INVESTMENTS

4.10060 DP
DISTRICT PROCEDURE

OVERSIGHT

Pursuant to Board Policy 4.10060 BP, investment of the College's financial assets shall be managed in accordance with the guidance set forth in this procedure.

GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

3. Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

STANDARDS OF CARE

PRUDENCE

All participants in the investment process shall act responsibly as custodians of the public trust. The standard of prudence to be applied by all participants in the investment process is the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

ETHICS AND CONFLICT OF INTEREST

Finance Services Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Finance Services and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Finance Services shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the MCC.

DELEGATION OF AUTHORITY

Authority to manage the investment program is granted to Vice Chancellor of Administrative Services & Chief Financial Officer (CFO). The CFO may delegate authority of investment transactions to include the Associate Vice Chancellor of Financial Services and Administrative Services and any other College official deemed appropriate. Responsibility for the operation of the investment program is hereby delegated to the CFO or designee, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO or designee. The CFO or designee shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

INVESTMENT TRANSACTIONS

Authorized Financial Dealers and Institutions: A formal process, as defined by MCC's Procurement Policy, will be followed to choose the financial institution(s) authorized to provide investment transactions.

Internal Controls: The CFO or designee is responsible for establishing and maintaining an internal control structure that will be reviewed annually by MCC's independent auditor. The internal control structure shall be designed to ensure that the assets of MCC are protected from loss, theft or misuse, and to provide reasonable assurance that these objectives are met.

Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name or for the account of MCC and shall be held by a third-party custodian as evidenced by safekeeping receipts.

SUITABLE AND AUTHORIZED INVESTMENTS

INVESTMENT TYPES

MCC may invest in Certificates of Deposit, U. S. Treasury Bills, and other obligations of the U. S. Government, U. S. Government Agency, or a corporation guaranteed by the full faith and credit of the U. S. Government.

MCC may invest in certificates of deposit, savings accounts or interest-bearing time deposits when such funds are held in United States banks, state banks, savings and loan associations operating under Chapter 369 RSMo., or savings and loan associations authorized by the Unites States government, so long as such deposits, savings accounts, and interest-bearing deposits are secured by one or more of the types of securities described in the Collateralization Section.

COLLATERALIZATION

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%.

This collateral shall be limited to bonds, bills, notes, debentures or other obligations guaranteed as to payment of principal and interest by the government of the United States or any agency or instrumentality thereof, and the State of Missouri, (RSMo 30.270, 110.010, and 110.020).

For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation.

REPURCHASE AGREEMENTS

These securities for which repurchase agreement will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve Fedwire book entry system. Securities will be delivered to the MCC's designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

INVESTMENT PARAMETERS

DIVERSIFICATION

The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. Allocations indicate general objectives under steady market conditions; however, these may fluctuate throughout the year based on cash flows and market conditions. Minimum and maximum diversification standards by security type and issuer shall be:

- U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government – 0% -50%
- Collateralized time and demand deposits – 0%- 100%
- U.S. Government agencies, and government sponsored enterprises - 0% - 60%
- Collateralized repurchase agreements – 0%-75%
- U.S. Government agency callable securities - 0% - 30%

MAXIMUM MATURITIES

To the extent possible, MCC shall attempt to match its investments with anticipated cash flow requirements. Investments in repurchase agreements shall mature and become payable not more than ninety days (90) from the date of purchase. All other investments shall mature and become payable not more than five (5) years from the date of purchase. MCC shall adopt weighted average maturity limitations that should not exceed three (3) years and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

REFERENCE

4.10060 BP Investment Board Policy