February 15, 2024

<u>24-095</u> <u>ADOPT REVISED INVESTMENT STANDARDS AND PRACTICES</u>

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STRATEGIC THEME: Enterprise: Cultivate a long-term sustainable college enterprise

REPORT: ORS 294.035 and Portland Community College Board Policy BP 6320 require the Investment Officer of the College to review and update PCC Investment Standards and Practices periodically and to solicit input from the Oregon Short Term Fund Board, Oregon State Treasury.

The Oregon Short Term Fund Board last approved revisions to the PCC Investment Standards and Practices in August 2014. Revisions to the PCC Investment Standards and Practices that did not require review by the Oregon Short Term Fund Board were last approved in April 2017.

These Investment Standards and Practices have been reviewed against updated recommendations from the Oregon Short Term Fund Board, as well as at the recommendation of Government Portfolio Advisors (GPA), with whom the College is contracting as an investment advisor for College bond funds. The proposed revisions serve to align the Investment Standards and Practices, covered under Board Policy BP 6320, with these recommendations and Oregon Short Term Fund Board's (OSTFB) recommended best practices.

On December 19, 2023, treasury staff submitted changes to the Investment Standards and Practices to the Oregon Short Term Fund Board for review. These changes were reviewed and commented on at the Oregon Short Term Fund Board meeting on January 30, 2024, thereby satisfying the statutory policy review requirement in accordance with ORS 294.135(a).

RECOMMENDATION: That the Board adopts the revised Investment Standards and Practices in Exhibit A.

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Exhibit A

Portland Community College®

Investment Standards and Practices

February 15, 2024

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1. Purpose

These Investment Standards and Practices define the parameters within which funds are to be invested by Portland Community College (PCC). These Investment Standards and Practices also formalize the framework, pursuant to ORS 294.135, for PCC's investment activities to ensure effective and judicious management of funds within the scope of these Investment Standards and Practices.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

2. Governing Authority

PCC's investment program shall be operated in conformance with PCC's Board Policy BP 6320, Oregon Revised Statutes, and applicable Federal Law. Specifically, these Investment Standards and Practices are written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of these Investment Standards and Practices are subject to laws established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of these Investment Standards and Practices immediately upon being enacted.

3. Scope

These Investment Standards and Practices apply to activities of Portland Community College (PCC) with regard to the investment of all financial assets, including bond proceeds. These funds are accounted for in PCC's Annual Comprehensive Financial Report (ACFR). The amount of funds falling within the scope of these Investment Standards and Practices over the next three years, including bond proceeds, is expected to range between $500 million and $830 million.

4. General Objectives

A. Preservation of Capital

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. The goal is to mitigate credit risk and interest rate risk.

B. Liquidity

Investments shall be undertaken in a manner that seeks to ensure sufficient liquidity to meet all reasonably anticipated operating requirements, including construction draws of bond proceeds. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

C. Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

5. Standards of Care

A. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The “prudent person” standard states:

> *Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.*

B. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of PCC. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices Code of Ethics set forth in ORS 244.

C. Indemnification

Investment officers acting in accordance with written procedures and these Investment Standards and Practices and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in these Investment Standards and Practices. PCC shall indemnify, hold harmless and defend investment officers and any PCC employees engaged in investment activities from personal liability for losses that may occur during the course of administering these Investment Standards and Practices so long as these requirements are met.

D. Delegation of Authority and Responsibilities

i. Governing Body

The PCC Board of Directors will retain ultimate fiduciary responsibility for invested funds. Monthly reports will be prepared and provided to the Board upon request, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

ii. Delegation of Authority

The Executive Vice President of Administration and Finance and Associate Vice President of Finance shall be responsible for oversight of the investment program, and the Director of Bursar and Treasury Services shall serve as the Investment Officer. The Investment Officer will invest per the terms in these Investment Standards and Practices, and per the terms in the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. The Investment Officer may delegate to specified treasury position(s) (hereinafter referred to as “designee”) the authority to conduct transactions on behalf of PCC, subject to the Investment Standards and Practices contained herein. Delegation of authority shall be in writing.

No person may engage in an investment transaction except as provided under the terms of these Investment Standards and Practices and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of these Investment Standards and Practices.

iii. Investment Committee

The Investment Officer or designee may seek to establish an investment committee to provide guidance to the Investment Officer or designee and monitor Investment Standards and Practices compliance.

iv. Investment Adviser

PCC may engage the services of one or more external investment managers to assist in the management of PCC’s investment portfolio in a manner consistent with these Investment Standards and Practices. Investment advisers may be hired on a discretionary or non-discretionary basis. If the advisory basis is non-discretionary, all investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer or designee and compliant with these Investment Standards and Practices. If PCC hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of PCC.

6. Transaction Counterparties

A. Broker/Dealers

The Investment Officer shall determine which Broker/Dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of these Investment Standards and Practices. The following minimum criteria must be met before Broker/Dealer firms and affiliated registered representatives are authorized to execute investment transactions. The Investment Officer may impose more stringent criteria.

i. Broker/Dealer firms must meet the following minimum criteria:

   a. Must be registered with the Securities and Exchange Commission (SEC)
   b. Must be registered with the Financial Industry Regulatory Authority (FINRA)
   c. Must provide most recent audited financials
   d. Must provide FINRA Focus Report filings

ii. Approved broker/dealer employees who execute transactions with PCC must meet the following minimum criteria:

   a. Must be a registered representative with the Financial Industry Regulatory Authority (FINRA)
   b. Must be licensed by the state of Oregon
   c. Must provide certification, in writing, of having read, understood, and agreed to comply with the most current version of these Investment Standards and Practices

iii. Annual review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer or designee. Factors to consider would be:

   a. Pending investigations by securities regulators
   b. Significant changes in net capital
   c. Pending customer arbitration cases
   d. Regulatory enforcement actions

iv. The Investment Officer or designee may utilize the investment adviser's approved broker/dealer list in lieu of PCC's own approved list. The adviser must submit the approved list to PCC annually and provide updates throughout the year as they occur. The adviser must maintain documentation of appropriate license and professional credentials of broker/dealers on the list. The annual investment adviser broker/dealer review procedures should include:

   a. FINRA Certification check
      - Firm Profile
      - Firm History
      - Firm Operations
      - Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
      - State Registration Verification

   b. Financial review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

The advisers must provide PCC with any changes to the list prior to transacting on behalf of PCC.

The adviser may be authorized through the contracted agreement to open accounts on behalf of PCC with the broker/dealers on the approved list. PCC will receive documentation directly from the brokers for account verification and regulatory requirements.

B. Investment Advisers

A list will be maintained of approved advisers selected by conducting a process of due diligence.

i. The following items are required for all approved Investment Advisers:

   a. The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon (Note: Investment adviser firms with assets under management > $100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon)
   b. All investment adviser firm representatives conducting investment transactions on behalf of PCC must be registered representatives with FINRA
   c. All investment adviser firm representatives conducting investment transactions on behalf of PCC must be licensed by the state of Oregon

ii. A periodic (at least annual) review of all authorized investment advisers under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. The Investment Adviser must notify PCC immediately if any of the following issues arise while serving under a district contract:

   a. Pending investigations by securities regulators
   b. Significant changes in net capital
   c. Pending customer arbitration cases
   d. Regulatory enforcement actions

C. Depositories

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS 295.

D. Competitive Transactions

i. The Investment Officer or designee shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
ii. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer or designee shall document quotations for comparable or alternative securities.
iii. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same

original issue price. However, the Investment Officer or designee is encouraged to document quotations on comparable securities.

iv. If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

7. Administration and Operations

A. Safekeeping and Custody

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in PCC safekeeping institutions prior to the release of funds.

Securities will be held by an independent third-party safekeeping institution selected by PCC. All securities will be evidenced by safekeeping receipts in PCC's name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16. PCC will have online access through the safekeeping bank for verification of the account holdings and transactions. PCC may hold bank deposits or certificates of deposits at banks qualified under ORS 295.

B. Internal Controls

The Investment Officer and Associate Vice President of Finance are responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of these Investment Standards and Practices and are protected from loss, theft, or misuse. Written internal controls shall be reviewed and updated periodically by the Investment Officer.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

i. Compliance with Investment Standards and Practices
ii. Investment diversification by type and maturity
iii. Control of collusion
iv. Separation of transaction authority from accounting and record keeping
v. Custodial safekeeping
vi. Avoidance of physical delivery of securities when possible and address control requirements for physical delivery where necessary
vii. Clear delegation of authority to subordinate staff members
viii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
ix. Dual authorizations of non-repetitive wire and automated clearing house (ACH) transfers
x. Staff training

xi. Review, maintenance, and monitoring of security procedures both manual and automated

C. Accounting Method

PCC shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including, but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Government Accounting Standards Board (GASB); the General Accounting Office (GAO); and the Financial Accounting Standards Board (FASB).

Market valuations shall be obtained for all portfolio holdings on a monthly basis and recorded in the investment performance report for the portfolio. Accounting will record the market value of portfolio holdings as of fiscal year end, each year on June 30.

D. Pooling of Funds

Except for cash in certain restricted and special funds, PCC will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

8. Authorized and Suitable Investments

A. Permitted Investments

It is the policy of PCC to diversify its investments. Where appropriate, exposures will be limited by security type, maturity, issuance, and issuer. In accordance with ORS 294.035, 294.040, 294.052 and 294.810, the following securities are authorized for purchase. Minimum credit ratings and percentage limitations apply at the time of purchase.

US Treasury Obligations: Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS 294.035(3)(a)]

US Agency Obligations: Federal agency and instrumentalities of the United States or enterprises sponsored by the United States Government (GSE) and whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government. [ORS 294.035(3)(a)]

Municipal Debt: Lawfully issued debt obligations of the States of Oregon, California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P Global or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. [ORS 294.035(3)(c)]

Corporate Indebtedness: Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933. Corporate indebtedness must be rated on the settlement date AA- or better by S&P Global or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization. [ORS 294.035(3)(i)]. Corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution.

Commercial Paper: Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Commercial Paper must be rated A1 by S&P Global or P1 by Moody's or equivalent rating by any nationally recognized statistical rating organization. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer. [ORS 294.035(3)(i)]

Certificates of Deposit: Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state. [ORS 294.035(3)(d)]

Bank Time Deposit/Savings Accounts: Time deposit open accounts or savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state. [ORS 294.035(3)(d)(e)]

Bankers' Acceptances: A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without any refinement or gradation by one or more nationally recognized statistical rating organizations. For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon. [ORS 294.035(3)(h)]

Repurchase Agreements: In accordance with ORS 294.035(3)(j), repurchase agreement collateral must be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund Board created by ORS 294.885. The maximum term of any repurchase agreement is limited to 90 days. Acceptable collateral includes the following: US Treasury Securities: 102%, US Agency Discount and Coupon Securities: 103%.

Banking institutions from which repurchase agreements are purchased must have holding company assets of at least $5 billion and execute a master repurchase agreement with PCC in advance of the initial purchase. PCC will not enter into any reverse repurchase agreements.

Local Government Investment Pool: State Treasurer's local short-term investment fund up to the statutory limit per ORS 294.810.

B. Collateralization

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295.018. All depositories must be on the State of Oregon's qualified list. Additional collateral requirements may be required if the Investment Officer or designee deems increased collateral is beneficial to the protection of the monies under PCC's management.

C. Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until these Investment Standards and Practices have been amended and the amended version adopted by the PCC Board of Directors.

D. Prohibited Investments

i. PCC shall not invest in "144A" private placement securities, this includes commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.
ii. PCC shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
iii. PCC shall not purchase mortgage-backed securities.
iv. PCC shall not purchase, per ORS 294.040, any bonds of issuers listed in ORS 294.035(3)(a) to (c) that have a prior default history.
v. No commitment to buy or sell securities may be made more than 14 days prior to the anticipated settlement date.

9. Investment Parameters

A. Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

i. Diversification: It is the policy of PCC to diversify its investments. Where appropriate, exposures will be limited by maturity, issuance, issuer, and security type, Allowed security types and investment exposure limitations are detailed in the table below.

ii. Credit Ratings: Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody's Investors Service; S&P Global; or Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

iii. The minimum weighted average credit rating of the portfolio's rated investments shall be AA-/Aa3/AA- by S&P Global; Moody's Investors Service; Fitch Ratings Service respectively.

iv. Diversification and Credit Exposure Constraints: The following table limits exposures among investments permitted by these Investment Standards and Practices.

Total Portfolio Diversification Constraints

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or Equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.25 years
US Agency Obligations	100%	35%	N/A	5.25 years
Municipal Bonds (OR, CA, ID, WA)	25%	5%	AA- / Aa3 Short Term*	5.25 years
Corporate Notes	35%**	5%***	AA- / Aa3	5.25 years
Commercial Paper			A1 / P1	270 days
Bank Time Deposits/Savings	25%	25%	Oregon Public Depository	N/A
Certificates of Deposit	25%	10%	Oregon Public Depository	5.25 years
Banker's Acceptance	25%	10%	A1 / P1	180 days
Repurchase Agreements	5%	None	AA- / Aa3	90 days
Oregon Short-Term Fund	Maximum allowed per ORS 294.810	None	N/A	N/A

**Short Term Ratings: Moody's - P1/MIG1/VMIG1. S&P - A-1/SP-1, Fitch F1

**35% maximum combined corporate and commercial paper per ORS.

***Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

v. Determining a Security's Rating: A single rating will be determined for each investment by utilizing the highest security level rating available for the security from S&P Global, Moody's Investor Services or Fitch Ratings respectively.

B. Investment Maturity

i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate risk.

ii. PCC will not directly invest in securities maturing more than 5.25* years from the date of settlement, except as otherwise stated in these Investment Standards and Practices.

iii. The maximum weighted maturity of the total portfolio shall not exceed 2.50 years. This maximum is established to limit the portfolio to excessive price change exposure.

iv. Liquidity funds will be held in the State Pool or qualified depository institution (bank deposits).

v. Core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and 5.25 years and will be only invested in higher quality and liquid securities.

Total Portfolio Maturity Constraints:

Maturity Constraints	**Minimum % of Total Portfolio**
Under 90 days	10%
Under 1 year	25%
Under 5.25 years	100%
Maturity Constraints	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	2.5 years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

*Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

10. Divestment & Social Responsibility

PCC is committed to advancing the promotion and protection of human rights and fundamental freedoms. In support of this commitment and the inherent belief in the dignity and worth of each individual, the Investment Officer or designee shall invest in a socially responsible manner when feasible. The Board understands that socially responsible investments are not always self-evident and it is not possible to be informed of every activity that a business undertakes.

11. Investment of Proceeds from Debt Issuance

Investments of bond proceeds are restricted under bond covenants and tax laws that may be more restrictive than the investment parameters included in these Investment Standards and Practices. Investments will be made in a manner to match cash flow expectations based on managed disbursement schedules and in accordance with the parameters of these Investment Standards and Practices and applicable bond covenants and tax laws.

Liquidity for bond proceeds will be managed through the OSTF Pool or Bank deposit balances.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with expected outflows.

Information will be maintained for arbitrage rebate calculations.

12. Investment of Reserve or Capital Improvements

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities with a maturity of 5.25 years at the maximum when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of PCC, municipality, district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used. Reserve or Capital Improvement Project monies may be invested in securities exceeding 5.25 years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

13. Guideline Measurement and Adherence

A. Guideline Measurement

Guideline measurements will use either par and/or market value of investments.

B. Guideline Compliance

i. If the portfolio falls outside of compliance with adopted Investment Standards and Practices guidelines or is being managed inconsistently with these Investment Standards and Practices, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Executive Vice President of Administration and Finance and the Associate Vice President of Finance.

iii. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

14. Reporting and Disclosure

A. Compliance

The Investment Officer or designee shall prepare a report at least quarterly that allows the Executive Vice President of Administration and Finance and Associate Vice President of Finance to ascertain whether investment activities during the reporting period have conformed to BP 6320 and these Investment Standards and Practices. The report will be provided to the investment committee upon request. The report will include, at a minimum, the following:

i. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable)
ii. Average maturity of the portfolio at period-end
iii. Maturity distribution of the portfolio at period-end
iv. Average portfolio credit quality of the portfolio at period-end
v. Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio
vi. Distribution by type of investment
vii. Transactions since last report
viii. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

B. Performance Standards/Evaluation

i. PCC yields will be compared to the OST Pool rates.

ii. At least annually, the Investment Officer or designee shall report comparisons of investment returns to relevant alternative investments, such as the Oregon Short Term Fund, US Treasury rates, or against one or more bond indices with a similar risk profile (e.g., Bond indexes comprised of high grade investments and maximum maturities of five years). PCC will implement utilization of these metrics when reporting is available.

iii. When comparing the performance of PCC's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

iv. The mark to market pricing will be calculated at a minimum of annually. If an advisor is hired, mark to market pricing will be calculated monthly and be provided to PCC in a monthly report.

C. Audits

An external auditor shall provide an annual independent review of the College investments to assure compliance with Oregon state law, PCC policies and procedures, and internal controls. Such audits will include tests deemed appropriate by the auditor.

15. Procedural Review

A. Review

To ensure consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends, these Investment Standards and Practices will be reviewed and made available to the Board annually for approval. In accordance with ORS 294.135(a), all material changes will be submitted to the Oregon Short Term Fund Board for comment prior to review and re-adoption by the PCC Board of Directors.

These Investment Standards and Practices and any modifications must be formally approved in writing by the PCC Board of Directors.

B. Exemptions

Any investment held prior to the adoption of these Investment Standards and Practices shall be exempted from the requirements therein. At maturity or liquidation, such monies shall be reinvested as provided by these Investment Standards and Practices.

C. Adoption and Amendments

These Investment Standards and Practices are adopted by the PCC Board of Directors this 15th Day of February, 2024.

ORIGINALLY ESTABLISHED: 09/09/1991

REVISION DATES: 07/28/1992
06/10/1997
05/03/2001
07/15/2004
09/16/2010
08/21/2014
04/20/2017
02/15/2024

Glossary of Terms

Accrued Interest: The interest accumulated on a security since the issue date or since the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agency Securities: See "Federal Agency Securities."

Bankers' Acceptance (BA's): A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a month market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

Basis Point: A basis point is a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. In most cases, it refers to changes in interest rates and bond yields.

Benchmark: A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance and duration of the actual portfolio's investments.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and it is usually secured by specific assets. Most bonds have a maturity of greater than one year and in general, pay interest semiannually.

Broker/Dealer: A person or firm transacting securities business with customers. A "broker" acts as an agent between buyers and sellers, and receives a commission for the services. A "dealer" buys and sells financial assets from its own portfolio. A dealer takes risk by owning an inventory of securities, whereas a broker merely matches up buyers and sellers.

Call: An option to buy a specific asset at a certain price within a certain period of time.

Callable: A bond or preferred stock that may be redeemed by the issuer before maturity for a call price specified at the time of issuance.

Call Date: The date before maturity on which a bond may be redeemed at the option of the issuer.

Certificate of Deposit (CD): Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity).

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by a company or financial institution. Issued at a discount and matures at par or face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs.

Core Fund: Core funds are defined as operating fund balance which exceeds PCC's daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Corporate Note: A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Coupon Rate: The annual rate of interest that the issuer of a bond promises to pay to the holder of the bond.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

Current Yield: The coupon payments on a security as a percentage of the security's market price. In many instances the price should be gross of accrued interest, particularly on instruments where no coupon is left to be paid until maturity.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Delivery Versus Payment (DVP): Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

Depository Trust Company (DTC): A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs and BAs clear through DTC.

Discount Notes: Short term debt obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Discount Notes typically have very large primary (new issue) and secondary markets.

Federal Agency Security: A debt instrument issued by one of the federal agencies. Federal agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Federal Agency: Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets.

Federal Farm Credit Banks Funding Corporation (FFCB): A Government Sponsored Enterprise (GSE) system that is a network of cooperatively owned lending institutions that provide credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. Financial system and agricultural industry. Also issues notes under its “designated note” program.

Federal Home Loan Bank System (FHLB): A Government Sponsored Enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its “global note” and “TAP” programs.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"): One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “reference note” program.

Federal National Mortgage Association (FNMA or "Fannie Mae"): One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “benchmark note” program.

Federal Reserve Bank: One of the 12 distinct banks of the Federal Reserve System.

Federal Reserve System (the Fed): The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the “Federal Reserve Board” and headed by its Chairman.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer’s full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury. Also known as “governments.”

Government Sponsored Enterprise (GSE): Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries. Some consider GSEs to be stealth recipients of corporate welfare. Examples of GSEs include: FHLB, FHLMC, FNMA and FFCB.

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Interest Rate: The interest payable each year on borrowed funds, expressed as a percentage of the principal.

Investment Adviser: A company that provides professional advice managing portfolios, investment recommendations and/or research in exchange for a management fee.

Investment Portfolio: A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for PCC.

Liquidity Risk: Liquidity risk is the risk that an investment may not be easily marketable or redeemable.

Mark to Market: Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price or some other valuation.

Municipals: Securities, usually bonds, issued by a state or its agencies. The interest on “munis” is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency’s taxation powers.

NRSRO: A “Nationally Recognized Statistical Rating Organization.” A designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating such as Moody’s, S&P Global, and Fitch.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security, or the amount of money due at maturity. Par value should not be confused with market value.

Prudent Person Standard: Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee will act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the entity.

Rate of Return: Amount of income received from an investment, expressed as a percentage of the amount invested.

State of Oregon Local Government Investment Pool (OSTF – Oregon Short Term Fund): The OSTF is organized pursuant to ORS 294.805 through 294.895. Participation in the Pool will not exceed the maximum limit annually set by ORS 294.810.

Total Return: Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Yield: The annual rate of return on an investment, expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

Ratings Table – Long-Term

Three Highest Rating Categories	**S&P**	**Moody's**	**Fitch**	**Definition**
	AAA	Aaa	AAA	Highest credit quality
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	Very high credit quality
	A+, A, A-	A1, A2, A3	A+, A, A-	High credit quality
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	Good credit quality
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-	Non-investment grade

Ratings Table – Short-Term

Highest Rating Category	S&P	Moody’s	Fitch	Definition
	A1+, A1	P1+, P1	F1+, F1	Highest credit quality
	Municipal Commercial Paper			
	A-1, A-1+, SP-1+, SP-1	P1, MIG1, VMIG1	F1+, F1	Highest credit quality