



## Board of Governors Rule

Finance and Administration  
Investments  
Responsible Unit: Strategic Initiatives /  
Finance  
Adopted: November 9, 2018  
Effective: December 6, 2018  
Revision History: Prior BOG Policy 43  
(Originally effective June 2, 2006 and  
amended September 9, 2011)  
Review Date: April 2024

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### **BOG FINANCE AND ADMINISTRATION RULE 5.10 INVESTMENTS**

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#### **SECTION 1: PURPOSE & SCOPE.**

- 1.1 This Rule governs the management of the various investment portfolios of West Virginia University.
- 1.2 The purpose of this Rule is to set forth guidance to prudently manage the investment of University assets for the long-term financial benefit of the University.

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#### **SECTION 2: INVESTMENT OVERSIGHT.**

- 2.1 The President shall create an investment committee to include representatives of Academic Affairs, Strategic Initiatives, and Finance as well as any others deemed appropriate by the President.
- 2.2 The investment committee shall:
  - 2.2.1 establish and review at least annually an asset allocation strategy including asset allocation ranges and targets for each investment pool;
  - 2.2.2 receive and review quarterly investment reports; and
  - 2.2.3 provide feedback and guidance to the investment agent.

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#### **SECTION 3: SHORT-TERM INVESTMENTS.**

- 3.1 The Board recognizes that the University may have cash on hand that will be spent within the year, but is not needed in the near term. Such funds may be invested for durations of less than one year.

- 3.2. The investment objectives of such investments are in order of priority:
- 3.2.1 preservation of principal;
  - 3.2.2 liquidity and cash flow requirements; and
  - 3.2.3 generation of interest income.
- 3.3 Investment maturities shall be structured to ensure adequate flow of funds to meet the University's cash needs.
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#### **SECTION 4: INVESTMENT OF BOND PROCEEDS.**

- 4.1 The Board recognizes that when the University issues bonds, the proceeds from the sale of the bonds may not all be needed within one year from issuance. Such proceeds may be invested until needed to fund project costs.
- 4.2 All earnings related to the investment of tax-exempt bond proceeds are subject to IRS Arbitrage Rebate Rules.
- 4.3 Bond proceeds shall be invested in accordance with the Bond Indenture.
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#### **SECTION 5: LONG-TERM INVESTMENTS.**

- 5.1 The Board recognizes that in any economy, over an appreciable time-period, unsupervised assets will be subjected to an inflationary loss of purchasing power and market risk.
- 5.2 To protect the University's long-term financial health, the Board authorizes investment of funds that will not be required to meet the University's operating needs in the foreseeable future.
- 5.2.1 The investment account for self-insurance of medical malpractice claims is considered a long-term investment under this rule.
- 5.3 Long-term investments shall not be made from funds provided to the University from the State General Revenue Fund (*i.e.*, State Appropriated funds).
- 5.4 The Board establishes the financial objective of its long-term investments to be preservation of purchasing power, measured on a total return basis over a market cycle in comparison to the market performance of a blended benchmark during the same market cycle.
- 5.5 The Board establishes the investment objective of its long-term investments to be an average annual real total return (net of investment management fees) of at least 4.0% as measured

over rolling five-year periods. It is recognized that the real return objective may be difficult to attain in each five-year period but should be attainable over a series of five-year periods.

- 5.6 The Board authorizes investment in Equities and Equities Equivalents, Fixed Income Instruments and Fixed Income Equivalents, cash, and Alternative Investments.
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## **SECTION 6: INVESTMENT MANAGEMENT OF LONG-TERM INVESTMENTS.**

- 6.1 Long-term investments shall be made in accordance with and subject to the provisions of the Uniform Prudent Investor Act.
- 6.2 Responsibility to establish the Asset Allocation among the authorized investment categories is delegated to the President.
- 6.2.1 The asset allocation shall be based on upon the following considerations:
- 6.2.1.1 preservation of capital;
  - 6.2.1.2 diversification;
  - 6.2.1.3 risk tolerance;
  - 6.2.1.4 rate of return;
  - 6.2.1.5 stability;
  - 6.2.1.6 turnover; and
  - 6.2.1.7 liquidity.
- 6.3 At least annually, the Board shall be apprised of the current long-term investment strategy and the return achieved during the year.
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## **SECTION 7: DEFINITIONS.**

- 7.1 “Alternative Investments” means assets that are not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts or securities that engage in this investment type including “fund-of-fund” investments.
- 7.2 “Asset Allocation” means the apportionment of a portfolio among various types of investment asset classes so as to maximize return for a given level of risk.

- 7.3 “Bond Indenture” means the legal and binding contract between the University and its Trustee which specifies the obligations of the University.
- 7.4 “Equities” means stocks or other securities representing an ownership interest.
- 7.5 “Equity Equivalents” means securities convertible into or exchangeable for an equity interest and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any equity interest or any other Equity Equivalent, whether or not presently convertible, exchangeable or exercisable.
- 7.6 “Fixed Income Instrument” means securities that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. The payments of a fixed-income security are known in advance.
- 7.7 “Fixed Income Equivalents” means securities convertible into or exchangeable for a fixed income interest and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any fixed income interest or any other Fixed Income Equivalent, whether or not presently convertible, exchangeable or exercisable.
- 7.8 “IRS Arbitrage Rebate Rules” means Internal Revenue Code Section 148 and related Treasury Regulations.
- 7.9 “President” means the President of West Virginia University or his or her designee.

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**SECTION 8: DELEGATION.**

- 8.1 The Board of Governors delegates to the President the authority to adopt additional internal policies and procedures to effectuate the implementation of this Board of Governors Rule or in furtherance of any other authority that the Board of Governors has specifically delegated to the President pursuant to this Rule. Any actions taken pursuant to this delegation must be consistent with the guidelines provided by this Rule.

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**SECTION 9: AUTHORITY.**

- 9.1 W. Va. Code §12-1-12d.

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**SECTION 10: SUPERSEDING PROVISIONS.**

- 10.1 This Rule supersedes and replaces any Rule of the Higher Education Policy Commission which relates to the subject matter contained within this Rule. This Rule supersedes and replaces former Board of Governors Policy 43 which was adopted on June 2, 2006. This Rule also repeals and supersedes and replaces any internal University policy or procedure which relates to the subject matter contained within this Rule.