

LEHIGH UNIVERSITY
Finance & Administration Policy Manual

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OPERATING FUNDS INVESTMENT POLICY

Purpose:

To identify a general underlying philosophy in regards to investing operating funds, including objectives and guidelines and investment policy asset mix.

Policy:

The overall objective of this policy is to invest Lehigh's operating funds in appropriate investment vehicles that provide liquidity, and preservation of capital while earning a yield competitive with existing rates.

Investment Policy Asset Mix

The purpose of establishing an investment policy asset mix is to construct a target set of investments, well diversified among suitable asset classes that will generate, on average, the level of expected return necessary to meet operating objectives at the lowest volatility consistent with achieving that return.

The Treasurer's Office is responsible for determining an appropriate mix of asset classes for these operating funds based on cash flow needs. This portfolio will be reviewed with the Investment Subcommittee at least annually, recognizing that the different asset class exposures and investment returns relative to their respective benchmarks are reviewed by the Treasurer's Office on a quarterly basis.

Investment Objectives & Guidelines

Lehigh University shall invest surplus cash balances in short-term and intermediate-term and long-term investment vehicles. The investments should be of higher caliber with primary emphasis placed on:

1. Preserving and maintaining the real purchasing power of the current fund;
2. Producing a yield, which is in line with current interest rates.

Investments shall be structured to meet the operating cash requirements of the University. The investment guidelines to be followed for each of these categories are identified below:

Applicability:	Non-endowment cash and investments	Page 1 of 2
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Continuation:

Short-Term (Cash & cash equivalents)

Quality: A2/P2 or higher rated by Moody's and Standard & Poor's
Maturity: Maximum effective maturity of at least 70% of the portfolio market value at time of purchase must be within 365 days and the remaining balance is to be laddered out to a maximum maturity of 5 years
Diversification: No more than 5% of assets in any one holding, no limit on U.S. Governments.
Performance: Compared to ML 1-3 Year UST Index

Intermediate and Long-Term Bonds

These two investment portfolios have durations of 1-5 years and 1-10 years, respectively.

Quality: Individual securities must be rated A3/A- or higher by Moody's or Standard and Poor's
Maturity: The maximum maturity (or average life) of any security cannot exceed 10 years.
Diversification: No more than 10% of assets shall be concentrated in a specific issuer. There is no limit on U.S. Governments.
Discretion: These portfolios will be managed on a discretionary basis within the above parameters.
Performance: Each portfolio will be compared to an appropriate benchmark.

Longer-Term Investment – Long Term Investment Pool

Based on cash flow needs the University may include some operating funds in the Investment Office's long term investment pool. These investments will be subject to the objectives and guidelines outlined by Investment Office's Endowment Fund Investment Policy Statement.

The University Treasurer's Office

The University Treasurer's Office is responsible for the day –to-day oversight and administration of the Operating Funds Investment Portfolio. Responsibilities include, but are not limited to, the implementation of the appropriate operating funds asset allocation structure, liquidity management in order to meet cash flow needs and debt covenant requirements, as well as hiring, monitoring and oversight of investment managers and custodians.

Performance versus benchmarks for the managers used in the operating portfolios will be reviewed by the Treasurer's Office staff on a regular basis in accordance with the portfolio objective.

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