Parnassus Preparatory School
Governance Policy Group

INVESTMENT POLICY –705

705 INVESTMENT POLICY

PREMISE

From time to time Parnassus Preparatory School (the "School") will have more funds available than are needed to meet current obligations. These funds may be invested in various financial instruments. This policy establishes guidelines for such investments.

SCOPE

This investment procedure applies to all funds of the School. These funds are accounted for in the School's annual financial report and include all current funds, and any other funds that may be created from time to time, including but not limited to construction and similar funds. All transactions involving the funds and related activity of any funds shall be administered in accordance with the provisions of this procedure and the canons of the "prudent person rule."

The School shall maintain this set of procedures for the investment of School funds that includes the following elements:

A. Scope

1. A listing of authorized investments.
2. The standard of care that must be maintained by the persons investing the public funds.
3. Investment and diversification guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio.
4. Guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to State Statute, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral.
5. Performance measures appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the school district's investment portfolio.
6. Appropriate periodic review of the investment portfolio, its effectiveness in meeting the school School's need for safety, liquidity, rate of return, and diversification, and its general performance.

7. A policy regarding ethics and conflicts of interest (see School Policies).

B. Objectives

1. Safety of Principal - Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity - The School's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.
3. Return on Investments - The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investments. In general, the Board Treasurer will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time.
4. Maintaining the Public's Trust - The investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the School, the Board or the Board Treasurer.

C. Investment Instruments

The School may invest in any type of security allowed by Minnesota Statutes as may be amended from time to time. The School has chosen to limit its allowable investments to those instruments listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities;
2. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investments constituting direct obligations of any bank;
3. Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the maximum coverage allowed by the Federal Deposit Insurance Corporation;
4. Collateralized repurchase agreements that conform to the requirements stated in 118A.05 sub. 2 of the statutes;
5. Commercial paper meeting the following requirements:

    a. The corporation must be organized in the United States or be a Canadian subsidiary.

b. The corporation's assets must exceed $10,000,000.

c. The obligations at the time of purchase must be rated at the highest classifications (A-1/P-1) by both Standard & Poor's and Moody's rating agencies.

d. The obligations cannot have a maturity longer than 270 days.

e. Not more than 50% of the total investment fund can be invested in commercial paper at any time.

f. The total investment in any one corporation cannot exceed 10% of the corporation's outstanding obligations.

g. The total investment in any one corporation cannot be more than $1 million.

6. Investments may be made only in those savings banks or savings and loan associations that are insured by the Federal Deposit Insurance Corporation.
7. Investment products that are considered as derivatives are specifically excluded from approved investments.

D. Diversification

It is the policy of the School to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Board Treasurer. The diversification shall be as follows:

a. Up to 100% of C.1.
b. Up to 90% of C.2. and C.3.
c. Up to 50% of C.4. and C.5.

E. Collateralization

1. It is the policy of the School to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.
2. Eligible collateral instruments are any investment instruments acceptable under 118A.03. The collateral must be placed in safekeeping at or before the time the School buys the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.

F. Qualified Financial Institutions and Intermediaries

1. Depositories - Demand Deposits

(a) Any financial institution selected by the School shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.

(b) The School will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the School will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the School.

2. Banks and Savings and Loans - Certificates of Deposit. Any financial institution selected to be eligible for the School's competitive certificate of deposit purchase program must:

   (a) provide wire transfer and certificate of deposit safekeeping services;

   (b) be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the School; and

   (c) meet at all times the financial criteria as established in the investment procedures of the School.

3. Intermediaries. Any financial intermediary selected to be eligible for the School's competitive investment program must:

   (a) provide wire transfer and deposit safekeeping services;

   (b) be a member of a recognized U.S. Securities and Exchange Commission Self-Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Board, etc.;

   (c) provide an annual audit upon request;

   (d) maintain an office within the State of Minnesota and be licensed to conduct business in this State; and

   (e) be familiar with the Board of Education's policy and accept financial responsibility for any investment not appropriate according to the policy.

G. Management of Program

1. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure:

   a) Board Treasurer

   b) Executive Director

c) Board Chair

These documents include:

1) Wire Transfer Agreement

2) Depository Agreement

3) Safekeeping Agreement

4) Custody Agreement

2. Management responsibility for the investment program is hereby delegated to the Board Treasurer who shall establish a system of internal controls and operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. No person may engage in any investment transaction except as provided for under the terms of this policy.

3. The Board Treasurer may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit.

H. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Further, no officer involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the School is authorized to invest, or the sellers, sponsors or managers of those investments.

I. Indemnification

Investment officers and employees of the School acting in accordance with this Investment Procedure and such written operational policies as may be established by the School, and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes. 118.02 sub. 2.

Legal Reference:

http://www.revisor.leg.state.mn.us/stats/118A/

https://www.revisor.mn.gov/statutes/?id=118A