

Oakland County, Michigan

Investment Policy | April 2022

1.0 PURPOSE

In conformance with [Michigan Public Act 20 of 1943, as amended, \("PA 20"\)](#) (MCL 129.91 to 129.97a) the Investment of Surplus Funds of Political Subdivisions, it is the policy of Oakland 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.

2.0 SCOPE

This Investment Policy applies to all financial assets of the County, except for retirement and pension funds, under the control of the County Treasurer.

3.0 OBJECTIVES

The primary objectives, in priority order, of the County Treasurer's investment activities shall be:

- 3.1 Safety: Safety of principal is the foremost objective in the investment of County funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 3.2 Diversification: The investments will be diversified by security type, as allowed by regulation, financial institution, and maturity of securities in order to reduce portfolio and market risks. Except for U.S. Treasury securities, authorized investment pools, and certificates of deposits insured by the Federal Deposit Insurance Corporation, no more than 25% of the total investment portfolio will be invested in a single security issuer. With the exception of U.S. Treasury securities and authorized investment pools, no more than 60% of the total investment portfolio will be invested in a single security type.
- 3.3 Liquidity: The investment portfolio shall remain sufficiently liquid to enable the County Treasurer to meet all operating requirements that might be reasonably anticipated.
- 3.4 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment shall be of secondary importance compared to the safety and liquidity objectives above.
- 3.5 Local Investment, Lending and Environmental Social and Governance (ESG): Final consideration will be given to institutions prioritizing investment

Oakland County, Michigan

Investment Policy | April 2022

and lending in Oakland County as well as evaluating their ESG standards and Community Reinvestment Act rating.

4.0 AUTHORIZED INVESTMENTS

Subject to the prior authorization of the Board of Commissioners, the County Treasurer is authorized to invest in one or more of the following types of securities as defined in [Michigan Public Act 20 of 1943, as amended, \("PA 20"\)](#) (MCL 129.91 to 129.97a)

- 4.1 Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- 4.2 Certificates of deposit, savings accounts, or depository receipts of a qualified financial institution as defined in PA 20; certificates of deposit obtained through a qualified financial institution as provided in PA 20; or deposit accounts of a qualified financial institution as provided in PA 20.
- 4.3 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.
- 4.4 Repurchase agreements consisting of instruments in subdivision 4.1. The PSA Master Repurchase Agreement prototype agreement shall be employed with appropriate supplemental provisions regarding security delivery, security substitutions, and governing law. A signed Repurchase agreement must be on file before entering into a repurchase transaction.
- 4.5 Bankers' acceptances of United States banks.
- 4.6 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.
- 4.7 Mutual funds registered under the Investment Company Act of 1940 (15 USC 80a-1 to 80a-64) with authority to only purchase investment vehicles that are legal for direct investment by a public corporation as defined in PA 20. [Investment is limited to mutual funds that maintain a net asset value of \$1.00 per share.]
- 4.8 Obligations described in subdivisions 4.1 through 4.7 if purchased through an inter-local agreement under the [Urban Cooperation Act of 1967, Act 7 of 1967 \(Ex. Sess.\), as amended](#) (MCL 124.501 to 124.5120).
- 4.9 Investment pools organized under the [Surplus Funds Investment Pool Act, Act 367 of 1982, as amended](#) (MCL 129.111 to 129.118).
- 4.10 Investment pools organized under the [Local Government Investment Pool Act, Act 121 of 1985, as amended](#), (MCL 129.141 to 129.150).
- 4.11 Or other eligible investments permitted by and subject to PA 20, as amended.

Oakland County, Michigan

Investment Policy | April 2022

5.0 INVESTMENT POOLS / MUTUAL FUNDS

A thorough investigation of each investment pool or mutual fund shall be required before investing, and on an annual basis after investing. A questionnaire shall be developed to perform due diligence and secure written responses to a set of questions. The questions shall, at minimum, include the following:

1. Does the investment pool or mutual fund have a written statement of investment policy and objectives? How are changes to the investment policy and objective statement communicated to participants?
2. Does the investment policy describe eligible investment securities?
3. A detailed description of interest calculations covering items such as:
 - a. How is interest distributed?
 - b. What is the frequency of interest payments?
 - c. How are gains and losses treated?
4. How are securities safeguarded? How often are the securities priced to market? What audit steps are employed in this process?
5. Who can invest in the investment pool or mutual fund? How often? Any deposit/withdrawal size limitations? How many deposits or withdrawals can be made in a monthly period? What is the cutoff time for deposits and withdrawals? Does the investment pool or mutual fund allow for multiple accounts and sub-accounts? Do we get a confirmation after each transaction?
6. What is the schedule for receiving account statements and portfolio listings?
7. What is the fee schedule? Describe in detail how and when these fees are assessed.
8. Does the investment pool or mutual fund retain any reserves? If so, describe in detail the reserve retention.
9. Will the investment pool or mutual fund accept bond proceeds subject to arbitrage rebate? Will the investment pool accounting and record keeping system be suitable for arbitrage rebate? Is the investment pool's yield calculation acceptable to the IRS or will it need to be restated? Can a separate account be established for each purpose/project of a bond offering?

4.0 STANDARDS OF CARE

- 4.1 Prudence: Investments shall be made with judgement and care, under prevailing circumstances, 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 principal and probable income to be derived.

Oakland County, Michigan

Investment Policy | April 2022

The standard of prudence to be used by the County Treasurer, officers, employees, and investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Acting in accordance with written procedures, this Investment Policy, and exercising due diligence, the County Treasurer, officers, employees and investment officials shall be relieved of personal responsibility for an individual security’s credit risk or market price change provided deviations from expectations are reported in a timely fashion and appropriate action is taken.

4.2 Ethics and Conflicts of Interest: The County Treasurer, officers, employees, and investment officials involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. The County Treasurer, officers, employees, and investment officials shall disclose not less than annually if any material financial interest in financial institutions that conduct business with the County, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the County’s investment portfolio. The County Treasurer, officers, employees, and investment officials shall refrain from undertaking personal investment transactions with any individuals with whom business is conducted on behalf of the County.

5.0 DELEGATION OF AUTHORITY

Authority and management responsibility for the investment program is hereby delegated to the County Treasurer as required by state statute (MCL 48.40). The County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and written procedures to regulate the activities of subordinate officials.

6.0 WRITTEN PROCEDURES

The County Treasurer shall establish written investment procedures for the operation of the investment program consistent with this Investment Policy. The written procedures should include, at a minimum, references to: 1) safekeeping; 2) delivery vs payment; 3) investment accounting; 4) repurchase agreements; 5) wire transfer agreements; 6) collateral/depository agreements; and, 7) banking service contracts. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the written procedures established by the County Treasurer.

7.0 SAFEKEEPING AND CUSTODY

All securities transactions (including collateral for repurchase agreements), except certificates of deposits as described below, shall be conducted on a delivery-

Oakland County, Michigan

Investment Policy | April 2022

versus-payment (DVP) basis. Securities will be held by a third-party custodian, as designated by the County Treasurer, and shall be evidenced by a safekeeping receipt.

Non-collateral, non-negotiable certificates of deposits, as is allowed under State of Michigan law, shall be evidenced by a safekeeping receipt from the issuing bank.

7.1 Safekeeping and Custody

7.1.1 Delivery vs. Payment: All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the County's safekeeping institution prior to the release of funds.

7.1.2 Safekeeping: Securities will be held by a centralized independent third-party custodian selected by the County as evidenced by safekeeping receipts in the County's name.

7.1.3 Internal Controls: The County Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

8.0 MAXIMUM MATURITIES

To the extent possible, the County shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a particular cash flow need, the County will not directly invest in securities that mature more than 5 years from the date of purchase.

Funds with longer-term horizons may be invested in securities exceeding the 5-year limitation provided that maturity dates coincide, as near as possible, with the expected use of the funds.

9.0 INTERNAL CONTROL

The investment officer is responsible for establishing a system of internal control that will ensure that the investment assets, of the County, are protected from loss, theft or misuse. The internal control structure shall be designed in such a way to provide reasonable assurance that these objectives are being met. The cost of control should not outweigh the benefits received.

The internal control system shall be reviewed annually by an external audit group to ensure compliance with policies and procedures.

10.0 PERFORMANCE STANDARD

The investment portfolio will be managed in accordance with the standards

Oakland County, Michigan

Investment Policy | April 2022

established within this Investment Policy and should obtain a market rate of return during an economic and budgetary environment of stable interest rates or yield. Accordingly, the benchmark used to measure portfolio performance shall be the 30-day US Treasury bill. Performance measurement shall occur at least every quarter.

11.0 REPORTING

The County Treasurer or Investment Officer shall provide a quarterly report to the Board of Commissioners. The annual report should provide a listing of investments, their maturity dates, types of investments, cost basis, market value, rating, and other information to provide a clear picture of the status and types of investments of the current investment portfolio. This report shall be prepared in such a way that will allow the County to ascertain whether investment activities during the reporting period have conformed to the Investment Policy.

12.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

Using a request for information or request for proposals, the County Treasurer shall maintain a list of financial institutions authorized to provide investment services. In addition, and using the same process, a list shall also be maintained of approved broker/dealers based on credit worthiness and authorization to conduct business in the State of Michigan. These may include “primary” dealers or regional dealers that qualify under the Security & Exchange Commission Rule 15c3-1 (uniform net capital rule). Regional dealers must meet two times the uniform capital rule to be authorized for County business.

All financial institutions and broker/dealers that the County conducts business with shall annually or upon adoption updates certify that they have received the County’s Investment Policy, read the Investment Policy, and will comply with said terms of the Investment Policy.

All financial institutions or broker/dealers wishing to become qualified bidders for investment transactions must supply, at a minimum, the County Treasurer with their audited financial statements for the past three fiscal years, proof of their NASD certification, proof of their Michigan registration and a signed investment policy certification acknowledgment.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the County Treasurer including review of publicly available audited financial statements for each financial institution in which the County invests with.

13.0 AMENDMENT TO AND AFFIRMATION OF INVESTMENT POLICY

The County’s investment policy shall be adopted by a resolution of the Board of Commissioners. The policy shall be reviewed annually by the County Treasurer. Any revision to the policy shall be brought to the Board of Commissioners for

Oakland County, Michigan

Investment Policy | April 2022

adoption. The Investment Policy should be affirmed by the Board of Commissioners not less than every five years.