



## Ohio Administrative Code Rule 3362-1-05 Investment policy.

Effective: December 15, 2023

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### (A) Purpose

(1) The Shawnee state university board of trustees has title to university investments and these funds are held in trust. The investments are to be made consistent with this investment policy as set forth in this rule.

(2) All fiduciaries implementing this investment policy are required to discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

### (B) Membership and duties

(1) The membership of the investment committee shall be as follows:

(a) The university's chief financial officer or his/her delegate shall serve as a permanent member of the committee.

(b) The university controller or his/her delegate shall serve as a permanent member of the committee.

(c) The chair of the board of trustees shall appoint a chair of the investment committee from among the members of the board's finance and administration committee. The chair of the investment committee shall serve in that role for a term of one fiscal year, which is renewable at the discretion of the chair of the board.

(d) In addition to the members discussed in paragraphs (B)(1)(a) to (B)(1)(c) of this rule, there shall be three additional members. Each such additional member shall be appointed in staggered three-year terms, which are renewable as set forth in paragraph (B)(1)(f) of this rule. Existing members at



the time of this amendment shall serve out the remainder of their terms, and are eligible for renewal.

(e) The chair of the investment committee shall make recommendations on replacing a member at the end of a term, renewing a member's term, and appointing a member to fill a vacancy during a term. All such renewal recommendations and nominees recommended by the investment committee chair are subject to approval by the board of trustees.

(2) The investment committee shall meet at least quarterly.

(3) The investment committee shall review and recommend revision to this investment rule and advise the Shawnee state university board of trustees through its finance and administration committee on its investments.

(4) The investment committee is authorized to retain an investment advisor that meets the credential criteria as outlined in law.

(5) Upon appointment, each investment committee member will sign an agreement indicating that they will avoid conflicts of interest in performing their duties as committee members.

(C) Investment objective

The primary objectives of the university's investment activities are:

(1) Safety: Assets of the university shall be handled in a manner that diversifies investments so as to mitigate the magnitude of potential capital loss inherent in investment risk.

(2) Return on investment: to have, over time, return net-of-fees that at least equals common indexes in capital markets in which the university's assets are invested.

(D) Investment allocation

(1) A minimum of twenty-five per cent of the prior fiscal year's average investment portfolio will 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. The actual percentage may be higher than this figure dependent upon anticipated cash flow needs with some buffer for unanticipated needs as determined by paragraph (D)(4) of this rule.

(2) Investments shall be made in a liquid pool and a diversified investment pool.

(a) The administration of the liquid investment pool is to remain with the Shawnee state university finance office as an agent of the investment committee. Returns will be reported quarterly to the investment committee and the board of trustees.

(b) The diversified investment pool will be invested in publicly traded securities with the following ranges of asset allocation within that pool:

|     | Target allocation | Range      | Total Equity       |
|-----|-------------------|------------|--------------------|
|     | 50%               | 40% to 60% | Large Cap          |
| 35% |                   |            | Mid and Small Cap  |
| 10% |                   |            | International      |
| 5%  |                   |            | Total Fixed Income |
|     | 48%               | 39% to 60% | Cash               |
|     | 2%                | 1% to 30%  | Alternative Assets |

(c) The chief financial officer or delegate has authority to allocate funds between these pools.

(d) Asset target allocations will be reviewed with the investment committee not less than on an annual basis for critical changes that will recognize the university's long term financial needs and be responsive to investment market conditions.

(3) The university may transfer a portion of the diversified investment pool to the liquid investment pool as follows:



(a) The university may transfer up to two point five per cent times the diversified investment pool's previous twelve quarter moving average of market value from the diversified investment pool to the liquid investment pool.

(b) This calculation will be applied to the twelve quarters ending on December thirty-one of the current fiscal year so the level of additional funding will be available during the subsequent year's budgeting process.

(c) The amount eligible to be transferred may be moved as a lump sum or periodically during the fiscal year but the total of the transfer(s) may not exceed the original calculated amount (other than for exceptions noted in other sections of the investment rule).

(d) The chief financial officer will recommend the amount (and the related investment accounts from which the funds will be withdrawn) of eligible funds to be transferred from the diversified investment pool to the liquid investment pool based on the university's anticipated cash needs and consultation with the university's investment consultant. The transfer will require the approval of the university president and will subsequently be reported to the investment committee and the board of trustees at their respective meetings following the transfer.

(4) The chief financial officer may request a transfer to or from the diversified investment pool to either the liquid investment pool or the university's main operating checking account outside of the formula restrictions noted in paragraph (D)(3) of this rule based on unanticipated cash needs of the university. Based upon the amount of the request, the recommendation will require approval as follows:

(a) Requested transfer amount: Requires approval from:

|                            |   |
|----------------------------|---|
| \$1 to \$1,000,000         | Chief financial officer                           |
| \$1,000,001 to \$2,500,000 | University president                              |
| \$2,500,001 to \$5,000,000 | Chair, Shawnee state university board of trustees |



(b) The transfer will also be reported to the investment committee and the board of trustees at their respective meetings following any transfer.

(E) Investment securities diversification and quality

(1) No more than five per cent of the diversified investment pool portfolio shall be invested in any single issue except u. s. government securities.

(2) Investment in fixed income securities shall be limited to government and agency issues and other issues in the top four quality ratings of recognized credit services. Prohibited investments include bonds rated below investment grade and investment funds in which derivatives comprise a substantial part.

(F) Alternative investments

Inclusion of alternative investments is at the discretion of the investment committee. Alternative investment categories may include: gold and other commodities.

(G) Market benchmarks

(1) Given short-term market fluctuations, it is intended that investment manager(s) will achieve the performance objectives over a five-year moving period, net of investment fees, set forth in paragraph (G)(2) of this rule. It is understood that performance evaluation will occur in shorter intervals, the results of which may cause the investment committee to make an investment manager change.

(2) Policy benchmarks will be established by the investment committee as needed but no less than on an annual basis and subsequently communicated to the board of trustees upon adoption.

(3) In evaluating the investment manager's performance, relative to the established benchmarks, any university requested revisions of the asset allocations will be taken into consideration.

(H) Evaluation of investment managers



Investment managers will be reviewed quarterly based upon the following criteria:

- (1) Ability to exceed the performance objectives stated in this policy.
- (2) Adherence to the philosophy and style that were articulated to the investment committee at, or subsequent to, the time an investment manager was retained.
- (3) Ability to exceed the investment performance (net of fees) of other investment managers who adhere to the same or similar style.
- (4) Continuity of personnel and practices at the firm.