# UNCW Board of Trustees Investment Policy for Institutional Trust Funds July 27, 2023





University of North Carolina Wilmington

# Investment Policy for Institutional Trust Funds

Action Item: The University requests Board of Trustees approval of the proposed Investment Policy for Institutional Trust Funds as provided in your board materials.

#### Institutional Trust Fund Management

#### **Background**

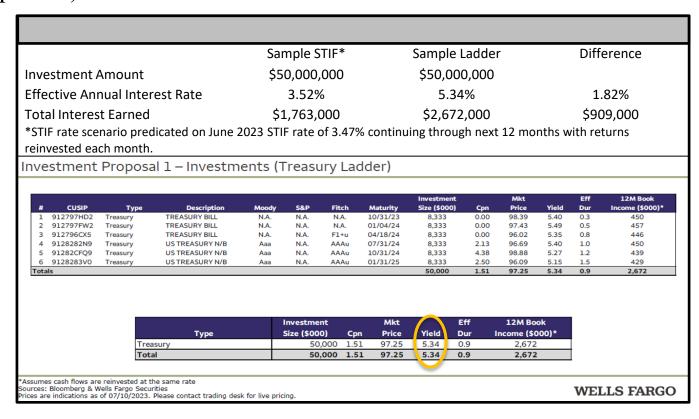
- Most state agency cash is invested in the NC Short-Term Investment Fund (STIF) managed by the State Treasurer
- 2012: Universities became eligible for delegated authority to manage institutional trust funds
- 2013: NCSU and UNC Chapel Hill received delegated authority
- 2022: UNCG received delegated authority

| Institutional Trust Funds   | Other Funds  |
|---|--|
| 6/30/23: \$191.5 million  | 6/30/23: \$44.9 million  |
| <ul><li>Fee supported areas</li><li>Auxiliary operations</li><li>Overhead funds</li></ul> | <ul> <li>Appropriations</li> <li>Tuition</li> <li>Capital funds</li> <li>Restricted funds such as endowments &amp; scholarships</li> </ul> |

## Institutional Trust Fund Management

#### **Opportunity**

- **Timing:** Match cash investment term to university cash needs
- **Rate:** Achieve a higher return relative to STIF (while maintaining a similar risk profile)



<u>Disclaimer</u>: This is a sample portfolio based on 7/10/2023 Treasury Bill prices and yields. Rates of return will vary and are not guaranteed to be the same as those provided here for illustrative purposes.

## Institutional Trust Fund Management

#### **Strategy**

- Conservative Investment Approach
  - Treasuries, Bank Certificates of Deposit, and STIF
  - Limits CD investments to FDIC insurable threshold
  - Monthly reviews between UNCW Investment Team & Wells Fargo

| Investment Type                            | Individual<br>Investment Limit                    | Exposure<br>Threshold   | Quality                                  | Maximum Limit /<br>Reset Period |
|--|---|---|--|---------------------------------|
| U.S. Treasury Bills,<br>Notes, and Bonds   | Must not exceed overall sector exposure threshold | Combined may not exceed 50% of Institutional Trust Funds balance* | Full Faith & Credit of the United States | Up to 24 months                 |
| Bank Certificates of<br>Deposit            | Under FDIC<br>insurance limit                     |   | FDIC Insured                             | Up to 24 months                 |
| NC Share Term<br>Investment Fund<br>(STIF) | None  | None  | NA                                       | NA                              |

<sup>\*</sup>Percentage calculated on the total balance of all Institutional Trust Funds as of June 30 of the prior year.

## Institutional Trust Fund Management – Next Steps

- 1. BOT Investment Policy Approval
- 2. Chancellor requests delegated authority from the President of the UNC System
- 3. Once approved, begin investment program in FY24
- 4. This policy will be reviewed on a regular basis and a report will be prepared for the Board of Trustees annually that provides investment results and recommendations for any potential updates to the policy

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## Questions?