MONROE COUNTY
INVESTMENT POLICY

PURPOSE

It is the policy of Monroe County to invest public funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security, meeting the daily cash flow requirements of the county and conforming to all state statutes governing the investment of public funds.

SCOPE

The Investment Policy applies to Monroe County's general investments and not Retirement Fund or Employee Benefit Funds assets.

OBJECTIVES

The primary objectives of this Policy, in compliance with Public Act 20 of 1943 (MCL 129.91), as amended, in priority order, of the County's investment activities shall be:

1. **SAFETY**: Safety of principal is the foremost objective of the investment program. Investments undertaken on behalf of the County must seek to ensure the preservation of principal in the overall portfolio.

2. **DIVERSIFICATION:** The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

3. **LIQUIDITY**: Investment maturities should be matched to the cash needs of the County, allowing for sufficient cash assets in order to enable the County to meet all cash operating requirements, which might be reasonably anticipated.

4. **RETURN ON INVESTMENT**: Investments should yield a rate of return commensurate with a recognized level of risk for like investments. The County's investment portfolio shall be designed with the specific objective of attaining a market rate of return through the various economic cycles taking into account the investment risks, legal constraints, County policy constraints, and cash flow requirements.

DELEGATION OF AUTHORITY

The authority to manage the County's investment program is derived from Michigan Public Act 20 of the Public Acts of 1943, as amended (MCL 129.91 et seq.). The County Treasurer is designated as investment officer of the County and is responsible for investment decisions and activities. In the absence of the treasurer, the chief deputy treasurer shall be responsible for investment activities. The treasurer shall develop and maintain written administrative procedures for the daily operation of the investment program consistent with the investment policy. Procedures shall include delegation of authority to persons responsible for investment transactions. No person may engage in investment transactions regarding these funds except as provided under the terms of this policy and the administrative procedures established by the County Treasurer. The County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and professional investment advisors.

AUTHORIZED INVESTMENTS

The Treasurer is authorized to invest in the following types of securities authorized by Public Act 20, of 1943, as amended (MCL 129.91 et seq.).

1. Bonds, securities and other obligations of the United States or any agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.

3. Commercial paper rated at the time of purchase at the highest classification established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

4. Repurchase agreements consisting of instruments in Number 1 above.

5. Bankers' acceptances of United States banks.

6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

7. Obligations described in Numbers 1 through 6 above, if purchased through an interlocal agreement under the Urban Cooperation Act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

8. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

9. Investment pools organized under the local government Investment Pool Act, 1985

PA 121, MCL 129.141 to 129.150.

AUTHORIZED INSTITUTIONS

The treasurer shall maintain a listing of financial institutions and security brokers/dealers, which are approved for investment purposes. Individuals representing institutions doing business with the County shall receive a copy of this policy, and shall certify that they have read it and understand the provisions therein. A copy of such certification shall be kept on file by the County Treasurer.

DIVERSIFICATION

It is the policy of Monroe County to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, individual financial institution(s), or a specific class of securities. Diversification strategies shall be determined and revised by the County Treasurer or his designee, from time to time, to meet diversification objectives (to reduce overall portfolio risks while attaining market average rates of return).

With the exception of U.S. Treasury Securities, no more than 25 percent of the total investment portfolio will be invested with a single financial institution.

MAXIMUM MATURITY

The County Treasurer will attempt to match the maturity of its investments with anticipated cash requirements. Unless matched to a specific cash requirement, the County will not invest directly into authorized investments, which mature more than three (3) years after the date of purchase.

SAFEKEEPING AND CUSTODY

It shall be the responsibility of the County Treasurer to determine which securities will be held by a third party custodian. Securities held in safekeeping by a third party custodian shall be evidenced by a safekeeping receipt.

PRUDENCE

Investments shall be made by the County Treasurer based on his/her best judgment under circumstances then prevailing, which persons of prudence, discretion and intelligence exercised in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the principal, as well as, liquidity and probable income to be derived from the respective investments.

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

Treasurer shall act in accordance with written procedures and this investment policy, and exercise due diligence, and shall be relieved of personal responsibility for an individual security risk or market price changes.

ETHICS AND CONFLICTS OF INTEREST

The Treasurer and employees involved in the investment process shall refrain from personal business 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. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio.

REPORTING

The County Treasurer shall provide a quarterly investment report to the Board of Commissioners showing in summary form, security type, average maturity, portfolio yield and other information necessary to ascertain whether investments activities during the reporting period have conformed to this Policy.

DEFINITIONS

Description of Investments which comply with the requirements of Public Act 20 of 1943, as amended (MCL 129.91).

US Treasury Bills: Obligations of the United States Government sold at a discount from par with a specific maturity date up to a maximum maturity of one year. The interest is discounted and calculated using actual number of days on a 360-day year.

US Treasury Notes: Obligations of the United States Government bearing interest payable at six month intervals until maturity. Maturities are from one to ten years.

US Treasury Bonds: Similar to notes except original maturities are ten years and longer.

US Government Agency Obligations: Obligations issued by various independent federal agencies which are separate corporate entities and which are not direct obligations of the United States Government.

Certificate Of Deposit (CD): Is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest. A negotiable receipt may be in bearer or registered form and can be traded in the secondary market. A non-negotiable receipt is always registered and has no secondary market. Denominations can be any agreed amount, and interest is normally calculated using actual number of days on a 360-day year. However, each financial institution's calculations vary, and the investor should ask to avoid misunderstanding.

Savings Deposit Receipt: A non-negotiable receipt evidencing a deposit with interest to be paid at a stated rate. Maturity may be fixed, but normally is subject to presentation by the depositor for payment. The amounts may be small or large but Federal Regulations will regulate the interest rate to be paid. This instrument is somewhat outdated due to popularity of regular passbook and statement savings accounts with daily interest.

Savings Accounts: A deposit evidenced by a passbook or monthly statement. Entries are made for each deposit and withdrawal and interest is paid in accordance with the policy of the financial institution. It is often used to accumulate small amounts of funds until a larger, higher yielding investment can be made.

Commercial Paper: Is an unsecured promissory note (270 days or less) generally issued by large corporations and traded between them to meet their short-term cash requirement. Commercial paper may also be issued by public utilities, governmental units, a bank holding company, or finance company.

Repurchase Agreement: Is not a security but a contractual arrangement between a financial institution or dealer and an investor. The agreement normally can run for one to thirty days, but some can go longer. The investor puts up his funds for a certain number of days at a stated yield. In return, he takes title to a given block of securities as collateral. At maturity, the securities are returned and the funds repaid plus interest. Usual amounts are $500,000 or more, but some repurchase agreements can be smaller. Interest is calculated the same as certificates of deposit. Extreme caution should be exercised to obtain an undivided interest in the securities under repurchase agreement. Furthermore, if the securities are held for you in safekeeping, they should be held in a customer-segregated safekeeping account, preferably by a third party. The securities under repurchase agreement should also be "Marked-to-Market" meaning that the value of the securities should be maintained during the entire life of the agreement at levels equal to or greater than the amount advanced for the agreement.

Banker's Acceptance: A negotiable time draft or Bill of Exchange drawn on and accepted by a commercial bank. Acceptance of the draft irrevocably obligates the bank to pay the bearer the face amount of the draft at maturity. Banker's acceptances are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. Banker's acceptances are sold at a discount from par similar to US Treasury Bills, and, since an acceptance is tied to a specific loan transaction, the amount and maturity of the acceptance are fixed.

Investment Pools: Those investment pools organized under the authority of the Urban Cooperation Act of 1967, (Ex Sess) PA 7 (MCL 124.501 to 124.512), the Surplus Funds Investment Pool Act, 1982 PA 367 (129.111 to 129.118) and the local government Investment Pool Act, 1985, PA 121, (MCL 129.141 to 129.150). Those pools are managed by contractual agreement contained in the interlocal agreement, banks and the County Treasurer, respectively. All of the pools are limited to investments described in section 1 (1) (a) through (g).