

# ALLEN COUNTY, OHIO INVESTMENT POLICY

Revision Date: January 31, 2019

## 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 (A) (1)-(10) ORC will be permitted, and may include the following eligible securities 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 (GNMA)
- Insured by the Federal Deposit Insurance Corporation (FDIC)
- All other agencies or instruments of the United States
- Bonds and other obligations of this state or the political subdivisions of this state, provided that such political subdivisions are located wholly or partly within the same county as the investing authority. These issues shall not exceed ten (10) years in duration, the related documents shall be prepared by Bond Council, and be approved by Resolution of the Allen County Board of Commissioners. All fees and costs of issuing debt to be charged to the recipient of the proceeds. In the event of default on the bonds or other obligations, the Allen County General Fund will be responsible for paying the default amount. (Added 05/07/2012) (Revised years 08/01/2018)

Other eligible investments include:

- Certificates of Deposit from eligible institutions mentioned in Section 135 ORC or Deposits / Securities fully insured by the FDIC.
- The State Treasurer's Investment Pool (STAR OHIO and STARPLUS).
- No-load money market mutual funds rated in the highest category by a nationally recognized rating agency or investing exclusively in the same securities as defined in Division A(1), A(2), or A(6) 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.

- Up to fifteen per cent of the county's total average portfolio in notes issued by corporations that are incorporated under the laws of the United States and that are operating within the United States, or by depository institutions that are doing business under authority granted by the United States or any state and that are operating within the United States, provided the notes are rated in the third highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase.(Revised 9/28/18)
- Up to forty per cent of the county's total average portfolio in either of the following investments:
  - Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services, the aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation, and The notes mature not later than **270** days after purchase. Notes of a single issuer shall not exceed in the aggregate five per cent of the interim moneys available for investment at the time of purchase.
  - Bankers' acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than **180** days after purchase.

THE USE OF DERIVATIVE SECURITIES, as defined in 135.35 (B) IS PROHIBITED. An eligible investment with a variable interest rate payment, based upon a single interest payment or single index comprised of other eligible investments provided for in division (A)(1) or (2) of ORC 135.35, is not a derivative, provided that such variable rate investment has a maximum maturity of **two** years. A treasury inflation-protected security shall not be considered a derivative, provided the security matures not later than **five** years after purchase.

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 Allen County Investment 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, but not required, 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: \_\_\_\_\_