

Monash University Procedure

Procedure Title	<u>Treasury Management Procedure</u>
Parent Policy	Investment Policy
Date Effective	16-February-2016
Review Date	16-February-2019
Procedure Owner	Executive Director, Corporate Finance
Category	Operational Procedure
Version Number	1.0
Content Enquiries	Elizabeth Feillafe
Scope	All Monash University and Monash University Foundation investment funds.
Purpose	To ensure management of Monash University and Monash University Foundation investments in accordance with Resource and Finance Committee approved objectives and strategic asset allocations.
PROCEDURE STATEMENT	

The council has approved a chain of responsibility for investments to the Resources and Finance Committee, the sub-committee Investment Advisory Committee, the Senior Vice President and Chief Financial Officer, and the Corporate Finance Department. Through Corporate Finance's Treasury Department, the operational side of investments, banking and fund manager relationships and liquidity is managed.

Monash University investments are notionally structured in two pools - the Short Term Pool (made up of the Operating Treasury and Tied Funds) and Long Term Pool (made up of the Common Fund which contains Tied Funds, Balanced Fund and Monash University Foundation).

1. Fund Manager Appointment

- 1.1. Professional investment managers will be appointed to manage funds within asset classes, in line with IAC approvals.

Responsibility

Executive Director, Corporate Finance

2. Management of Tied Funds

- 2.1. A request is made to Corporate Finance Treasury for the creation of a new internal investment account accompanied by the signed gift or funding agreement.
- 2.2. The validity of the request is assessed to ensure that an interest bearing internal investment account is only created where it is explicitly required.
- 2.3. Tied funds that require investment will be allocated to short term or long term investment pools according to value thresholds, required investment timeframe and required usage. These aspects need be determined in order to allocate to the appropriate pool.
- 2.4. Investments allocated to the short term (cash) pool are generally available to be spent (typically within 1-3 years) and in accordance with the prevailing funding agreement or correspondence. Returns to the short term tied funds pool are distributed quarterly and based on the Reserve Bank cash rate at the beginning of a given year less a margin for administration costs.

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2.5. Investments are allocated to the long term pool (Common Fund) where:

- a) the original capital amount is \$100,000 or greater; and
- b) the investment is required for a longer term funding objective (greater than 3 years)
- c) the investment requires greater income generation compared to cash investments and requires the potential for capital growth

Returns are allocated on the basis of the market return or a predetermined fixed return. Tied funds accounts will receive the fixed return where balances are below \$500,000. Tied fund accounts with balances of \$500,000 and more will be given the opportunity to make a binding decision as to whether they receive the pre-determined fixed rate of return or a pro rata allocation of the market return.

- 2.6. The Common Fund fixed rate of return is reviewed by the IAC annually in light of market conditions
- 2.7. If Tied Funds are required to be allocated to a central fund for accounting purposes, the transfer out of Faculty accounts will need to be approved by Financial Resources Management Division to ensure there are no budgetary issues.
- 2.8. Invested fund balances that are not held centrally can be drawn down by the Department without the need to notify Treasury.
- 2.9. Drawdowns of centrally held investment fund balances (including all Common Fund investments and capital protected cash investments) must be requested in writing to the Fund Manager, Treasury by the appropriately delegated individual.
- 2.10. Earnings attributed to tied funds are allocated to required cost centres and funds and investment reports are distributed quarterly.

Responsibility

Requesting Department/ERDA (2.1 & 2.7)
Funds Manager, Treasury (2.2 - 2.5 & 2.10)
Investment Advisory Committee (2.6)
Tied Funds Owner (2.8 - 2.9)

3. Transfers To and From the Common Fund

The University's unallocated portion of the Common Fund portfolio is used to absorb movements in Tied Funds within this portfolio. Physical funds transfers in and out only need to happen when the University's portion is not sufficient to absorb an addition to the portfolio.

- 3.1. Faculty and Departments and/or ERDA approach Corporate Finance Treasury with signed gift agreement of \$100K or greater that is signed by the appropriately delegated authorised person.
- 3.2. Approval of transfer out of Faculty funds and into central funds is sought from Financial Resources Management Division to ensure there are no budgetary issues.
- 3.3. Approval is sought from the Senior Vice President and Chief Financial Officer to make a transfer from operating Treasury funds into the Common Fund.
- 3.4. Transaction is executed.

Responsibility

ERDA/Tied Funds Owner (3.1)
Funds Manager, Treasury and Financial Resources Management Division (3.2)
Funds Manager, Treasury and Senior Vice President and Chief Financial Officer (3.3)
Funds Manager, Treasury (3.4)

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Responsibility for implementation	Funds Manager, Treasury Executive Director, Corporate Finance Senior Vice President and Chief Financial Officer
Status	New
Approval Body	Name: Chief Operating Officer and Senior Vice-President (Administration) Date: 08-October-2014 Author: Executive Director, Corporate Finance
Definitions	<p>Fixed Return: A rate determined by the IAC, taking account of market conditions.</p> <p>Investment Advisory Committee (IAC): A sub-committee of the Resources and Finance Committee which has a management oversight role, monitoring and reviewing investment relative to strategy, and approving investment manager appointments for both the University and the Foundation.</p> <p>Market Return: A rate determined by the IAC, taking account of market conditions</p> <p>Resource and Finance Committee: Has a governance oversight role approving investment policy and strategy.</p> <p>Tied Funds: Are made up of multiple individual internal investment accounts where the University has agreed, or is required by contract or commitment, to allocate interest. They include philanthropic donations, grants, endowment funds, and other approved interest bearing accounts. The funds are held in internally managed investment accounts and managed on behalf of Faculties and Foundations. Investments are split between cash, where the capital is expected to be utilised over the near-term (typically within two to three years) and/or the donor requests a very low risk investment approach, and the remainder which is invested in the "Common Fund" in a balanced portfolio of investments.</p>
Legislation Mandating Compliance	Monash University Act 2009
Related Policies	Investment Policy
Related Documents	Investment Advisory Committee Terms of Reference Resources and Finance Committee Terms of Reference Short Term Investment Pool Procedure Long Term Investment Pool Procedure