

Contact: Patrice Sayre

REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL – CHAPTER 7

Action Requested: Approve, as a first and final reading, revisions to Regent Policy Manual section 7.04(H) to further define financial reporting of investments.

Executive Summary: Chapter 7 of the Board of Regents Policy Manual contains investment policies of the Regents. Section 7.04H contains other provisions for investments that do not fall into the categories in A-G such as: investment management factors, borrowing restricted, gifts of investments, fees, and applicable state laws/regulations. A new provision for financial reporting of investments is being proposed.

Background and Analysis: In April of 2014, the Board Office and institutional personnel engaged the services of the Auditor of State to analyze cash and cash equivalents. The analysis mapped out how the public universities determined account codes for cash and investments and also considered uniform classification (i.e. same definitions.)

Subsequent to the review, the group recommends a change in the Board's investment policy that would provide uniformity among the institutions by further defining:

- ▶ Internally managed funds purchased and maturing within 90 days as cash and cash equivalents; and
- ▶ Externally managed funds as investments, regardless of the cash and cash equivalents they may contain.

The proposed change would add a new section on financial reporting of investments and renumber the remaining sections. This change is illustrated on the following page.

Proposed Revision: Chapter 7.04 – Investment Policy:

H. Other Provisions

1. Investment Management Factors

Investment management factors for consideration shall include:

- general economic conditions and the possible effect of inflation or deflation.
- expected total return from income and the appreciation of investments.
- needs of the institution and the fund to make distributions and to preserve capital.
- cash flow requirements and liquidity demands of the institution.
- investment time horizon.
- regulatory and legal considerations.

2. Financial Reporting of Investments

- To appropriately reflect the Board's overall investment strategy and as outlined in the relevant accounting standards (GASB Statement 9, section 11), the Board sets forth that all funds held by external investment managers, as defined in section 7.04.C.4 of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments.
- Investments purchased by the institutions through Board-authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

23. Borrowing Restricted

There shall be no borrowing for investment purposes.

34. Gifts of Investments

Gifts of investment will generally be invested in the Long-Term Investment Pool unless directed otherwise by donors. Gifts of investments may be held where it is prudent to do so. Those accompanied by specific donor instructions for investment of unauthorized investments must be carefully evaluated. For those gifts invested according to donor instructions in unauthorized investments, the institution will immediately notify the Board. Neither the state nor the Board of Regents shall be liable therefore or on account thereof.

45. Fees

The institutions may charge a reasonable fee to offset management and donor development related expenses.

56. Applicable State Laws/Regulations

Iowa Code

12B.10, 10A, 14, 15	Public Funds Investment Standards
12B.10A.6d	Public Investment Maturity and Procedural
12C	Deposit of Public Funds
12F	Restrictions on Sudan Related Investments
262.14	Loans, Conditions, Other Investments
540A.101-109	Uniform Prudent Management of Institutional Funds Act
633A.4301-4309	Uniform Prudent Investor Act
97B.7A	Investment Management of Retirement Fund Standards (IPERS)
11.2	Annual Settlements (Auditor of State)
I.A.C. 681-8.1(1)	Procurement Policy