

I. **Introduction** - The purpose of this investment policy is to establish priorities and guidelines regarding the investment management of the County's operating funds [hereinafter referred to as the "Portfolio"]. Such priorities and guidelines are based upon Chapter 135.35 ORC, and prudent money management. **This investment policy, dated June 19, 2013**, has been approved by the Investing Authority and the County Investment Advisory Board (Chapter 179, Investment Advisory Board, Summit County Codified Ordinance). The investment policy, **dated June 19, 2013, is a revision of an originally approved policy, dated October 31, 2011**. Sections of 135.35 ORC [totally or partially] may be used to describe eligible investments. In some sections, the policy places further limits upon the use eligible investments or investment transactions. The Fiscal Officer is referred to as the "Investing Authority". The County Investment Advisory Board is referred to as the "Board".

II. **Standards of Prudence** - The standard of prudence to be applied by the Investing Authority shall be the industry-standard "Prudent Person Rule", which 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."

III. **Ethics and Conflicts of Interest** - Employees of the Investing Authority involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Members of the Investment Advisory Board and the County's investment advisor shall disclose any material financial interest in financial institutions and any large personal financial or investment positions that could be related to, or affected by, the performance of the County's portfolio.

IV. **Investment Objectives** - The investment objectives of the County, in priority order, include:

A. *Compliance with all Federal and State laws*

B. *Safety of principal* - Safety of principal is the primary objective of the investment program. The investment of County funds shall be conducted in a manner that seeks to ensure the preservation of capital within the context of the following criteria:

Credit Risk

Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest.

Eligible investments, pursuant to Chapter 135.35 ORC, affected by credit risk include certificates of deposit, commercial paper, and bankers acceptances. Credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required, minimum credit quality ratings exist prior to the purchase of commercial paper and bankers acceptances; and (3) maintaining adequate collateralization of certificates of deposit and other deposit accounts pursuant to the method as determined by the Investing Authority.

Market risk

The market value of securities in the County's portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be minimized by (1) maintaining adequate liquidity so that current obligations can be met without a sale of securities; (2) diversification of maturities; (3) diversification of assets.

C. **Liquidity** - The portfolio shall remain sufficiently liquid to meet all current obligations of the County. Minimum liquidity levels [as a percentage of the average portfolio] may be established in order to meet such current obligations. The Investing Authority may elect to separate the County's total investment fund balance into a liquidity portfolio, comprised of short-term investments and/or eligible money market funds; and a core portfolio comprised of various eligible securities with longer-term maturities.

D. **Yield** - The portfolio shall be managed to consistently attain a market rate of return throughout budgetary and economic cycles. The market-average rate of return is defined as the average yield of the three-month US Treasury Bill. The Investing Authority may also compare the portfolio's return or yield to another selected benchmark(s), similar in nature to the characteristics of the County's portfolio. Whenever possible, and consistent with risk limitations and prudent investment management, the County shall seek to augment returns through the implementation of active portfolio management strategies.

V. **Authorized Investments (itemized)** – The Investing Authority may invest in the following:

A. U.S. Treasury Bills, Notes, and Bonds.

B. Federal agency securities including issues of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the United States. Eligible investments include securities that may be "called" [by the issuer] prior to the final maturity date. Any eligible investment may be

purchased at a premium or a discount. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

C. Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Section 135.35 (A)(8) ORC.

D. Bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under 135.35 (A)(8) ORC.

E. Certificates of deposit from any eligible institution mentioned in section 135.32 ORC.

F. No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division A(1) or A(2) under 135.35 ORC and repurchase agreements secured by such obligations. Eligible money market funds shall comply with 135.01 ORC, regarding limitations and restrictions.

G. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds. The investments made under division (A)(11) of Chapter 135.35 ORC shall not exceed in the aggregate one per cent of the County's total average portfolio. The Investing Authority shall invest under division (A)(11) of Chapter 135.35 ORC in a debt interest issued by a foreign nation only if the debt interest is backed by the full faith and credit of that foreign nation, there is no prior history of default, and the debt interest matures not later than five years after purchase. For purposes of division (A)(11) of Chapter 135.35 ORC, a debt interest is rated in the three highest categories by two nationally recognized standard rating services if either the debt interest itself or the issuer of the debt interest is rated, or is implicitly rated, at the time of purchase in the three highest categories by two nationally recognized standard rating services.

H. Repurchase agreements with any eligible institution mentioned in section 135.32 ORC, or any eligible securities dealer pursuant to division (J) of Chapter 135.35 ORC, except that such eligible securities dealers shall be *restricted to primary government securities dealers*. Repurchase agreements will settle on a delivery vs. payment basis with repo collateral held in safekeeping by a third party custodian as agreed to by the Investing Authority. The market value of securities subject to a repurchase agreement must exceed the principal value of the repo amount by an amount as defined under the Ohio Revised Code. The

Investing Authority reserves the right to require an additional percentage of collateral securing such repurchase agreements. Prior to the execution of any repo transaction with an eligible dealer, a master repurchase agreement will be signed by the Investing Authority and the eligible dealer.

I. Securities lending agreements with any eligible institution mentioned in 135.32 ORC.

J. The state treasurer's investment pool, pursuant to Section 135.45 ORC.

K. Bonds and other obligations of this state, including various state agencies including but not limited to the Ohio Public Facilities Commission, and the obligations of any agency, department, or authority of Summit County; debt issuances may be executed as private placements between the Investing Authority and an agency, department, or authority of Summit County.

L. Obligations of political subdivisions located totally or partially within Summit County. Such purchases will be evaluated on a case-by-case basis by the Investing Authority and the total for all purchases combined will not exceed five (5%) of the average portfolio at cost, as calculated by the Investing Authority.

M. Notes issued by corporations with a maximum maturity of two years; specific limitations apply as provided for under 135.35 (A)(9) ORC. The percentage limitation (15% of the County's total average portfolio) does not include commercial paper or bankers acceptances.

The County's "total average portfolio" shall be calculated from time to time in a manner reasonably determined by the Investing Authority. The manner of calculation selected by the Investing Authority shall be reported to the Board and shall be applied consistently from time to time, provided that change in the manner of calculation may be made by the Investing Authority if such change and the reason therefore is reported.

VI. Prohibited Investments, Prohibited Transactions, and Other Limitations - The final maturity of all eligible investments is five years, unless the investment is matched to a specific obligation or debt of the County, and the investment is recommended by the Investing Authority and approved by the Board:

- Final maturities in excess of five years, except as provided under 135.35 (C) ORC.
- Derivative securities, as defined in 135.35 (B) ORC.
- The use of leverage.
- The issuance of taxable notes for the purpose of arbitrage.
- Other prohibited investments or transactions as defined in Section 135.35 ORC.

VII. Continuing Education - The Investing Authority shall require designated employees who are assigned investment responsibilities to attend continuing education classes or seminars each year. At a minimum, such designated persons shall earn at least twelve hours or credits of public sector investment topics or courses each year. The County will bear the cost of continuing education courses for employees of the Investing Authority.

VIII. Safekeeping 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 [hereinafter referred to as the "Custodian"], as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safekeep the County's securities in (1) Federal Reserve Bank book entry form; (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank; or (3) Non-book entry (physical) securities held by the custodian or the custodian's correspondent bank. All securities transactions will settle using standard delivery-vs-payment (DVP) procedures. The records of the custodian shall identify such securities in the name of the Investing Authority. To maintain strict internal and external controls for the safekeeping of the County's investment assets, Summit County's investment assets shall not be held in safekeeping by a broker/dealer firm, and/or firms acting on behalf of a broker/dealer to safe keep the County's investment assets. Nor shall a company and/or entity act as both investment advisor and broker/dealer to Summit County.

IX. The Investment Advisory Board ("Board") - Pursuant to County Codified Ordinance, Chapter 179, the Board is established to review the investments of the Investing Authority. The Board shall consist of the County Executive, the President of County Council and the County Fiscal Officer. Each member of the Board may appoint a designee. The Fiscal Officer shall act as the Chairman of the Board. Pursuant to Ohio Revised Code section 135.41 (C) the Investment Advisory Board shall meet at least once every three months.

X. Reporting [bracketed language refers to statutory terms] - The Investing Authority shall maintain an inventory of all obligations and securities. A description of each security includes type [issue/issuer], cost [original purchase cost or current book value], par value [maturity value], maturity date [receipt date of par value], settlement date [delivery versus payment date of purchased or sold securities], and any coupon [interest] rate. The investment report will also include a record of all security purchases and sales. The Investing Authority will maintain a monthly portfolio report and issue a quarterly portfolio report to the Board, detailing the *current* inventory of all securities, all monthly transactions, any income received [maturities, interest payments, and sales], and any expenses paid. The report shall also include the yield of each security, and the average-weighted yield and average-weighted maturity of the aggregate portfolio.

XI. Investment Advisors, Qualified Dealers and Financial Institutions - The County is authorized to retain the services of an investment advisor, pursuant to 135.341 (D) ORC. Upon request, the investment advisor will attend such meetings and will discuss all aspects of the County's portfolio, including market conditions or economic factors 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 the execution of investment transactions]. Investment transactions will be used to execute trades on a "best price and execution" basis. The County may transact business (execute the purchase and/or sale 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 broker/dealers and financial institutions are defined in 135.35 (J)(1) ORC. Under no circumstances will brokers or broker/dealer firms act as an investment advisor or in a similar capacity as an investment advisor, either directly or indirectly, if such broker/dealers participate in transaction business (purchase and sale of securities) with the Investing Authority or the Investing Authority's investment advisor.

The Investing Authority may approve a list of broker/dealers, from which the investment advisor will execute investment transactions.

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

XII. Sale of Securities Prior to Maturity - Pursuant to Section 135.35 (E) ORC, 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 lengthen or shorten the portfolio's average maturity (duration)
- (4) To realize any capital gains and/or income
- (5) To adjust the portfolio's asset allocation

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.

XIII. Statements of Compliance - This investment policy has been approved by the Investing Authority and filed with the Auditor of State, pursuant to 135.35 (K)(1) ORC. The County Investment Advisory Board has additionally approved the investment policy.

All brokers, dealers, and financial institutions executing transactions initiated by the Investing Authority have signed the approved investment policy. Investment policies [signed by such brokers, dealers, and financial institutions] are filed with the Investing Authority. The County's investment advisor is registered with the Securities and Exchange Commission and possesses public funds investment management experience, specifically in the area of state and local government investment portfolios. The investment advisor has additionally signed the approved investment policy and the signed policy is filed with the Investing Authority.

Any amendments to this policy will be filed with the Auditor of State [Attn: Clerk of the Bureau, 88 East Broad Street, 4th Floor, Columbus, OH, 43215] within fifteen days of the effective date of the amendment.

Rev: **June 19, 2013**

The following entity has signed, herein, this approved investment policy. Having read the policy's contents, the following representative(s), on behalf of their entities, acknowledge comprehension and receipt:

Name of Registered Representative
Name of Financial Institution Representative

Date

Name of Broker/Dealer Firm or Financial Institution

INVESTMENT POLICY OF SUMMIT COUNTY

Pursuant to the following resolution, the Fiscal Officer ("Investing Authority") and the County Investment Board ("Board") have approved an investment policy, dated June 19, 2013. Such investment policy represents a revision of a previously approved policy, dated October 31, 2011. The revised policy has been filed with the State Auditor in accordance with 135.35 (K)(1) ORC and will remain in effect unless modified by the Investing Authority and the Board.

Recommendation and Approval of the Investing Authority:

The investment policy, dated June 19, 2013, is submitted by the Investing Authority for consideration by the Board:

Kristen M. Scalise, Fiscal Officer
Summit County, OH

Date

Acceptance and Approval of the County Investment Board:

The investment policy is, hereby, approved by the Board:

County Executive
Summit County, OH

Date

President
Summit County Council

Date

Fiscal Officer
Summit County, OH

Date