CITY UNIVERSITY OF NEW YORK
SHORT-TERM INVESTMENT POLICY

1. Purpose of the Short-Term Investment Policy

This Short-Term Investment Policy governs The City University of New York’s (“CUNY”) short-term investment of available cash, if any, and CUNY’s Short-Term Investment Pool (the “STIP”).

2. Background

The STIP was created to serve the short- to intermediate-term financial needs of CUNY and its Colleges and related entities, including Alumni Associations and Foundations, that choose to invest in the STIP. The STIP is a pooled investment vehicle for multiple individual accounts that includes non-tax levy funds with a short to intermediate timeframe but excludes dedicated operational cash.

Currently, CUNY and its Colleges and related entities independently invest their short- to intermediate-term funds mainly in various money market and certificate of deposit accounts at low yields without any coordination among them. Given the large aggregate size of these accounts and the scale advantages that are achievable, it is prudent to seek a higher-yielding alternative that offers an acceptable risk/return tradeoff with operational ease and a high level of transparency. It is understood that achieving higher returns requires increasing investment risk and/or reducing liquidity; however by combining multiple accounts and with proper cash flow forecasting, an acceptable balance between good returns, adequate liquidity and acceptable investment risk should be achievable.

It is the aim of the STIP to become the preferred choice for placement of the short- to intermediate-term assets.

This policy adheres to the standards of prudent management of investment assets set forth in the New York Prudent Management of Institutional Funds Act (“NYPMIFA”).

3. Responsibilities

A. CUNY’s Vice Chancellor for Budget and Finance serves as steward and is responsible for providing broad oversight of the STIP investment program, including developing objectives and strategies for the STIP consistent with the Short-Term Investment Policy and setting an optimal asset allocation. The University Controller and his Investment Staff shall perform all other responsibilities relating to the STIP.

B. The University Controller and his Investment Staff shall be responsible for the total investment program and will provide prudent oversight of the STIP in order to further the goals and mission of CUNY and the College and related entity participants. The University Controller and his Investment Staff shall be responsible for implementing
the Vice Chancellor for Budget and Finance’s decisions relating to the STIP; ensuring the STIP is invested according to the Short-Term Investment Policy; administering the STIP; selecting and terminating Investment Managers; determining whether or not to engage external agents such as Investment Consultants and Custodians, and selecting and terminating any such external agents; rebalancing the STIP; presenting investment results; coordinating with any selected Investment Managers, Investment Consultant(s) and Custodian; and ensuring that CUNY’s investment and management of STIP assets comply with NYPMIFA.

In addition, the University Controller and his Investment Staff shall report at least annually to the Subcommittee on Investments of the Board of Trustees on investment policy, asset allocation and performance of the STIP as well as other substantive matters. The Subcommittee on Investments shall in turn report at least annually to the Board of Trustees on the same matters relating to the STIP.

The University Controller and his Investment Staff may delegate certain investment responsibilities to external agents such as consultants and investment managers. Such delegation must be conducted in a prudent manner and in good faith and requires at a minimum:

a) Clear definition of the scope and terms of the delegation and assessment of the reasonableness of the compensation charged by the agent;
b) Proper due diligence including assessment of the agents’ independence and potential conflicts of interest;
c) Subsequent monitoring of the delegated areas including reasonable efforts to verify accuracy of information provided by the agents; and
d) Contracts with external agents must specify that (i) they can be terminated without penalty by CUNY upon no more than 60 days’ notice and (ii) the external agent owes a duty to CUNY to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

C. The Vice Chancellor for Budget and Finance and the University Controller and his Investment Staff must adhere to New York State ethics provisions under Public Officer Law, Sections 73 and 74.

D. Each Investment Consultant shall provide assistance to the University Controller and his Investment Staff, as requested, on the development, implementation, and ongoing practice of specific Investment Manager guidelines and practices consistent with the mandate to provide prudent oversight of the STIP. Each Investment Consultant shall also assist the University Controller and his Investment Staff with the selection of Investment Managers and provide periodic investment ideas tailored to CUNY’s specific needs as well as provide investment performance measurement and advice concerning risk management strategies, primarily through asset allocation studies and diversification strategies. Each Investment Consultant shall act as a fiduciary of the STIP.

E. Each Investment Manager shall be responsible for investing as a fiduciary with
discretion the assets under its management and in reporting and communicating with the University Controller and his Investment Staff in accordance with the Short-Term Investment Policy and the applicable Investment Manager guidelines.

F. Each Custodian shall be responsible for all needs relating to the custody and accounting of the STIP assets, including processing all Investment Manager transactions, related additions or withdrawals, and securities lending (if agreed to), and reporting and communicating with University Controller and his Investment Staff, Investment Managers and Investment Consultant(s), in accordance with the Short-Term Investment Policy and with the applicable Investment Manager guidelines.

G. In carrying out their responsibilities, the Vice Chancellor for Budget and Finance, University Controller and his Investment Staff, and external agents shall comply with the duties of loyalty and care, which require each such person to act in what he or she believes is the best interest of CUNY and in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

4. Investment Objectives and Liquidity

The Investment Objective of the STIP is to provide a return greater than the return achievable through investment in common money market funds at a standard deviation that does not exceed 3%.

It is recognized that these objectives may not be achieved over shorter time periods, but should be achievable over longer periods and the objectives shall therefore be evaluated over rolling three-year periods.

The liquidity profile of the STIP must be high with at least 50% of it having daily liquidity and no more than 10% having liquidity beyond a quarter.

5. Additions and Withdrawals

Investments in the STIP are subject in all respects to the Short-Term Investment Policy and the STIP Rules attached hereto as Appendix A (the “Rules”) and as updated from time to time by the University Controller. Participants can withdraw funds from the STIP as needed in accordance with the requirements of the Rules.

Among other things, the Rules address reporting to participants, stress the need for proper cash flow forecasting of additions and withdrawals to the STIP, and require Participants to communicate requests for withdrawals in advance to facilitate rebalancing and planning, especially for larger transactions.

6. Asset Allocation and Composition of the STIP
The STIP is a commingled pool consisting of at least three separate Tiers as described below:

A. **Short-Term Tier**: The purpose of the Short-Term Tier is to ensure capital preservation and daily liquidity and this Tier will be invested conservatively in fixed income and cash securities with daily liquidity and shorter maturities.

B. **Intermediate-Term Tier**: The purpose of the Intermediate-Term Tier is to ensure capital preservation over time but with some excess return potential using predominantly daily liquidity and fixed income investments at short to intermediate maturities.

C. **Long-Term Tier**: The purpose of the Long-Term Tier is to provide excess return potential through a variety of investments including both equity and fixed income with varying liquidity terms and at significantly higher levels of risk than normally used in short-term cash pools, with the potential for significant gains as well as the potential for loss of capital. Specific investment guidelines for the Long-Term Tier are contained in CUNY’s Investment Policy related to the Long-Term Investment Pool, where this Tier will be co-invested.

The asset allocation among the Tiers shall be the following:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Target Allocation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term</td>
<td>20%</td>
<td>15%-25%</td>
</tr>
<tr>
<td>Intermediate-Term</td>
<td>70%</td>
<td>60% - 80%</td>
</tr>
<tr>
<td>Long-Term</td>
<td>10%</td>
<td>5% - 15%</td>
</tr>
</tbody>
</table>

In establishing the asset allocation and in its implementation, the following factors shall be taken into consideration, if relevant:
- General economic conditions;
- The potential impact of inflation/deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role of individual investments in context of the overall STIP;
- The expected total return from income and the appreciation of investments;
- The overall resources of CUNY and College and related entity participants;
- The needs of CUNY and College and related entity participants to make distributions and preserve capital; and
- The relationship of any given investment asset to the mission/purpose of CUNY and College and related entity participants.

Also, any investment decision shall always take into account the purposes of CUNY and College and related entity participants and the funds that comprise the STIP. Investment decisions shall, furthermore, not be considered in isolation but on the basis of the total STIP. Also, as specified below, the STIP shall be diversified and implemented in a cost-effective way.
The asset allocation of the STIP shall reflect a proper balance of its investment objectives, risk tolerance and need for liquidity.

7. **Rebalancing**

The Tiers shall be rebalanced back to their respective targets to ensure that the asset allocation remains an accurate reflection of CUNY’s desired risk profile. The following methods shall be used: 1) rebalancing using cash inflows and outflows on a monthly basis, 2) rebalancing semi-annually in October and April and 3) rebalancing back to the target allocations should actual allocations move outside allowable ranges.

8. **Investment Management**

The Short- and Intermediate-Term Tiers shall be invested with one or more managers with fixed income and cash management expertise. Given the liquidity and capital preservation needs, the assumption is that these Tiers will be invested through separate account vehicles. On an exception basis, limited use of commingled vehicles is permitted if sufficient diversification cannot be achieved otherwise or significant cost savings can be achieved at an acceptable level of risk.

The Long-Term Tier will be co-invested with the CUNY Long-Term Investment Pool and therefore subject to the safeguards, manager diversification, and other requirements of CUNY’s Investment Policy related to the Long-Term Investment Pool.

9. **Performance Monitoring**

With the assistance of the Investment Consultant(s) and the Custodian, the University Controller and his Investment Staff shall regularly review the STIP assets, the status of its investment Tiers, and shall make such adjustments as deemed necessary to achieve stated investment objectives. In addition, the University Controller and his Investment Staff shall receive monthly performance reports primarily for administrative purposes.

A. The STIP shall be evaluated against (a) the investment objectives set forth in Section 4 above and (b) a custom benchmark consisting of a weighted mix of appropriate benchmarks for each Tier.

B. The performance of each Tier of the STIP shall be measured against Tier-specific benchmarks, which will enable evaluation of the effectiveness of the implementation strategy used for that Tier. For the Long-Term Tier the benchmark is the CUNY Long-Term Investment Pool benchmark, as it may be updated from time to time.

C. Performance reporting shall be carried out in a manner and form that enables a clear evaluation of the STIP and Investment Manager performance, both on an absolute and on a risk-adjusted basis, as described above.
10. **Investment Manager Guidelines**

With the assistance of the Investment Consultant(s), the University Controller and his Investment Staff shall work with the Investment Manager(s) to create specific guidelines for each Investment Manager when it is hired and shall review and recommend changes to those guidelines as necessary.

In the exceptional event that the STIP (Short- and Intermediate-Term Tiers) invests in mutual funds and/or commingled vehicles, the Investment Manager guidelines will be contained in the offering documents. Since, in these cases, CUNY cannot impose any changes, the University Controller and his Investment Staff, assisted by the Investment Consultant(s), shall determine beforehand whether the Investment Manager guidelines contained in the offering document are acceptable and suitable for the given mandate.

Each Investment Manager shall be required to monitor compliance with its specific guidelines quarterly (or more frequently if market conditions warrant) and based on the then-current market values. Each Investment Manager shall be required to promptly communicate in writing to the University Controller and his Investment Staff any violations of the guidelines stating the nature of the violation, potential remedies, or a petition that a compliance waiver be granted setting forth the reasons therefore. The University Controller and his Investment Staff, assisted by the Investment Consultant(s) shall be responsible for enforcing this requirement.

All such Investment Manager guidelines shall incorporate the following basic principles:

**A. Manager Autonomy**

Decisions as to individual security selection, security size and quality, number of industries and holdings, current income level, turnover, and the other tools employed by active managers, shall be left to broad manager discretion, within the limits of any specific guidelines.

**B. Leverage and Derivatives**

Unless explicitly authorized, the use of leverage or speculative use of derivatives shall be prohibited unless as a means for investment managers to hedge investment risk, to hedge currency risk or replicate investment positions at a lower cost than would otherwise be created in a cash market.

**C. Diversification**

Each Investment Manager shall be required to diversify holdings so that the STIP is not exposed unduly to any single security issuer or sector. The Investment Manager guidelines shall set forth holding limits applicable to that Investment Manager.

**D. Duty to Inform**
Each Investment Manager shall be required to inform the University Controller and his Investment Staff as soon as possible if a deviation from its guidelines is anticipated and seek approval. In addition, each Investment Manager shall be required to inform the University Controller and his Investment Staff as soon as practicable of any significant change in firm ownership; acquisitions of other investment managers; changes to organizational structure; investigations or proceedings commenced by or subpoenas received from the Securities and Exchange Commission or any other regulatory or law enforcement agency; official notice of any disciplinary proceeding or litigation against the manager or any of its employees; departures of key professional personnel; changes of account structure or changes in the manager’s fundamental investment philosophy.

Each Investment Manager shall be required to propose revisions to its guidelines at any time the existing guidelines would impede meeting the investment objectives established for the Investment Manager.

E. Best Execution

Except under unusual circumstances (in which case the University Controller and his Investment Staff shall be promptly notified), each Investment Manager shall be required to enter into all transactions on the basis of best execution, which means best realized net price. Turnover should be minimized consistent with the effective implementation of the strategy.

11. Changes to the Short-Term Investment Policy

The Short-Term Investment Policy shall be in force until modified in writing and approved by the Board of Trustees. The Vice Chancellor for Budget and Finance may propose revisions to the Short-Term Investment Policy to the Board of Trustees at any time.
APPENDIX A

STIP Rules

CUNY Short-Term Investment Pool ("STIP") Participant Rules

1. Purpose

These Participant Guidelines govern the relationship between CUNY and any Short-Term Investment Pool investing entity ("Participants")

2. Deposits

Upon deposit of a Participant's assets in the Account, the assets will be invested pro-rata on a commingled basis in the STIP and the Participant will be assigned a pro-rata share of the STIP's total invested amount. Any Participant, with CUNY's approval, may invest additional assets in the STIP at any time.

Even though the STIP is for non-tax levy funds and, therefore, not subject to spending rules, for each Individual Fund in a Participant’s Account, the Participant shall provide CUNY with (i) information regarding the name and purpose of the fund and any restrictions imposed on the fund; (ii) all available underlying documentation for the fund including, but not limited to, any gift instrument associated with the fund and any amendments thereto (iii) a statement of the book and market value of the fund as of the date the fund is delivered to CUNY for investment in the STIP; and (iv) a statement of anticipated cash flows (anticipated contributions and withdrawals) forecasted over the next 3 years. Especially for larger anticipated withdrawals and/or for longer-dated capital project needs, accuracy of the forecast is very important as it guides the rebalancing of tiers and helps avoid a potential liquidity mismatch.

Participants acknowledge that CUNY relies on the information and underlying documentation provided by the Participants and shall not hold CUNY liable for actions taken in reliance of such information to the extent that the information proves inaccurate or incorrect.

3. Governance, Objectives and Investment Implementation

The assets that the Participant invests in the STIP will be invested and managed pursuant to CUNY’s Investment Policy as it relates to the STIP. The Investment Policy sets out the STIP investment objectives, risks, investment implementation guidelines etc. All Participants shall be given and required to read a copy of the Investment Policy before the first deposit to the Pool. CUNY will inform the Participant of any substantive amendments to the Investment Policy.

4. Reporting to Participants and Valuation Methodology
CUNY will provide the Participant with regular performance reports for the STIP that will include a calculation of the Participant's share of the STIP. This information will be available on the STIP’s website, which is updated on a monthly basis.

CUNY will maintain records of the individual funds (the "Individual Funds") that comprise the Participant's Account. Such records for each Individual Fund will reflect actual additions to and withdrawals from each such fund, transfers to and from the fund, income earned by the fund, the fund's realized gains and losses and the fund's book and market value.

In determining the value of securities in the STIP, CUNY will rely on the STIP's investment managers and custodian. Readily marketable securities held by the STIP shall be valued using sources of information and pricing methods that are generally accepted by the industry.

A minor portion of the assets in the STIP will be invested in alternative investments (through the long-term tier co-invested in the CUNY long-term pool). Because these alternative investments, and the assets backing them, may not be readily marketable, valuations of these security interests may be subjective in nature. The valuation of these interests may marginally affect the value of the units it is assigned or receives when it elects to participate in or withdraw from the STIP.

5. Fee, Expense and Management Cost Sharing

The Participant's pro-rata share of the costs and expenses of managing and administering the STIP will be allocated to the Participant's Account. Such costs and expenses include, but are not limited to, all investment manager fees, related incentive fees; consultant fees; custodial and participant record-keeping fees; administrative fees; fees, such as legal or specialist fees when deemed necessary for compliance purposes; any other STIP-related costs and expenses. Currently, CUNY does not charge a fee for administering the STIP. CUNY will notify the Participant before initiating an administrative fee.

6. Withdrawals and Pool Participation Termination

Participants may withdraw funds from its Account by submitting to the CUNY Investment Office properly completed Withdrawal Requisition Forms, signed by two Authorized Representatives. Withdrawal Requisition Forms may be submitted by email, facsimile or overnight courier service to the CUNY Investment Office.

CUNY will endeavor to process withdrawal requests as promptly as is possible while maintaining the integrity of the STIP.

In order to ensure against a liquidity mismatch, advance notice is required for any withdrawal from the STIP as follows:

- For withdrawals less than $500,000, 2 business days.
- For withdrawal requests of $500,000 and up to $1 million, 5 business days
- For withdrawal requests for amounts above $1 million - 7 business days.
In order to advance the Financial Objectives of the STIP, Participants are encouraged to keep the total number of withdrawal requests per quarter to a minimum. Further, to be efficient and cost-effective, participants are encouraged to consolidate requests so to avoid de minimus withdrawal requests.

CUNY reserves the right to delay withdrawals partially or fully in extraordinary circumstances if such a transfer would have an adverse impact on the Participant itself or other STIP participants, such as during a financial crisis, an investment manager lockdown/gating situation or in the event of concurring extraordinarily large withdrawals from several STIP participants in a given period. At such times, CUNY will act prudently and in the best interests of all participants in the STIP in determining the time period necessary for the transfer of the Participant's funds and will inform the Participant of the circumstances and its decision in a timely manner.

A full termination of STIP participation or one or more withdrawal requests that constitute a withdrawal of all of the Participant's funds in its Account requires 30 days’ notice. On the last day of the notice period, CUNY will transfer the funds in the Participant's Account, net of any applicable costs and expenses and net of the holdback described below to the Participant or a third party designated in writing by the Participant to receive such funds. CUNY may waive this and other notice periods at its discretion if it deems that doing so does not adversely impact other STIP participants. CUNY reserves the right to delay termination transfers partially or fully under the extraordinary circumstances described above.

In order to provide for equitable treatment of all participants in the STIP and given that some costs are incurred with a lag, in the case of a complete withdrawal, the STIP will retain 3 percent of the Participant’s market value for unanticipated liquidity events—whether or not due to market conditions or inaccurate/incorrect information provided—as well as costs and expenses under Section 8 of this Agreement, which will be applied to such costs, with any difference between the amount retained and the actual costs incurred by the Participant’s account, paid or billed to the Participant within 90 days of the end of the applicable fiscal year. CUNY has the right to waive the holdback at its discretion.