



OBJECTIVE

The purpose of the Operating and Agency Fund Investment Policy is to establish the overall management, investment strategies and discipline of The Ohio State University for the Operating and Agency Funds Portfolios.

POLICY

Applies to: All university personnel and departments that manage the Operating and Agency Fund.

Issued: 06/2008

Revised: 08/2009

I. Overview

- A. The Funds consist of the Short-Term Operating Fund, gift annuity and trust funds, student loan funds, and other non Long-Term Investment Pool funds which are under the control and supervision of the assistant vice president of financial services. This policy is intended to permit sufficient flexibility to capture investment opportunities, yet provide parameters that ensure prudence and care in the execution of the investment program.
- B. This policy is issued for the guidance of fiduciaries, including the Board of Trustees, Investment Committee members, staff, investment managers, investment consultants and custodians for oversight of the Fund. It also states the standards and disciplines adopted so that the Board of Trustees and its Investment Committee can effectively evaluate the performance and operations of the Operating and Agency Funds.

II. Goals

- A. The Funds shall be managed in diversified portfolios with the intention of obtaining a reasonable yield, balanced with a component invested for appreciation, while adhering to a prudent level of risk, and retaining sufficient liquidity to meet cash flow requirements.
- B. The portfolios shall be managed 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.



- C. Individual agency portfolios may have additional goals specific to their use.
- D. These policies will be in writing and approved by the senior vice president for business and finance.

III. Fiduciary Standards

The Board of Trustees, Investment Committee members, staff, investment managers, consultants and custodians are fiduciaries. Accordingly, these individuals are required to:

- Act in the interest of the Fund, for the purposes of providing income and to preserve principal.
- Act 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.
- Diversify the investments of the Fund in order to minimize overall risk, and to provide investment returns to achieve the Fund's stated goals.

IV. Duties and Responsibilities

- A. Board of Trustees --The university Board of Trustees has overall responsibility for Fund policy and approval of Investment Committee members. The Board of Trustees vote on items brought forth by the Investment Committee.
- B. Investment Committee of the Board of Trustees -- The Investment Committee has strategic oversight responsibility for the investment program and operations of the Funds. The committee shall work with the senior vice president for business and finance and the assistant vice president of financial services to ensure the Funds are managed, in accordance with this policy. The Investment committee shall review and recommend revisions to this policy and shall advise the Board on its investments. The Investment committee shall meet at least quarterly.
- C. Senior Vice President for Business and Finance -- The senior vice president for business and finance has oversight responsibility for the Funds investment operations and reporting. The senior vice president for business and finance shall review operations and reporting within the Office of Financial Services to ensure compliance with established policies and procedures.



- D. Assistant Vice President of Financial Services --The assistant vice president of financial services is responsible for managing the Funds investment operations and reporting. The assistant vice president of financial services shall review and recommend policies and procedures that are consistent with the investment objectives of the Funds. The assistant vice president of financial services shall report to the senior vice president for business and finance and the Investment Committee.
- E. Investment Managers --The university utilizes external investment managers approved by the assistant vice president of financial services to provide portfolio management services. The investment managers may be given discretion, consistent with specified objectives and guidelines, to manage Fund assets. Investment managers operate under a formal contract with the assistant vice president of financial services that delineates responsibilities, risk parameters and performance expectations administrative requirements and compensation.
- F. Consultants --The university may utilize the services of one or more investment consultants to assist the assistant vice president of financial services in the areas of: policy development, asset allocation, investment structure analysis, investment manager selection, performance review and other specialized investment topics. Consultants operate under a formal contract with the assistant vice president of financial services that delineates responsibilities and performance expectations, administration requirements and compensation.
- G. Custodians --The University retains one or more custodian banks or trust institutions to custody and report on the assets of the Fund.

V. Operating Fund Asset Allocation and Guidelines

- A. Time Horizon-- The university's Short-Term Operating Fund is divided into two pools: Short-Term Pool, which represents at least 30 days of total university expenditures, and has an investment horizon of less than one year. The Intermediate-Term Pool is the remainder and is invested with an investment horizon of one to five years.
- B. Risk Tolerance --The Board of Trustees, the Investment Committee, and staff recognize the challenge of achieving the Fund's investment objectives in light of the uncertainties and complexities of investment markets. It is also recognized that prudent levels of investment risk are necessary to achieve investment objectives.



C. Asset Allocation and Rebalancing -- Asset allocation is the largest contributor to overall Fund return performance and risk characteristics. The Short-Term Pool serves as the working cash balance to provide necessary liquidity for the university's operations. The Board of Trustees and Investment Committee will periodically evaluate the allocation to the Short-Term Operating Fund and Long-Term Investment Pool for appropriateness. The university's Short-Term Operating Fund has the following classes and benchmarks:

Asset Class	Benchmark Index
Short -Term Pool	90 Day T-Bill
Intermediate-Term Pool	Merrill Lynch 1-3 year Bond Index

Market fluctuations, cash flows and liquidity issues will cause the actual asset allocation to fluctuate. The assistant vice president of financial services will rebalance the portfolio to policy as follows:

1. Short and Intermediate Term Pools -- The Short-Term Pool shall cover at least thirty days of university cash flow. At least 25% of the combined operating portfolio should be short-term, as a reserve, in accordance with Article VII. The amount of the combined Short and Intermediate Pools must be enough to cover at least sixty days cash flow. The amount of the combined Short and Intermediate Pools must be greater than or equal to 110% of all variable rate debt including commercial paper.
2. Long-Term Pool -- After the amount of the Short and Intermediate Pools are determined monies may be transferred to the Long-Term Investment Pool. Operating Funds available for transfer to the Long-Term Investment Pool should be net of bond construction funds. To assure units who have cash invested in these funds that they will receive full value of their investment; a stabilization reserve will be maintained. This reserve will be maintained equal to 5% of the value of the Long-Term Operating Fund and will be invested with the Short-Term Operating Fund.
3. General -- The allocation amounts will be reviewed periodically but at least semi-annually. The number used to calculate days of university cash flow will be based on the Board of Trustees approved university budget.
4. Other Funds -- Funds other than the Short-Term Operating Fund will be managed according to this policy with asset allocations approved by the assistant vice president of financial services.



D. Investment Manager Guidelines -- The investment guidelines incorporated into each manager's contract documents the performance expectations and risk parameters of the manager's investment approach. The guidelines also specify the typical portfolio characteristics of the portfolio. These characteristics are used to monitor a manager's investment style adherence to insure that the manager is continuously fulfilling its investment role in the Fund.

VI. Investment Monitoring Process

The Fund's investment managers will be monitored for consistency of investment philosophy, return relative to objectives, and investment risk. The assistant vice president of financial services and the senior vice president for business and finance will monitor the overall fund results and investment portfolios, but results will be evaluated on a long term basis. The following manager issues will be considered by the assistant vice president of financial services: (1) failure to comply with the applicable investment style, guidelines, performance objectives, and fees, (2) a material change in ownership or personnel, or (3) a violation or potential violation of the terms of the investment manager agreement or other applicable laws and regulations.

VII. Operating Fund Limitations

A stipulation that investment of at least twenty-five per cent of the average amount of the Operating Fund portfolio over the course of the previous fiscal year be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve.

VIII. Exercise of Shareholder Rights

The university recognizes that publicly traded securities and other assets of the Fund may include certain ancillary rights, such as the right to vote on shareholder resolutions at companies' shareholders' meetings, and the right to assert claims in securities class action lawsuits or other litigation. The university requires of itself and its external managers the prudent management of these assets of the Fund for the exclusive purpose of enhancing the value of the Fund. The assistant vice president of financial services has the authority to vote proxies in accordance with the Proxy Policy.



IX. Review and Modification of Investment Policy Statement

All policies of the Fund are in effect until modified by the Board of Trustees. While material changes are expected infrequently, the assistant vice president of financial services will review the Investment Policy at least annually for continued appropriateness and recommend any changes to the senior vice president for business and finance, the Investment Committee, and the Board of Trustees.

X. Exceptions

Modifications and exceptions to this policy shall be authorized by resolution of the Board of Trustees or as provided herein.

RESOURCES

[Office of Financial Services](#)

Treasury Administration
Riverwatch Tower, Suite B
364 W. Lane Ave.
Columbus, OH 43201-4340
Phone: (614) 292-6261 OR (800) 678-6009 (toll free)
Fax: (614) 292-7568

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