

# ALLEN COUNTY, OHIO INVESTMENT POLICY

REVISED – JUNE 18, 2004

## PURPOSE

This document, in conjunction with the Ohio Revised Code Section 135.35, will govern the activities of Allen County, Ohio. It will be reviewed annually for compliance and to assure the flexibility necessary to effectively manage the portfolio.

The purpose of the investment account is to maximize the financial return on the County's excess cash balances consistent with the complete safety of the portfolio's value and the liquidity desired.

These policies are designed to ensure the prudent management of public funds, the availability of funds when needed, and an investment return competitive with those of comparable funds.

A copy of this Policy will be provided to all securities dealers and investment bankers doing business with the Allen County Treasurer, and will be provided to other interested parties upon request. Receipt and acceptance of policy terms will be required of all those providing investment services to the Allen County Treasurer. The County Treasurer is referred to as the "Investing Authority."

## INVESTMENT OBJECTIVES

The investment objectives of the County, in order of priority, include:

- A. Compliance with all Federal and State Laws.
- B. Safety of principal:

**Credit Risk:** The risk of loss due to a security issuer failing to pay principal or interest. Credit risk will be minimized by:

- (1) diversifying assets by issuer;
- (2) ensuring minimum credit ratings exist prior to purchase; and
- (3) maintaining adequate collateralization of CD's.

**Market Risk:** The value of securities in the County's portfolio will increase or decrease based upon the general level of interest rates. Market risk will be minimized by:

- (1) maintaining adequate liquidity to meet current obligations without a premature sale of securities;
- (2) diversification of maturities; and
- (3) diversification of assets.

- C. **Liquidity:** The portfolio shall remain sufficiently liquid to meet current obligations of the County. Minimum levels may be established in order to meet current obligations. The portfolio may also be structured to match maturity of securities with the anticipated cash needs.
- D. **Yield:** The portfolio shall be managed to consistently attain a market rate of return. The market rate of return is defined as the return on three-month US Treasury bills on average. Whenever possible, the County shall seek to augment returns above market rate of return through the implementation of active portfolio management strategies.

### **AUTHORIZED INVESTMENTS**

All securities detailed in Section 135.35 ORC will be permitted. Eligible securities are as follows:

- US Treasury Bills, Notes and Bonds
- Federal National Mortgage Association Securities (FNMA)
- Federal Home Loan Mortgage Corp (FHLMC)
- Federal Home Loan Bank (FHLB)
- Federal Farm Credit Bank (FFCB)
- Government National Mortgage Association (GHMA)
- All other agencies or instruments of the United States

Other eligible investments include:

- Commercial paper issues of companies incorporated under the laws of the United States, rated A 1 + or A 1 by Standards & Poors and P1 or P2 by Moody's. The maximum maturity shall be 270 days from date of purchase.
- Banker Acceptances (BA's) issued by Ohio Banks or bankers acceptances by any domestic bank rated in the highest category by two national rating agencies. BA's must mature within 270 days from purchase, be purchased from the Federal Reserve System, and not exceed 10 percent of the portfolio value.
- Certificates of Deposit from eligible institutions mentioned in Section 135 ORC.
- The State Treasurer's Investment Pool (STAR OHIO).
- No-load money market mutual funds rated in the highest category by a nationally recognized rating agency, investing exclusively in the same securities as defined in Division A(1) or A(2) under Section 135.35 ORC and repurchase agreements secured by such obligations. Eligible money market funds shall comply with Section 135.01 ORC regarding limitations and restrictions.
- Repurchase agreements with any eligible institution mentioned in Section 135.32 ORC or any eligible securities dealer pursuant to division (J) of this section, except that such eligible securities dealer shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery vs. payment basis with repo collateral held at a qualified custodian or agent, designated by the County Treasurer. The market value of securities subject to a repurchase agreement must exceed the principle value of the repo by at least 2%. Prior to the execution of any repo transaction, the County Treasurer and the eligible parties will sign a master repurchase agreement.

THE USE OF DERIVATIVE SECURITIES, as defined in 135.35 (b) IS PROHIBITED.

All investments must have a final maturity date of five years (60 months) or less. All investments must be purchased with the reasonable expectation to be held until maturity. However, any security may be sold prior to maturity.

### **SALE OF SECURITIES PRIOR TO MATURITY**

Pursuant to Section 135.35 (E), securities may be "redeemed or sold" prior to maturity under the following conditions:

1. To meet additional liquidity needs
2. To purchase another security to increase yield or current income
3. To purchase another security to lengthen or shorten maturity
4. To realize any capital gains and/or income
5. To increase investment quality

Such transactions may be referred to as a "sale and purchase" or a "swap". For purposes of this section, redeemed shall also mean "called" in the case of a callable security.

### **SAFE KEEPING AND CUSTODY**

The investing authority shall be responsible for the safekeeping of investment assets of the County. Securities purchased for the County will be held in safekeeping by a qualified trustee (hereafter referred to as Custodian) as provided in Section 135.37 ORC. A monthly statement describing such securities will evidence securities held in safekeeping by the custodian. The custodian may safekeep the County's securities in:

1. Federal reserve bank book entry form; or
2. Depository Trust Company (DTC) book entry form in the account of the custodian (or custodian's correspondents bank); or
3. Non Book Entry (physical) securities held by the custodian or custodian's bank. All securities will settle using standard DELIVERY VS PAYMENT procedures. The records of the custodian shall identify such securities in the name of the investing authority.

### **REPORTING**

The County Treasurer is required to maintain monthly inventory of all investments as well as a monthly portfolio report. Also, the County Treasurer is to submit a quarterly report to the County Advisory Committee and file the reports with the County Board of Commissioners.

A list of securities dealers will be maintained by the Treasurer's office. **The Allen County Treasurer, or his designee, shall authorize all investment transactions for the County.**

**INVESTMENT ADVISORY COMMITTEE**

The Investment Advisory Committee shall consist of the Treasurer and two of the County Commissioners as designated by the Board. The Committee shall meet at least quarterly with any member having the right to call a meeting, upon five days notice. At all times, the requirements of Section 135.341 ORC will be adhered to. The committee chairman shall be the County Treasurer. Other members may be added to the committee as allowed by Section 135 ORC.

**INVESTMENT ADVISOR, QUALIFIED DEALERS AND FINANCIAL INSTITUTIONS**

The Investment Committee is authorized to retain the services of an investment advisor pursuant to 135.341 (D). The advisor may be required to attend all meetings of the committee and be prepared to discuss the County's portfolio, including bond market conditions affecting the County's investments. The investment advisor shall make recommendations regarding the investment of County funds and/or manage the portfolio of the County, including investment transactions, in accordance with the authorization of the County Treasurer or his Chief Deputy. Eligible brokers/dealers and financial institutions will only be used to execute trades on a "best price and execution" basis.

The County may transact business (execute sale and/or purchase of securities) with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities, to transact business in the State of Ohio. Eligible brokers/dealers and financial institutions are defined in ORC 135.35 (J) (1).

All persons or entities transacting investment business with the County are required to sign the investment policy as an acknowledgment and understand of the contents of said policy.

Institution Accepting Policy: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_