ROWAN UNIVERSITY
INVESTMENT POLICY

I. OBJECTIVE

The purpose of this Investment Policy is to establish policies and guidelines that govern the investment objectives for the Rowan University. These investment accounts are for cash not needed for immediate operations, and for money not earmarked for operations with a longer term.

II. GOVERNING AUTHORITY

New Jersey Statue 18A:3B-6 Powers, duties of governing boards of institutions of higher education. Subsection g states “To invest and reinvest the funds of the institution…”

The Higher Education restructuring Act of 1994 grants the Board with oversight authority for the investment and reinvestment of University funds. The Board has authorized the Budget and Budget and Finance Committee to formalize investment guidelines and provide oversight of the investments and approve Investment Professionals.

III. POLICY STATEMENT

This Policy applies to all financial assets of the University for which the University retains direct or indirect control.

Operating Cash Short-term Investment Objective:

Operating cash of the University will be invested in short term interest bearing accounts to the extent it is not needed in the operating bank account to cover checks drawn on the account.

Intermediate-term Investment Objective:

The overall objectives for the University’s intermediate-term investments (cash not needed for six months) is maximization of total return and preservation of capital without undue exposure to risk within the parameters specified in this policy statement.

Long-Term Investment Objective:

The primary objective of the Long-Term Fund (hereafter referred to as the “Fund”) is to increase and enhance the University’s overall investment return in a prudent, conservative risk manner utilizing a diverse array of investment vehicles. The financial
objectives of the Fund are long-term in nature seeking returns through growth of principal and higher interest rates. The management of the Fund adheres to the principles of capital market theory, which maintain that over the long-term (defined as three-to-five years) prudent investment risk-taking is rewarded with incremental returns. Consequently, while capital preservation is regarded to be of paramount importance, prudent risk-taking is justifiable.

The Fund has a long-term strategic plan based on an analysis of the capital markets, the Fund’s projected pattern of cash flows to the plan and its projected spending. In formulating this policy, sufficient flexibility needs to be allowed to capture investment opportunities as they occur, while maintaining reasonable risk parameters to ensure that prudence and care are exercised in the execution of the Fund’s investment program.

**Competitive Selection of Investment Professional(s)**

Investment professional(s) maybe retained to assist in the management of the Funds’ assets. In so doing, the Chief Financial Officer and Director of Accounts Payable/Cash Manager has the obligation to exercise prudence and care in selecting, instructing and supervising such consultants. As used in this policy, “investment advisors” or “investment professional consultants” are defined as external money managers, investment consultants, custodians, brokers, legal counsel, and other providers of investment and investment-related services. Before the retention of any such investment advisors, the Chief Financial Officer or Cash Manager will present a recommendation(s) to the Budget and Finance Committee for its consideration. After such presentation, the Budget and Finance Committee will review and comment upon any proposed contract for investment advisory services prior to the execution of a contract.

**Investment Oversight**

Oversight for investments will be provided by the Chief Financial Officer or Cash Manager. In this role, the Chief Financial Officer or Cash Manager must discharge his/her responsibilities with respect to the funds with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of like character and purpose, and for the purpose of establishing the strategic investment policy for the plan (asset allocation) and periodically reviewing policy in light of any changes in actuarial variables and market conditions.

In carrying out these responsibilities, the Chief Financial Officer or Cash Manager is responsible for the care and custody of all the assets, the investment of these assets, and the selection of and contracting with all investment advisors. The Budget and Finance Committee is to review and comment upon any proposed contract for investment services prior to the execution of a contract.
In addition, the Chief Financial Officer or Cash Manager can seek recommendations from outside investment professionals, and will seek approval from the Budget and Finance Committee for:

- The development of investment guidelines for each asset class:
- Changes in investment policies:
- The inclusion of new asset classes in the Investment Policy:
- The implementation of any new or revised investment strategies:

The Chief Financial Officer or Cash Manager is charged with the responsibility to review the results of the investment portfolio against relevant market indexes. The Chief Financial Officer or Cash Manager is charged with the responsibility to ensure that the quality of the investment portfolio remains consistent with this policy.

The Cash Manager will provide summary performance results and status of the investment portfolio to the CFO and Budget and Finance Committee as requested, or at least annually. The Chief Financial Officer/Cash Manager will review this policy on an annual basis with the Budget and Finance Committee, and submit proposed changes to the policy to the Budget and Finance Committee for approval.

IV. ASSET ALLOCATION

A. Intermediate-term Investment Guidelines:

1. Approved Instruments

   The following fixed income instruments are considered appropriate for the investment portfolio:

   a. Obligations of the U.S. government and its agencies
   b. Money market instruments, commercial paper, certificates of deposit, and approved money market funds
   c. State/Municipal bonds
   d. Corporate bonds
   e. Collateralized money market fund

2. Quality

   Commercial paper must be rated A-1, P-1, or better by either Standard and Poor’s Corporation (“S&P”) or Moody’s Investor Services (Moody’s) at the time of purchase.

   Securities of issuers with a long-term credit rating must be rated at least “A”.

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3. **Diversification**

It is the policy of the University to diversify its investment portfolios. Portfolio diversification is employed as a way to limit certain types of risk. Investments shall be diversified as to maturities and as to the type of investment to limit the risk of loss which might result from over-concentration of assets in a specific maturity, in a specific kind of security or from a specific issuer. Any deviation from the guidelines established herein shall be allowed only with the express approval of the Chief Financial Officer or Cash Manager.

The Investment Professional(s) will **not** invest more than 30 percent of total assets under their control (market value at time of investment) in the securities of issuers in any particular industry, other than United States government securities, or government agency securities.

For purposes of this diversification policy, securities of a parent company and its subsidiaries will always be combined except for captive finance companies. Such captives will be included with their parent company only if their primary purpose is to finance the parent’s business. Securities issued by the U.S. Treasury and U.S. government agencies are specifically exempted from these restrictions.

4. **Marketability/Liquidity**

Investment Professional(s) will purchase securities that regularly trade in a secondary market under normal conditions. Investment Professional(s) will structure the portfolio so that securities mature as needed to meet the University’s anticipated liquidity demands. Portfolio holdings will be sufficiently liquid to ensure that 5% of the portfolio can be sold on a day’s notice with no material impact on market value.

5. **Maturity/Portfolio Duration**

The portfolio's average duration should not exceed the Merrill Lynch 1-3 Year Government Bond index; however, the benchmark index is subject to change at the discretion of the Chief Financial Officer or Cash Manager.

**B. Long-Term Investment Guidelines:**

The plan’s asset mix is established by the Chief Financial Officer/Cash Manager and approved by the Budget and Finance Committee, based on (1) capital market theory, (2) financial and fiduciary requirements, and (3) liquidity needs. Asset allocation strategy and implementation and internal oversight the Fund are the responsibility of the Chief Financial Officer or Cash Manager in consultation with the Budget and Finance Committee.
Changes in long-term asset allocation targets are expected to occur infrequently. Revision of these targets will be proposed only when it is clear that significant changes have occurred. Any material changes necessary would be pursuant to the findings of a periodic asset study of the Fund, as determined by the Chief Financial Officer or Cash Manager in consultation with the Budget and Finance Committee.

To be consistent, all funds in each asset class should aim to be fully invested in the market in order to ensure that cash-equivalent positions do not interfere with the asset allocation strategy.

Because different asset classes will perform at differing rates, the Chief Financial Officer or Cash Manager will monitor asset allocation on a quarterly basis to determine what, if any, re-balancing is necessary.

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   c. State/Municipal bonds
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3. Performance Measurement

   Due to the inevitability of short-term market fluctuations, it is intended that the following performance objectives will be achieved by the Investment Professional(s) over a five-year moving period, net of investment fees. Nonetheless, the University reserves the right to evaluate and make any necessary changes regarding the Investment Professional(s) over a shorter term using the criteria established in this policy statement.
Reporting

The Investment Professional(s) will meet with the Chief Financial Officer or Cash Manager no less than quarterly and will be available for regular telephone contact. Monthly, Investment Professional(s) will provide statements of transactions along with historical cost and market valuation of portfolio assets.

Market Benchmark

Quarterly, the Investment Professional(s) will provide the University with a review of performance, net of fees, relative to an appropriate index as agreed to by the Chief Financial Officer or Cash Manager.

Peer Group Ranking

Each Investment Professional(s) total return, net of fees, shall rank in the top half of the relevant peer group over a market cycle of 3-5 years.

4. Restricted Investments

The Investment Professional(s) shall not utilize derivative securities to increase the actual or potential risk posture of the accounts. Subject to other provisions in this Investment Policy, the use of primary derivatives is prohibited. These include but are not limited to structured notes, all class tranches (as defined by the Federal Financial Institutional Examination Council) of collateralized mortgage obligations (CMOs), principal only (PO) or interest only (IO) strips, inverse floating securities, futures contracts, options, short sales, margin trading, and such other specialized investment activity.

Moreover, the Investment Professional(s) may not use derivatives to affect a leveraged portfolio structure.

Requirement for Periodic Review

The Budget and Finance Committee shall review this policy annually.

V. RESPONSIBILITY FOR IMPLEMENTATION

The Chief Financial Officer or Cash Manager.
VI. POLICY CONSIDERATIONS

If securities owned by the University are downgraded by either Standard & Poor’s or Moody’s to a level below the quality required by this Policy, it shall be the policy of the University to review the credit situation in consultation with the investment advisor and make a determination as to whether to sell or retain such securities in the portfolio.

If a security is downgraded two grades below the level required by the Policy, the security shall be sold immediately.

If a security is downgraded one grade below the level required by this Policy and matures within 6 months, the security may be held to maturity. The Chief Financial Officer or Cash Manager may order the security to be sold if it is determined that there is a probability of default prior to maturity.

If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Budget and Finance Committee.

VII. EFFECTIVE DATE

May 1, 2012

DEFINITIONS

Money Market Instruments

Money market instruments are short term investments, usually with a maturity of less than one year. Generally they have a high degree of safety.

Commercial Paper

Commercial Paper is an unsecured, short-term loan issued by a corporation, typically for financing accounts receivable and inventories. It is usually issued at a discount reflecting prevailing market interest rates.

Certificates of Deposit

A certificate of deposit is issued by a bank as evidence that a certain amount of money has been deposited for a period of time—usually ranging from one to six months—and will be redeemed with interest at maturity.
**Money Market Funds**

Money market funds are short-term investment pools of highly specialized groups of money market intermediaries that include money market mutual funds, local government investment pools, and short-term investment funds of bank trust departments. Intermediaries purchase large pools of money market instruments and sell shares in these instruments to investors thereby enabling individuals and other small investors to earn the yields available on money market instruments.

**Corporate Bonds**

A Corporate bond is issued to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date.

**State/Municipal Bonds**

Bonds issued by states and municipalities are generally used by states to finance capital outlay projects or acquire land. These are usually long term expenditures.