INVESTMENT POLICY FOR BALL STATE UNIVERSITY

I. Purpose

To effectively manage, monitor and report the investment of financial assets for Ball State University, this Investment Policy provides the:

A. Investment authority and responsibility;
B. Scope of this policy;
C. Investment objectives;
D. Permissible investments;
E. Management guidelines; and
F. Reporting requirements.

II. Investment Authority and Responsibility

Indiana Code (IC) 21-29-2-1 gives the Board of Trustees of Ball State University the authority “to establish and carry out written policies for the investment of the funds of the state educational institution in the manner provided by IC 30-4-3-3.” Under Indiana Code 30-4-3-3(c), this authority requires exercising “the judgment and care required by IC 30-4-3.5,” also known as the “Prudent Investor Rule.”

Therefore, the Board is responsible for ensuring the prudent investment of University assets in a manner consistent with this Investment Policy.

With the exception of funds delegated to an external investment manager under separately-defined policies and parameters, authority for overseeing day-to-day investments is delegated to an Investment Officer as recommended by the Vice President for Business Affairs and Treasurer and approved by the President. The Investment Officer is responsible for Investment Policy compliance subject to and consistent with investment procedures and practices approved by the Associate Vice President for Business Affairs and Assistant Treasurer.

III. Scope of the Investment Policy

This Investment Policy applies only to those assets for which the Board of Trustees and the Vice President for Business Affairs and Treasurer have discretionary authority.

A. Included Assets

Assets subject to this Investment Policy are categorized as:

1. Designated Investments
   Funds held by the University that are to be invested separately as required by law, action of the Board of Trustees, bond indentures, or other contractual agreements.
2. Pooled Investments
   All other funds held by the University not otherwise specifically designated.
B. Excluded Assets
   This Investment Policy does not apply to funds:
   1. Held by a bond trustee;
   2. Classified as endowment funds;
   3. Held by the Other Post-Employment Benefits (OPEB) 115 Trust; and
   4. Held by the Voluntary Employees Beneficiary Association (VEBA) Trust.

IV. Investment Objectives

The investment portfolio is to be a source of funds for current and future operations of the University. Objectives include:
A. Safety and preservation of principal;
B. Sufficient liquidity to meet working capital needs, planned capital asset expenditures, unanticipated spending requirements and investment opportunities;
C. Maximum return on investment within prudent levels of risk and investment diversification; and
D. Compliance with all legal and regulatory requirements of the state of Indiana, the federal government or other required regulatory agencies.

V. Permissible Investments and Requirements

<table>
<thead>
<tr>
<th>Item</th>
<th>Permissible Investment Type</th>
<th>Maximum Term</th>
<th>Maximum</th>
<th>Per Issuer</th>
<th>% of Portfolio</th>
<th>Other Requirements</th>
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<tbody>
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<tr>
<td>1.</td>
<td>U.S. Treasury Securities</td>
<td>5 Years</td>
<td>None</td>
<td>100%</td>
<td>None</td>
<td>Limited to GSE or U.S. Government Agency debentures, and specifically excludes securitized investments</td>
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<tr>
<td>2.</td>
<td>U.S. Government Agency Bonds</td>
<td>5 Years</td>
<td>None</td>
<td>100%</td>
<td>Deposits fully insured by the:</td>
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<td></td>
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<td></td>
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<td></td>
<td>a. Federal Deposit Insurance Corp (FDIC) up to $250,000; and</td>
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<td>b. The Public Deposit Insurance Fund (PDIF) per Indiana Code 5-13-12 for deposits in excess of $250,000</td>
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<td>3.</td>
<td>Certificates of Deposit</td>
<td>5 Years</td>
<td>20%*</td>
<td>50%</td>
<td></td>
<td>Collateral: US Treasury and Agency securities @ 105% of the par value with the University having a perfected interest in the securities</td>
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<td></td>
<td>b. The Public Deposit Insurance Fund (PDIF) per Indiana Code 5-13-12 for deposits in excess of $250,000</td>
</tr>
<tr>
<td>4.</td>
<td>Repurchase Agreements</td>
<td>90 Days</td>
<td>None</td>
<td>50%</td>
<td></td>
<td>Rated A-1 by Standard &amp; Poor's or P-1 by Moody's</td>
</tr>
<tr>
<td>5.</td>
<td>Commercial Paper</td>
<td>270 Days</td>
<td>5%</td>
<td>50%</td>
<td></td>
<td>Fund assets must exceed $1,000,000,000; comprised of U.S. Treasury and Agency securities and Commercial Paper subject to SEC Rule 2a-7 (i.e., 95% A-1/P-1, max maturity 1 yr /avg maturity 90 days)</td>
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<tr>
<td>6.</td>
<td>Money Market Mutual Funds</td>
<td>N.A.</td>
<td>N.A.</td>
<td>50%</td>
<td></td>
<td>Deposits fully insured as described in Item No. 3 for CD's</td>
</tr>
<tr>
<td>7.</td>
<td>Interest-bearing Deposit Accounts</td>
<td>N.A.</td>
<td>20%*</td>
<td>100%</td>
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<td></td>
<td>* The total % allowed for any one financial institution for CD's AND Interest-bearing Deposit Accounts collectively is 20%.</td>
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</table>
VI. Management Guidelines

A. Effective Date of Investment Policy
If current investment holdings do not meet the parameters of this Investment Policy on the date it becomes effective, those holdings not in compliance may be sold or maintained at the discretion of the Investment Officer taking into consideration the best interests of the University as a whole.

B. Investment Rating Downgrade
If a rating downgrade occurs which disqualifies a security currently held in the University’s portfolio as defined in Section V of this Investment Policy, the security:
1. may be kept if it matures within six months from the date of the rating change; or
2. sold within 30 days from the date the rating change was discovered if the maturity exceeds six months.

C. Financial Institution and Brokerage Firm Requirements
A financial institution holding Ball State funds or submitting a bid for Certificate of Deposit (CDs) must meet the minimum risk-based capital requirements prescribed by the appropriate regulatory agency. All such financial institutions must be a member of the Federal Deposit Insurance Corporation (FDIC) and, if deposits are in excess of $250,000, the Indiana Public Deposit Insurance Fund (PDIF).

Before engaging in any business with the University, a brokerage firm must first be approved by the Vice President for Business Affairs and Treasurer. Brokerage firms must be registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), be members of the Securities Investor Protection Corporation (SIPC) and hold current licensure with the state of Indiana.

D. Financial Institutions/Securities Firms and Bids
Financial institutions and brokerage firms located in the major financial centers of Indiana as well as those located locally or requesting to participate in the University’s bidding process are solicited simultaneously for bids as needed via email, or other appropriate communication. The Investment Officer may also access the websites of the brokerage firms to review commercial paper offerings.

The Investment Officer may forego consideration of untimely bid responses in order to meet bank cutoff times or when investment earnings are not expected to be adversely affected.

E. Safekeeping
Investments purchased from financial institutions are to be safe kept at the institution from which they are purchased. All other investments purchased through brokerage firms are to be safe kept at a single safekeeping firm chosen by the University that meets the same requirements to do business with the University as a brokerage firm in Section VI(C) above.
F. **Bid Acceptance**

   Investments are to be placed with or through the financial institutions and brokerage firms submitting the bid that best supports the objectives of the Investment Policy, considering the Permissible Investments and Requirements, cash flow needs, investment strategy, existing portfolio and best interests of the University. All purchases must be reviewed and approved by the Vice President for Business Affairs and Treasurer or Associate Vice President for Business Affairs and Assistant Treasurer.

G. **Modifications and Exceptions**

   All modifications and exceptions to this Investment Policy must be approved by the Board of Trustees or as provided herein. This policy must be reviewed and approved annually by the Board.

VII. **Reporting Requirements**

   The Vice President for Business Affairs and Treasurer is to report to the Board of Trustees quarterly on the results of transactions governed by this Policy.

Revised: 5/14/2007
Revised: 12/12/2014