COMMITTEE ON FINANCIAL AFFAIRS
February 7, 2019
9:00 – 9:45 a.m.
Room 201 – Blow Memorial Hall

James A. Hixon, Chair
Mirza Baig, Vice Chair

I. Introductory Remarks - Mr. Hixon

II. Approval of Minutes – November 16, 2018

III. Report from Senior Vice President for Finance and Administration Samuel E. Jones and Vice President for Finance and Chief Financial Officer Amy S. Sebring

A. Overview of Governor Northam's FY2020 Budget Amendments.

B. Summary of Operating and Capital Budget Amendment, Submitted to 2019 General Assembly.

C. Cash Management Investment Policy. **Resolution 22 .**

D. 2018-2019 Operating Budget Summary. *Pre-Read*

IV. Report from Virginia Institute of Marine Science Dean John T. Wells

A. Summary of Operating and Capital Budget Initiatives Submitted to the 2019 General Assembly. *Pre-Read*

B. 2018-2019 Operating Budget Summary. *Pre-Read*

V. Investments Subcommittee Report – Mr. Baig

VI. Closed Session (if necessary)

VII. Discussion

VIII. Adjourn

COMMITTEE ON FINANCIAL AFFAIRS
MINUTES – NOVEMBER 16, 2018

MINUTES
Committee on Financial Affairs
November 16, 2018
Blow Memorial Hall – Board Room

Attendees: James A. Hixon (Chair); S. Douglas Bunch, Anne Leigh Kerr; Todd A. Stottlemyer; H. Thomas Watkins III; faculty representative Thomas J. Ward; and student representative Patrick Canteros. Board members present: Rector John E. Littel, Sue H. Gerdelman, William H. Payne II, Lisa E. Roday, Karen Kennedy Schultz; faculty representative Catherine A. Forestell, staff liaison Jennifer C. Fox. Others in attendance included President Katherine A. Rowe; Provost Michael H. Halleran, Virginia M. Ambler, Henry R. Broaddus, W. Fanchon Glover, Samantha K. Huge, Samuel E. Jones; Matthew T. Lambert, Deborah A. Love, Jeremy P. Martin, Amy S. Sebring; John T. Wells from the Virginia Institute of Marine Science, and other College faculty and staff.

Chair James Hixon called the meeting to order at 8:00 a.m. After opening comments by the Chair, Mr. Hixon asked for a motion to approve the minutes of the September 27, 2018 meeting. Motion was made by Mr. Watkins; seconded by Mr. Stottlemyer, and approved by voice vote of the Committee.

Mr. Hixon called on Senior Vice President for Finance and Administration Sam Jones, noting that chief among the actions required was approval of the Fiscal Year 2020 tuition rate for in-state undergraduate students.

Mr. Jones reviewed **Resolution 14:** Maintain Four-year Tuition Guarantee for In-State Undergraduate Students, noting that the recommendation maintains a tuition guarantee for all continuing in-state undergraduate students. Consistent with the Board-approved Six-Year Plan, the recommendation is for a 5.4% increase in tuition for incoming in-state undergraduate students, bringing tuition to $18,375. After thanking the Rector, Mr. Hixon and Ms. Gerdelman for their attendance, Mr. Jones summarized the results of the public comment session held on campus in late October as well as comments received through the on-line portal. Mr. Jones stated that all other tuition and fees for FY 2020 will be set by the Board in April 2019 as part of the budget adoption process. The Committee noted that the proposed increase was the equivalent of a 1.31% annual increase over the four-year period.

The Chair next called on Amy Sebring, Vice President for Finance and Chief Financial Officer, to review **Resolution 15,** Receipt of the Consolidated Financial Report of the College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the Fiscal year ended June 30, 2018, and **Resolution 16,** Receipt of the Financial Report of the Intercollegiate Athletics Department for the Fiscal year ended June 30, 2018.

Ms. Sebring noted the consolidated nature of the statements, inclusive of William & Mary, VIMS and Richard Bland College as well as the fact that the Board was being asked to accept, rather than approve, the statements since they remain subject to audit of the State Auditor of Public Accounts (APA). She then highlighted various key financial performance statistics from each report. Relative to the Athletics Financial Report, Ms. Sebring stated that the report was prepared consistent with NCAA requirements and would also be reviewed by the APA.

Mr. Jones then reviewed **Resolution 17,** Approval of Interim Use of Funds and Establishment of Russell and Jeanne Baker Quasi-Endowment. After a long and full life, Jeanne Baker passed away in February 2018 at the age of 102, leaving William & Mary as a 1/3 beneficiary of a trust established by her husband, Russell. With no restrictions on the gift, the administration recommended $155,432 be set aside as an expendable fund for campus beautification, $3 million be used on an interim basis to support detailed planning for the Integrated Science Center 4 pending reimbursement from the Commonwealth and, once the reimbursement occurs, $2.5 million be used to establish an unrestricted quasi-endowment and $500,000 be added to the university's Green Revolving Fund.

Following discussion, Mr. Hixon requested a motion to approve as a block:

- **Resolution 14,** Maintain Four-year Tuition Guarantee for In-State Undergraduate Students
- **Resolution 15,** Receipt of the Consolidated Financial Report of the College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the Fiscal year ended June 30, 2018
- **Resolution 16,** Receipt of the Financial Report of the Intercollegiate Athletics Department for the Fiscal year ended June 30, 2018
- **Resolution 17,** Approval of Interim Use of Funds and Establishment of Russell and Jeanne Baker Quasi-Endowment

Motion was made by Mr. Watkins, seconded by Mr. Stottlemyer and approved by voice vote of the Committee.

There being no further business, the Committee adjourned at 8:30 a.m.

WILLIAM & MARY
CASH MANAGEMENT INVESTMENT POLICY

The Cash Management Investment Policy applies to the investment of operating funds belonging to the College of William & Mary and under the control of the College's appointed Board of Visitors. Under the Restructured Higher Education Financial and Administrative Operations Act, Chapter 10 Article 4 (§~~23-38.105~~ 23.1-1013) of Title 23 of the Code of Virginia, the College, as a covered institution "may invest its operating funds in any obligations or securities that are considered legal investments for public funds in accordance with Chapter 45 (§2.2-4500 et seq.) of Title 2.2. Such institution's governing board shall adopt written investment guidelines that provide that such investments shall be made solely in the interest of the covered institution and shall be undertaken with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

The College's operating funds and balances consist of tuition and fee revenue, expendable gift monies, endowment income, earned interest from investments, grants and sponsored research, rental income from owned properties, income received from external trusts, interest and dividends received on gifted securities, cash balances that reside in College auxiliary accounts and agency accounts, and generally any revenue received by the College of William & Mary that is deemed not to be state money and therefore subject to other mandatory depository restrictions of the State of Virginia. These institutionally ("locally") controlled operating funds are the basis of working capital from which the annual private fund and auxiliary budgets are constructed and they remain invested in short and intermediate term investments until such time as expenditures are drawn. Based on cyclical patterns of when revenue is received and funds subsequently disbursed, the invested balance of operating funds fluctuates monthly within a range between approximately $60 million and $125 million.

The Board of Visitors last reviewed its policy on cash management at its meeting on February 3-5, 2016. It is the practice of the College to review at least every three years this policy and its guidelines to ensure that the authorizations contained herein are in keeping with the current thinking of the Board of Visitors.

All short term and intermediate term investments as disclosed in this policy are currently managed by SunTrust Bank (and its appointed sub-advisory institutions), the depository institution used by the College. Proposed amendments herein have been reviewed and endorsed by investment management professionals at SunTrust and its assigns. If the College were to use different service providers for cash management, these same investment guidelines would apply.

RESOLVED, That the Board of Visitors of the College of William & Mary in Virginia approves the amended guidelines as the Cash Management Investment Policy for institutional funds belonging to the College of William & Mary, superseding any existing policy under the same name.

The Board of Visitors of The College of William & Mary

Cash Management Investment Policy

Purpose and Scope

The purpose of this Cash Management Investment Policy is to articulate the investment and operational guidelines and authorizations for the non-general operating cash balances and reserves, referred to as local or private funds, under the control and oversight of the Board of Visitors. This policy is crafted to adopt best practices in the prudent management of short and intermediate-term investments, complying with laws and regulations applicable to qualified public entities in Virginia. Accordingly, this policy does not cover the College's investment of long-term or endowment assets, general funds managed on behalf of the Commonwealth, proceeds from tax-exempt bond issues, or guidelines in the procurement of banking services. Except for cash in certain legally restricted and special accounts, the College shall consolidate cash and reserve balances to optimize College-wide liquidity management, maximize its investment earnings potential, and to increase efficiencies in the cost of investment management.

Statement of Objectives

- To ensure the safety of funds held in the short-term and intermediate investment portfolio.
- To maximize investment return within the constraints of safety of principal and of maintaining sufficient liquidity to meet all operating needs and obligations that may be reasonably anticipated.

Governing Authority: Laws and Regulations

This Cash Management Investment Policy shall be governed by existing law and regulations that apply to the investment of public funds, specifically the *Virginia Security for Public Deposits Act*, Chapter 44 (§2.2-4400 et seq.) of Title 2.2 of the Code of Virginia, as amended; the *Investment of Public Funds Act*, Chapter 45 (§2.2-4500 et seq.) of Title 2.2 of the Code of Virginia, as amended; the *Uniform Prudent Management of Institutional Funds Act*, Chapter 11, (§64.2-1100 et seq.) of Title 64.2 of the Code of Virginia, as amended; and Chapter ~~5 (§23-44.1)~~ 28 (§23.1-2803) of Title 23.1 of the Code of Virginia, as amended, concerning the College's investment of endowment income, gifts, standards of care, liability, and exemption from the Virginia Public Procurement Act. Further authority as it relates to the investment of operating fund reserves and balances of or held by the College is delegated to the Board of Visitors in a certain Management Agreement dated March 30, 2009, by and between the Commonwealth of Virginia and the Rector and Board of Visitors of the College of William & Mary, pursuant to the Restructured Higher Education Financial and Administrative Operations Act of 2005. Delegated authority to restructured institutions is further addressed by the General Assembly in §4-9.03

Level III Authority of the 2014-16 Appropriations Act passed on June 23, 2014: "The Management Agreements negotiated by the institutions contained in Chapters 675 and 685 Acts of the Assembly shall continue in effect unless the Governor, General Assembly, or the institutions determine that the Management Agreements need to be renegotiated or revised."

Standards of Care

The College will have the option to manage its non-general short and intermediate term operating cash reserves internally, only when necessary and feasible, and/or preferably through the exercised care of professional investment managers.

The College shall rely on the "prudent person" standard in the exercised care of its investments. Accordingly, as stated in the *Investment of Public Funds Act*, Chapter 45 (§2.2-4514 et seq.) of Title 2.2 of the Code of Virginia, investments shall be made "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." College employees and officials who exercise proper due diligence in following this investment policy according to the "prudent person" standard shall be relieved of personal responsibility for an individual security's credit risk or market price changes. When investments are made in conformity with *Investment of Public Funds Act*, Chapter 45 of the Code of Virginia, §2.2-4516 states that "no treasurer or public depositor shall be liable for any loss therefrom in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his assistants or employees." Furthermore, when deposits are made in conformity with the *Virginia Security for Public Deposits Act*, Chapter 44 of the Code of Virginia, §2.2-4410 states that "no official of a public depositor shall be personally liable for any loss resulting from the default or insolvency of any qualified public depository in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his agents."

Members of William & Mary community are required to adhere to a Code of Ethics which was passed by the Board of Visitors on April 17, 2009. College personnel involved with the investment of funds shall be governed by these ethical guidelines and furthermore shall take meaningful effort to refrain from actions or activities that would have the appearance of violating the nature and intent of the College's standards of ethical behavior.

Upon retention, external managers will be given a copy of this Cash Management Investment Policy and shall be required to maintain compliance with all directives stated herein. External managers shall be required to have a Code of Ethics or similar governing rules of ethical behavior that shall be disclosed to the College prior to their formal engagement. Failure to maintain compliance with these governances may result in dismissal and other potential measures of recourse.

Approved Investments

- U.S. Treasury Bills
- U.S. Treasury Notes and Bonds
- U.S. Federal Agency Obligations (including mortgage backed securities)

- Money market mutual funds (no-load open-ended investment funds) which invest in U.S. Treasury Bills, Notes, Bonds, Federal Agency Obligations, and high quality Corporate Obligations, provided such funds are registered under the Federal Investment Company Act of 1940 and rated at least "AAm" or the equivalent by a Nationally Recognized Statistical Rating Organization ("NRSRO") and properly registered for sale in Virginia under Chapter 5 of Title 13.1 ("the Securities Act") ~~the Securities Act (§13.1-501 et seq.)~~ of the Code of Virginia. Money market funds must comply with the diversification, quality, and maturity requirements of Rule 2a-7, or any successor rule, under the Federal Investment Company Act of 1940, provided the investments of such funds are restricted to investments otherwise permitted by the Code of Virginia.

- Bond mutual funds, commingled investment funds, and bank common trust funds (all classified as no-load open or closed-ended investment funds) which invest in high quality government (USD-denominated securities) and high quality corporate obligations. Funds must have an average effective maturity no longer than 5 years and an average portfolio duration no longer than 2 years. The average credit quality for a fund will carry a rating of "A" or better by two rating agencies, one of which shall be either Moody's Investors Service, Inc., or Standard & Poor's, Inc. Funds must be registered under the Federal Investment Company Act of 1940 and be properly registered for sale in Virginia under the Securities Act (§13.1-501 et seq.) of the Code of Virginia. Investments in these funds are restricted to investments otherwise permitted by the Code of Virginia for qualified public entities.

- Bankers' Acceptances that are issued by domestic banks or domestic offices of foreign banks (in USD), which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than "A-1" (or its equivalent) by at least two NRSROs. The amount invested in any single bank will not exceed 5% of the total funds available for investment (based on book value on the date of acquisition).

- "Prime quality" Commercial Paper with a maturity of 270 days or less and a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the NRSROs at time of purchase. Issuing corporations must be organized and operating under the laws of the United States or any state thereof and have a minimum net worth of $50 million. The net income of the issuing corporation, or its guarantor, must have averaged at least $3 million per year for the previous five years. All existing senior bonded indebtedness of the issuer, or its guarantor, must be rated "A" or better by at least two NRSROs.

- High quality corporate notes and obligations rated at least "A" by Moody's Investors Service, Inc., and rated at least "A" by Standard & Poor's, Inc., and a maturity of no more than five years (as allowed by the Code of Virginia).

- High quality asset-backed securities with a maximum average life of 3 years ~~a duration of no more than five years (as allowed by the Code of Virginia)~~ and a rating of no less than "AAA" by two NRSROs, one of which must be either Standard & Poor's, Inc. or Moody's Investors Service, Inc.

- Negotiable Certificates of Deposit and Negotiable Bank Deposit Notes of domestic banks and domestic offices of foreign banks, lawfully authorized to do business in Virginia, with a rating of at least "A-1" by Standard & Poor's, Inc. and "P-1" by Moody's Investors Service, Inc., for maturities of one year or less, and a rating of at least "AA" by Standard & Poor's, Inc. and "Aa" by Moody's Investors Service, Inc., for maturities over one year and not exceeding five years. Negotiable Certificates of Deposit and Negotiable Bank Deposit Notes with any institution other than the College's primary depository shall not exceed levels of provided insurance by the Federal Deposit Insurance Corporation.

- Time Deposits in any federally insured bank or savings institution that is qualified by the Virginia Treasury Board to accept public deposits. Deposits in any such institutions shall be at levels whereby the College's money shall remain fully insured by the Federal Deposit Insurance Corporation (or collateralized in full with U.S. Government or agency securities by the College's primary depository as assets belonging to a public entity covered under the *Virginia Security for Public Deposits Act*, Chapter 44 (§2.2-4400 et seq.) of Title 2.2 of the Code of Virginia).

- Investment in overnight repurchase agreements. Certain conditions for investment shall apply:

  - When investments are made in overnight repurchase agreements, the College will require that its investments be 102% collateralized by U.S. Treasury and Agency obligations, and that this collateral be delivered to the College's custodian bank and identified according to Uniform Commercial Code book entry procedures on the custodian's books as property belonging to the College of William & Mary;
  - A master repurchase agreement or specific written repurchase agreement shall govern the transaction;
  - The securities are free and clear of any lien;
  - Qualified counterparties must be either member banks of the Federal Reserve System having total assets of more than $10 billion and that are among the 50 largest commercial banks in the U.S.; or, non-bank dealers ~~who~~ that are designated by the Federal Reserve Bank of New York as primary dealers in government securities and report daily to the Federal Reserve Bank of New York;
  - The counterparty must have a long-term credit rating of at least "AA" or the equivalent from an NRSRO, a short-term credit rating of at least "A-1" or the equivalent from an NRSRO, been in business for at least 5 years, and be reputably known among market participants.

- State and Municipal Obligations consisting of bonds, notes, and other general obligations of any state or municipal authority organized within the United States upon which there has been no default and having a rating of at least "AA" by

Standard & Poor's, Inc., and "Aa" by Moody's Investors Service, Inc., and maturing within two years of the date of purchase. Purchase of State and Municipal Obligations must comply with guidelines and restrictions found in the Code of Virginia.

- Local Government Investment Pool (LGIP). This highly diversified money market fund, administered by the Treasury Board of the Commonwealth of Virginia, referenced in Chapter 46 (§2.2-4600 et seq.) of Title 2.2 of the Code of Virginia (*Local Government Investment Pool Act*), offers public entities in Virginia a convenient and cost effective means to invest short-term monies adhering to all investment guidelines required by the Code of Virginia. The LGIP is rated "AAAm" by Standard & Poor's, Inc. (as of ~~June 30, 2015~~ September 26, 2018) and must be rated "AAm" by Standard & Poor's, Inc. for the College's investment purposes.

Diversification of Approved Investments

The maximum allowable percentage of the College's short-term portfolio permitted in each single asset category is as follows along with the maximum limits allowed in the Code of Virginia:

	CWM	Code VA
- U.S. Government securities and its agencies	100%	100%
- Repurchase Agreements with Required U.S. Gov't Collateral	100%	100%
- Money Market Mutual Funds (100% U.S. Gov't & Agencies)	100%	100%
- Money Market Mutual Funds (Diversified)	35%	100%
- Commingled Investment Funds or Bank Common Trust Funds	50%	100%
- Bond Mutual Funds (100% U.S. Gov't & Agency Obligations)	100%	100%
- Bond Mutual Funds (Diversified)	50%	100%
- "Prime Quality" Commercial Paper (A-1 P1)	35%	35%
- High quality Corporate Debt (A ratings by Moody's and S&P)	50%	100%
- Bankers' Acceptances	35%	100%
- Certificates of Deposit and Bank Deposit Notes	35%	100%
- Insured and/or collateralized bank deposits	50%	100%
- Asset-backed securities	35%	100%
- State and Municipal Obligations	20%	100%
- State run LGIP	100%	100%

Prohibited Investments

Without the expressed consent of the Board of Visitors, evidenced by signatory authorization from the Senior Vice President for Finance and Administration, the following investments are prohibited:

- Floating rate notes with maturities under two years that have any embedded leverage or option ability (e.g., caps, floors, multiple reset features, etc.), however, U.S. Agency adjustable rate mortgage backed securities (ARMs) are permitted investments.
- Floating rate notes with maturities over two years
- Structured notes
- Swaps
- Other derivatives
- High Yield and Distressed Debt
- Reverse repurchase agreements
- Borrowing funds for the purpose of reinvesting the proceeds of such borrowing
- Investing in any security not specifically permitted by this Policy

Where written consent is given for investment in any of these categories, the Board of Visitors will require the investment manager to adhere to specific safeguards.

Investment Limits

No more than 5% of the portfolio shall be invested in specifically held securities of any single issuer. A single issuer shall incorporate all debt issued by parent, subsidiary, and affiliated companies, thereby limiting investment exposure to any one holding company or entity.

The following exceptions to this 5% single issuer limit shall apply:

- U.S. Treasury obligations	100% maximum
- Money market funds of only U.S. Gov't and Agency obligations	100% maximum
- Bond mutual funds of only U.S. Gov't and Agency obligations	100% maximum
- State run LGIP	100% maximum
- Each Federal Agency (held as discrete investments)	50% maximum
- Diversified money market and mutual funds	35% maximum
- Other types of mutual and commingled funds	35% maximum

There will be no more than $20 million invested in a Core Balance strategy, separate from that of cash required for the College's immediate operating needs and liquidity requirements. This Core Balance strategy will be a part of the overall short-term investment portfolio and similarly follow allocation guidelines for approved and prohibited investments, albeit with longer average maturity and duration limits.

Foreign Securities

The direct purchase of discrete foreign securities that are not denominated in U.S. dollars will be prohibited in any College account set up under these guidelines for short and intermediate term investment. U.S. dollar denominated sovereign and supranational bonds (Yankee bonds) with ~~one year or less of~~ maturity of up to 3 years will be permitted for investment. Should a company whose security is held in a short or intermediate term investment account be acquired by a foreign company, the security may remain in the portfolio as long as it is determined by the portfolio manager that it is in the best economic interest of the College to hold the security for the short term. Exempt from this prohibition on foreign securities are high quality money market and commingled funds which may have foreign securities as a small component of the fund.

Security Downgrades

In the event that any security or fund held in the investment portfolio is downgraded below the rating requirement required by this policy, the security or fund shall be sold within ~~60~~ 45 days of such downgrade. However, if the downgraded security is near to maturity, within 90 days, the investment manager may continue to hold the security until maturity if the manager believes the downgrade does not present an inherent risk to achieving full redemption at par and that holding the security would be the best course of action for the university.

Risk Parameters

Investment of the College's operating cash will be undertaken by managing those risks that can affect the value of investments. Investment firms engaged by the College will be required to continuously monitor the various types of risk inherent in a diversified institutional investment portfolio.

Interest rate risk will be controlled primarily by investing in bonds with various maturities. Controlling the portfolio's average maturity and duration will also mitigate the negative effects of interest rate risk. At no time will any individually owned security have an effective and/or legal maturity longer than 5 years. An overnight investment operating account will be used in conjunction with a sweep vehicle to/from the College's main depository account. This operating account will be designed with instruments that provide immediate liquidity. **The short-term portfolio used for extended liquidity management, exclusive of the Core Balance strategy, shall maintain a weighted average effective maturity not to exceed 24 months and an average duration not to exceed 15 months.** Core Balance investments, when managed separately in a discrete portfolio, shall maintain a weighted average effective maturity not to exceed ~~60~~ 36 months and an average duration not to exceed 24 months. Core Balance investments represent balances for which the College has no immediate liquidity needs and can therefore be invested with a longer term horizon.

Credit risk is managed primarily by limiting the opportunity set to certain approved high quality investments as reflected above that conform to Virginia statues. Rating agencies, herein referred to as NRSROs, such as Moody's and Standard & Poor's, will be used as a measure to evaluate and monitor credit risk of held investments.

Counterparty risk will be continually monitored to ensure the continued financial strength and investment quality of the issuer.

Liquidity Constraints

Without the prior approval of the Senior Vice President for Finance and Administration of the College, no investments in specific securities shall be made where maturities exceed 3 years (where 5 years is the maximum permitted by this policy). Weighted average life will be used as a proxy for maturity date for mortgage backed securities. The portfolio shall maintain adequate liquidity to ensure the College's ability to meet its operating requirements. At all times, the College shall maintain sufficient liquidity on an overnight basis to ensure clearance of its known payments and unanticipated presentment of checks. The College and its engaged investment manager(s) shall constantly monitor cash levels and maintain a portfolio structure that allows sufficient liquidity within time periods of a day, week, month, and six-months, taking into consideration fluctuating cash levels associated with cyclical revenue and expenditure patterns.

Authorized Personnel and Delegated Authority

The Senior Vice President for Finance and Administration of the College or such person(s) he/she designates in writing is (are) authorized to make investment decisions under this policy for the College of William & Mary, including the selection and contractual engagement of professional investment firms that would adhere to the guidelines presented herein and that of generally accepted prudent fiduciary practices.

The Senior Vice President for Finance and Administration and certain members of his/her staff shall also be responsible for maintaining internal controls that appropriately safeguard the investable assets of the College consistent with this policy and the permissions given for types of investment and engagement of external professional management. Professional investment management firm(s) engaged by the College MUST be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, showing proof of such prior to their hiring. Before an organization can provide investment management services to the College, it must confirm in writing that it has reviewed this Policy and is able to fully comply with all requirements. Furthermore, the organization must submit the following materials:

- Proof of its registration with the SEC under the Investment Advisers Act of 1940;
- An annual updated copy of Form ADV, Part II;
- Proof of its registration to conduct business in the Commonwealth of Virginia;
- Demonstrable evidence in providing like services under the *Investment of Public Funds Act*, Chapter 45 of the Code of Virginia; and
- Confirm use of only qualified security brokers/dealers. To achieve qualification, the broker/dealer should be financially stable and have the ability to effectively execute buy and sell transactions. The engaged manager(s) will maintain a list of qualified brokers/dealers who meet the criteria of this Policy; and
- Confirm that procedures for best execution will always be followed and that soft dollar commissions or credits for College asset trades will not be collected or otherwise utilized in the execution of investment services

Reporting Requirements

Engaged investment managers shall ~~be required to prepare and deliver~~ coordinate and reconcile transactions with the College's custodian in order to provide comprehensive monthly accounting and analytical reports ~~to the College~~ that provide the following information:

- Monthly buy and sell transactions;
- Monthly realized gains and losses on sales;
- Month-end holdings that show amortized book value, maturity date, yield-on-cost, market value and other features deemed relevant;
- Monthly transactions that account for income, fees and disbursements, purchase of accrued income, and other relevant activity; and,
- Monthly performance of asset categories and the aggregate portfolio.

Engaged investment managers shall be required to prepare and deliver comprehensive quarterly investment reports to the College that provide the following information:

- Summary of recent market conditions, economic developments, a forecast of future economic activity, and an assessment of how the investment manager fared in the investment of the College's funds;
- A comprehensive quarter-end holdings report that further shows the calculated total rate of return for the quarter and year-to-date versus appropriate benchmarks; and,
- Any areas of policy concern warranting discussion with College officials, as in the case of recommended revisions.

Performance Benchmarks

Investment performance of the portfolio shall be monitored and evaluated using various individual benchmarks that have similar maturity, duration, and risk characteristics of those investments held in the portfolio. Overall portfolio performance shall be evaluated on an ongoing basis by management, taking into consideration asset allocation, quality and safety factors, maturities and implied risks, and various external market factors.

Accordingly, the College shall use the 91 Day Treasury Bill Index as the primary benchmark in review of investment performance and may use other benchmarks such as the Merrill Lynch 3-month and 6-month Treasury Bill Indexes ~~and/or~~, the Bloomberg Barclays Capital ~~3-6~~ 3 and 6 Month Treasury Bill Index, and custom benchmarks including a Treasury bill component along with the Bloomberg Barclays 1-3 Year Government Index for purposes of comparability.

Performance Review and Evaluation Requirements

External managers shall be ~~formally~~ evaluated by ~~management at least on~~ internal staff on an annual basis according to certain criterion that was used in the process of engagement as well as any other more contemporaneous factors that should be noted in a ~~formal~~ thorough evaluation. An overall rating of anything less than satisfactory will be cause for dismissal.

Monitoring the Cash Management Investment Policy

The Board of Visitors or its designated subcommittee thereof shall review this policy at least once every three years in order to ensure that the governances, provisions, and guidelines stated herein appropriately reflect the perspective and risk tolerances of the Board with respect to current market conditions. ~~Management~~ Staff will inform the Board of any violations to this policy, discussed below, and extenuating results.

Occurrences of Non-Compliance with the Policy and Process of Resolution

Compliance with stated guidelines in this policy is a requirement. Violations of any kind will require full explanation of the event. ~~Management~~ Staff will evaluate the severity of the violation, the circumstances by which it occurred, ~~and~~ the manager's corrective response~~.~~, and recommend to the Senior Vice President for Finance and Administration suggestions for subsequent action. ~~Management will then decide what recourse to pursue in dealing with the manager.~~ Should the infraction be serious enough, the manager will be immediately dismissed. Multiple or recurring infractions may warrant immediate dismissal. Lesser infractions will also be documented and discussed with the manager's senior representatives. Resolution and types of restitution will be discussed with the manager depending on the severity of the violation.