implementation of this stable long-term investment policy.

## **I. Operating Funds Investment Portfolio Goals**

The overall goal of operating funds investment portfolio (the “Portfolio”) is to provide funds through a carefully planned and executed investment program necessary for normal expenses, capital expenditures, and overall liquidity needs. There are both short term liquidity needs and longer term needs that allow for some incremental longer term growth of these assets.

## **II. Statutory Requirements**

The Florida International University Board of Trustees (“BOT” or the “Board”) and the Committee will manage the assets of the Portfolio in accordance to the Prudent Expert Rule, in accordance with Florida Statutes 218.415 and 1011.42.

## **III. Governance**

### **A. Responsibilities of the Board**

1. The Board is responsible for the oversight and approval of this Policy (and any amendments thereto) and oversight of the University's implementation of the Policy.
2. The Board authorizes the creation of the Committee to oversee the investments of the Portfolio.
3. The Board’s responsibilities include periodic review of the Investment Policy and its:
  - a. Investment goals and objectives
  - b. Asset allocation policy targets, minimums and maximums
  - c. Authorized investments

### **B. Responsibilities of the Committee**

1. The Committee recognizes that matters concerning the investment of the Portfolio assets owned by the University merit serious attention and frequent consideration. The Committee, at a minimum, will consist of:
  - a. An individual designated by the BOT,
  - b. The Chief Financial Officer of the University,
  - c. The Treasurer of the University and
  - d. A representative from University academics.
2. In addition, the Committee may include up to two business community and other representatives with specific expertise in investment and portfolio management to strengthen the Committee’s capabilities. The need for adding members will be

determined by the Chair of the BOT, in consultation with the Chair of the Finance and Facilities Committee.

3. The Committee is responsible for hiring an investment consultant, consistent with University procurement requirements, and with the guidance and recommendations of the Investment Consultant:
  - a. Directing all of its efforts toward the investment objectives stated herein
  - b. Performing at least annually a review of the investment objectives stated herein
  - c. Ensuring that the objectives stated in this Policy are practical and reflect the mission of the University
  - d. Implementing and monitoring the asset allocation policy
  - e. Conducting an annual formal review of the investment structure
  - f. Selecting and monitoring of qualified, competent investment managers
  - g. Terminating investment managers failing to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. organizational changes) standards
  - h. Developing and reviewing the objectives and guidelines given to each specific investment manager
  - i. Meeting at least quarterly to review the results of the investment portfolios
  - j. Determining whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed
  - k. Providing the BOT with regular performance reports on the investment portfolios
  - l. Completing annually eight (8) hours of continuing education in subjects or courses of study related to investment practices and procedures, or the Chief Financial Officer shall complete this requirement.
4. The Committee is responsible for hiring a third party custodian to provide appropriate arrangements for the holding of the University's investment assets, consistent with University procurement requirements. The Custodian will:
  - a. Properly designate all securities purchased and collateral obtained, as assets of the University.
  - b. Ensure that no withdrawal of securities, in whole in in part, will be made, except by an authorized staff member of the University.
  - c. Provide accurate, reliable, and efficient safekeeping of assets.

- d. Produce monthly reports and serve as an independent confirmation of asset values and account activities.
  - e. Provide the timely settlement of securities transactions.
5. Recommending and approving requests under the spending policy.
  6. The Committee will annually select a Chair and a Vice Chair to preside over the meetings.

#### C. Responsibilities of the Staff

The staff is an integral part of the day-to-day requirements of the operating portfolio. The staff has the responsibility of administering and coordinating the implementation of decisions made by the Committee and the BOT. The staff is responsible for:

1. Administering the investments of the Portfolio at the lowest possible cost, being careful to avoid sacrificing quality.
2. Administering the rebalancing process.
3. Day-to-day interaction with the consultants and investment managers.
4. Administering the investment earnings distribution process.
5. Reviewing requests under the spending policy.
6. Establish and maintain a system of internal controls that are documented by written operational procedures. The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees. The internal controls should be reviewed, periodically, by independent auditors, as part of any financial audit required of the University.

#### D. Responsibilities of Investment Managers

Investment managers are delegated the following responsibilities:

1. Each investment manager will have full discretion to make all investment decisions for the assets placed under its control, while operating within guidelines, constraints, and philosophies as outlined in this Policy.
2. Each investment manager will be expected to manage the Portfolio's assets in a manner consistent with the investment objectives, guidelines, and constraints in accordance with applicable state and federal laws.
3. The investment manager is required to communicate with the Investment Consultant and staff all significant matters pertaining to the investment of the Portfolio's assets on a timely basis.

#### **IV. Investment Objectives**

- A. There are both short term liquidity needs and longer term needs that allow for incremental longer term growth of assets.
- B. While the Committee recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns.
- C. Specifically, the portfolio shall be managed with the following objectives in this order:
  - 1. Risk - Maintain the safety of the principal
    - a. To accept a reasonable level of risk required to achieve the Portfolio's return objective as stated immediately below.
    - b. To limit the likelihood of experiencing a loss over any five-year period.
    - c. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.
    - d. To the extent possible, minimize the annual volatility in the asset base.
  - 2. Liquidity - Maintain the necessary liquidity to ensure funds are available to support operational needs
    - a. The Committee and Staff will monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances.
    - b. The Committee intends to invest no more than 25% of the Portfolio's assets in illiquid vehicles. Illiquid investments will be considered investments with less than monthly liquidity terms.
  - 3. Return - Obtain a reasonable return for a prudent level of risk
    - a. The Committee seeks to produce a return on investment which is based on levels of operating liquidity needs and investment risk that are prudent and reasonable, given prevailing capital market conditions.
    - b. The Committee seeks to produce a return in excess of a passive policy index based on the asset allocation targets. Exceeding this objective indicates that the active management of the various portfolio components has added value over a passively-managed fund with a similar asset mix.
    - c. The Committee seeks to produce an adequate real return over the expected rate of inflation, the primary driver of increased costs to the University.

#### **V. Role of Each Investment Pool**

- A. Total Combined Pool

This pool is the overall combined investments of the Portfolio. In its entirety, it is intended to satisfy the overall objectives and constraints set forth in this Policy. The Total Combined Pool is divided into three distinct pools; each pool has a different investment time horizon and investment objectives.

**B. Working Pool**

This pool is intended to provide for the immediate normal operating requirements of the University (funds awaiting clearance), and other short-term investments of the University.

**C. Strategic Pool**

This pool is intended to be invested over the medium-term and long-term, as the cash needs of this pool are intermediate and long-term in nature.

**D. Reserve Pool**

This pool encompasses a state-mandated unencumbered reserve. This pool is intended to be invested over the medium- and long-term.

**VI. Diversification**

The Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of returns. Within each asset type, the portfolio will distribute investments across many individual holdings, to further reduce volatility.

**VII. Asset Allocation**

The Committee recognizes that the allocation of monies to various asset classes will be the major determinant of the Portfolio return and risk experience over time. Therefore, the Portfolio will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Portfolio's investment objectives.

**A. Permissible Asset Classes**

The Committee has specifically indicated those asset classes that may be utilized. The University invests mainly in commingled vehicles such as mutual funds, limiting the ability of the University or its representatives to impose investment guidelines.

| <b>Permissible Asset Class</b> |
|--------------------------------|
| Public Equity                  |
| Private Equity                 |
| Fixed Income                   |
| Bank Loans                     |
| Commodities                    |
| Hedge Funds                    |
| Cash and Cash Equivalents      |

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Portfolio will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio will be considered.

C. Total Combined Pool Exposure

The total Combined Pool is expected (but not obligated) to be composed of the following split, on average, over the long term. The total Combined Pool is expected to be used for benchmarking purposes and total risk analysis; however the Committee has limited control over the level of assets in the Working Capital Pool which is expected to fluctuate throughout the year based on the normal operating requirements of the University.

| <b>% of Total Combined Pool</b> |             |
|---------------------------------|-------------|
| Working Capital Pool            | 40%         |
| Strategic Capital Pool          | 50%         |
| Reserve Capital Pool            | 10%         |
| <b>Total Combined Pool</b>      | <b>100%</b> |

D. Long-Term Target Allocations for the Strategic and Reserve Pool

Based on the investment objectives and constraints of the Portfolio, and on the expected behavior of the permissible asset classes, the Committee will specify a long-term target allocation for the combined Strategic and Reserve Pool.

The long-term target allocations for the Strategic and Reserve are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the Strategic and Reserve Pool's asset allocation to deviate from the long-term target, as would likely occur during transitioning, asset class restructurings, and other temporary changes in the Portfolio.

Long term strategic asset allocation targets and allowable ranges for the Strategic and Reserve Pool are listed below.

|                            | Target (%)  | Allowable Ranges (%) |
|----------------------------|-------------|----------------------|
| Strategic and Reserve Pool |             |                      |
| <b>Equities</b>            | <b>17.0</b> |                      |
| U.S. Equity                | 9.0         | +/- 3                |
| International Equity       | 8.0         | +/- 3                |
| Private Equity             | 0.0         | +/- 3                |

|                                    |             |       |
|------------------------------------|-------------|-------|
| <b>Credit</b>                      | <b>5.0</b>  |       |
| Bank Loans                         | 5.0         | +/- 5 |
| <b>Rate-Sensitive</b>              | <b>58.0</b> |       |
| Investment Grade Bonds             | 28.0        | +/- 5 |
| Investment Grade Bonds (Corporate) | 12.0        | +/- 5 |
| TIPS                               | 18.0        | +/- 5 |
| <b>Real Assets</b>                 | <b>5.0</b>  |       |
| Commodities                        | 5.0         | +/- 5 |
| <b>Other</b>                       | <b>15.0</b> |       |
| Hedge Fund                         | 15.0        | +/- 5 |
| <b>Total</b>                       | <b>100</b>  |       |

#### E. Rebalancing

Portfolio rebalancing is designed to provide disciplined approach to control the risk exposure of the portfolio. Rebalancing parameters are addressed at the asset class level. In general, cash flows to, from and within the Portfolio will be allocated in such a manner as to move each asset class toward its target allocation as is prudent.

### VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually to ensure that the objectives and constraints remain relevant. However, the Committee recognizes the need for a stable long-term policy for the Portfolio, and major changes to this policy will be made only when significant developments occur.

The asset allocation of the Portfolio will be reviewed on an on-going basis, and at least annually, with the Investment Consultant.

The Committee will evaluate the performance of the Portfolio relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Committee will utilize relative, rather than absolute, benchmarks in evaluating performance.

### IX. Investment Manager Selection

For the Strategic Capital and Reserve Pools, the Committee, with the guidance and recommendations of the Investment Consultant, is responsible for the selection and continued monitoring of qualified, competent investment managers in accordance with University policy and Florida law, while optimizing the financial return to the University, advancing its long-term financial interests and supporting the University's mission.



For the Working Capital Pool, Staff is authorized to invest in the following managers and investments:

1. Florida State Treasury
2. State Board of Administration
3. Qualified Depositors as defined by the State of Florida
4. U.S. Government debt and its Agencies
5. Money Market and short term fixed income funds rated AA or higher by at least two of the following ratings agencies: Moody's Investors Services, Standard & Poor's or Fitch.

**X. Investment Costs**

Investment expenses will be considered during manager due diligence process conducted by the Investment Consultant. The Committee intends to monitor and control investment costs on a portfolio level.

**XI. Voting of Proxies**

The Committee recognizes that the voting of proxies is important to the Portfolio. The Committee has delegated the responsibility of voting all proxies to the investment managers. The Committee expects that proxies will be executed in a timely fashion. Also, the Committee expects full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

**RESPONSIBILITIES (O\*)**

**LEGAL AUTHORITY:**

The BOT is authorized to adopt an Investment Policy pursuant to Section 1011.42 and 218.415 of the Florida Statutes.

**HISTORY (R\*)**

Effective Date: June 29, 2005; Revision Date(s): September 11, 2007; March 12, 2008; March 30, 2009; June 12, 2009; September 24, 2010, March 14, 2012, September 10, 2013, January 14, 2015, December 8, 2017, February 26, 2020 and June 5, 2024.

**RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R\*)**

Office of the Treasurer  
Finance and Administration

**RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R\*)**

University Treasurer  
Florida International University  
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For any questions or comments, the "Document Details" view for this policy online provides complete contact information.

**FORMS/ONLINE PROCESSES (O\*)**

Links to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document.

**\*R = Required \*O = Optional**