Ohio Administrative Code

Rule 3344-64-02 Liquidity fund.

Effective: September 3, 2012

(A) Investment objectives. The primary objectives for the university's liquidity fund activities shall be:

(1) Safety. Investments of the university shall be undertaken in a manner that ensures, over time, the preservation of capital in the overall portfolio. The prospect of credit risk or risk of permanent loss shall be minimized.

(2) Liquidity. The university's liquidity fund portfolio will remain sufficiently liquid to enable the university to meet all operating requirements. Portfolio liquidity is defined as the maturity or ability to sell an investment on short notice near the purchase price of the investment. To help retain the desired liquidity, no investment shall be purchased that is likely to have few market makers or poor market bids. Additionally, liquidity shall be assured by keeping an adequate amount of short-term investments to accommodate the cash needs of the university.

(3) Return on investments. The university's liquidity fund portfolio shall be structured with the objective of attaining the highest possible total return for the portfolio while avoiding risk.

(4) Compliance with state of Ohio guidelines. Investments shall be made only in publicly traded securities or bank certificates of deposit. In addition, an amount equal to twenty-five per cent of the average of the university's total investment portfolio, which includes the university's liquidity fund and the university's investment fund over the course of the previous fiscal year, shall be invested in short term, liquid securities.

(B) Asset allocation

(1) The liquidity fund may be managed internally or by one or more fixed income investment managers provided that sufficient liquidity is maintained to meet the objectives of the pool.

(2) Assets in the liquidity fund may be invested in securities of the United States (U.S.) government or of its agencies or instrumentalities, the treasurer of the state of Ohio's pooled investment program, obligation of the state of Ohio or any political subdivision of the state of Ohio, certificates of deposit of any national bank located in the state of Ohio, 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, bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, commercial paper issued by a for-profit corporation rated in the highest classification established by at least two rating services, and mutual funds that invest exclusively in obligations described in this paragraph.

(3) The liquidity fund is expected to normally represent approximately thirty per cent of the non-endowment funds, which would include both the liquidity fund and the investment fund of the university. The university's chief investment officer will monitor the liquidity fund and will attempt to stay at or near the thirty per cent of the total combined assets of the liquidity fund and the investment fund. If the portfolio exceeds the maximum or goes below the minimum guidelines set forth in this policy, the chief investment officer will develop a plan of action, either for immediate rebalancing of the portfolio or a rebalancing that will occur over a reasonable time period.

(4) Fixed income and cash

(a) Minimum; twenty-five per cent

(b) Preferred; thirty per cent

(c) Maximum; thirty-five per cent

(C) Monitoring of objectives and results. The university's manager, cash management and banking will monitor the total return of the liquidity fund, which will be measured against six-month U.S. treasury bills.

(D) Equity investment managers review process.

(1) Failure to follow the Cleveland state university's investment policy statement may be grounds for

removal. Written notification from the finance affairs committee may be sent to the investment manager establishing the violation with a specific time frame to comply with the policy; non-conformance may result in termination.

(2) Failure to consistently meet investment benchmarks, as established within a reconciled performance monitor, over an extended period of time may result in a manager being placed on "watch" and may eventually lead to termination. Specifically, if a manager trails their respective index or bogey by two hundred basis points over three years and the manager is in the fifty percentile ranking or below of a comparable manager universe then the manager is immediately placed on "watch."

(3) Failure to comply with investment restrictions as provided by the finance affairs committee may be grounds for removal.

(4) Substantive changes in an investment manager's philosophy, process, people or fees may result in that manager being placed on "watch" and may result in termination.