



INVESTMENT SECURITY  
POLICY

APPROVED FOR USE BY BOARD OF TRUSTEES  
FEBRUARY 3, 2014

## **1) SCOPE**

This investment policy applies to all funds which are accounted in the Annual Independent Audit.

## **2) PURPOSE**

To provide guidelines for the prudent investment of ICRMP's funds and to outline the policies needed to maximize the efficiency of the cash management system.

## **3) POLICY**

The Controller shall invest through a Board of Trustees approved Investment Advisor for idle public funds in a manner that recognizes that safety of principal is the top priority. The primary duty and responsibility of the Controller is to protect, preserve and maintain cash and investments placed in his/her trust on behalf of the Board of Trustees. The second priority is liquidity. It is the duty of the Controller to maintain an adequate percentage of the portfolio in short-term securities, which can be converted to cash if necessary to meet disbursement requirements. A high yield on investments ranks third in priority in the Program's investment strategy. Yield will be considered only after the basic requirements of safety and liquidity have been met. This strategy will be carried out in conformity with state statutes.

## **4) PRUDENCE**

- a) The Controller and Investment Advisor shall invest public funds in the context of the "prudent person standard" 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."
- b) The Controller and Investment Advisor shall adhere to and be evaluated according to the aforementioned "prudent person standard" in the performance of his/her duties as the manager of public funds.
- c) Additionally, employees of ICRMP acting in accordance with board-approved procedures and this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## 5) INVESTMENT OBJECTIVE

The primary objective of the ICRMP investment policy is to safeguard government funds while providing for adequate liquidity to meet the Program's daily needs. The primary objectives, in priority order of investment activities, shall be:

- a) **Safety.** Safety of principal is the foremost objective of the investment program. The Controller and Investment Advisor shall seek to avoid capital losses for all investment transactions made. The portfolio shall be diversified to ensure that potential losses on the individual securities do not exceed the income generated from the remainder of the portfolio. Additionally, the Controller and Investment Advisor shall ensure the safety of invested funds by limiting credit risks.
- b) **Credit Risk.** The risk of loss due to the failure of the security or backer. Credit risk will be mitigated by:
  - i) Limiting investments to the types of securities authorized by this policy.
  - ii) Using pre-qualified financial institutions.
  - iii) Diversifying the investment portfolio.
- c) **Liquidity.** An adequate percentage of the portfolio shall be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements.
- d) **Return on Investment.** The investment portfolio shall be designed to attain a market-average rate of return. ICRMP's approach is to buy an investment with the intention of holding the investment to maturity.
- e) **Legal Requirement.** ICRMP's investment portfolio shall be designed with the objective of meeting all legal requirements set forth by applicable Federal, State and local laws.

## 6) INVESTMENT PROCEDURES

- a) Written investment policy procedures shall be established by the Executive Director and Controller for the operation of the investment program consistent with this policy.
- b) The Executive Director must review all bank and investment statements on a monthly basis, noting account balances, investment transactions, and electronic disbursements.
- c) A report documenting the investment sales, purchases, and portfolio performance will be sent to the board quarterly.
- d) The Investment Advisor must meet with the Board of Trustees annually and review all portfolio transactions, investment performance, and investment fee structure,

confirm compliance with the investment policy and ratify all sales and purchases of investments during the previous twelve months.

- e) The Investment Advisor is required to monitor the investment portfolio on a daily basis and notify the Controller or Executive Director if one or more securities decline below investment grade of BBB-. Management is required to disclose this impairment to the Board of Trustees at the next scheduled Board Meeting.
- f) The Board-approved Investment Advisor must obtain the Executive Director's written approval to liquidate more than one million (\$1,000,000) of the investment portfolio within a ninety (90) day period.
- g) The Board-approved Investment Advisor must obtain the Executive Director and Board Chairman's approval to liquidate more than fifteen percent 15% of the investment portfolio within any ninety (90) day period.
- h) Entering into and termination of the Investment Advisor's contract can only be performed with approval of the Board of Trustees.

## **7) ETHICS AND CONFLICTS OF INTERESTS**

The Executive Director, Controller, and Investment Advisor shall avoid any transaction that might impair public confidence in ICRMP's ability to govern effectively. Officers and employees involved in the investment process shall refrain from business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board of Trustees any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of ICRMP's portfolio. Employees and officers shall subordinate their personal investment transactions to those of ICRMP, particularly with regard to the time of purchase and sales.

## **8) AUTHORIZED AND SUITABLE INVESTMENTS**

The Controller and/or those person(s) assigned by the Controller shall invest money only in those investment instruments allowed by Idaho Code §50-1013 and any investment authorization provided to counties of the state of Idaho or other political subdivisions of the state. Legal investments for ICRMP are as follows and shall be in U.S. dollar denominations:

- a) Revenue bonds issued pursuant to the Revenue Bond Act.

- b) City coupon bonds provided for under §50-1019 Idaho Code.
- c) Local improvement district bonds provided under Chapter 17, Title 50, Idaho Code.
- d) Time deposit accounts with public depositories.
- e) Bonds, treasury bills, interest-bearing notes, or other obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principle and interest.
- f) General obligations bonds of this state, or those for which the faith and credit of the United States are pledged for the payment of principle and interest.
- g) General obligation bonds of any county, city, metropolitan water district, municipal utility district, school district, or other taxing district of this state.
- h) Notes, bonds, debentures, or other similar obligations issued by the Farm Credit System or institutions forming a part thereof under the Farm Credit Act of 1971 (U.S.C., Title 12, sections 2001-2259) and all Acts of Congress amendatory thereof or supplementary thereto; in bonds or debentures of the Federal Home Loan Bank Act (U.S.C., Title 12, Sections 1421-1449); in bonds, debentures, and other obligations of the Federal National Mortgage Association established under the National Housing Act (U.S.C., Title 12, Sections 1701-1750g) as amended, and in the bonds of any federal home loan bank established under said act and in other obligations of agencies and instrumentalities of the state of Idaho or the United States.
- i) Bonds, notes, or other similar obligations issued by public corporations of the state of Idaho including, but not limited to, the Idaho state building authority, the Idaho housing authority, and the Idaho water resource board, but such investment shall not extend beyond seven (7) days.
- j) Repurchase agreements and reverse repurchase agreements covered by any legal investment for the state of Idaho or as otherwise allowed by this section, provided that reverse repurchase agreements shall only be used for the purpose of liquidity and not for leverage or speculation.
- k) Tax anticipation bonds or notes, income and revenue anticipation bonds or notes and registered warrants of the state of Idaho or of taxing districts of the state of Idaho.

- l) Savings account including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn and similar transaction accounts.
- m) Time deposit accounts and other savings accounts of state or federal savings and loan associations located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the federal savings and loan corporation, including but not limited to accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
- n) Share, savings, and deposit accounts of state and federal credit unions located within the geographical boundaries of the state in amounts not to exceed the insurance provided by the national credit union share insurance fund and/or any other authorized share guaranty corporation, including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
- o) Prime banker's acceptances.
- p) Prime commercial paper.
- q) Money market funds, mutual funds, or any other similar funds whose portfolios consist of any allowed instrument as specified in this section.
- r) Bonds, debentures or notes of any corporation organized, controlled and operating within the United States which have, at the time of their purchase, an A rating or higher by a commonly known rating service.
- s) Exchange Traded Funds (ETFs) which are comprised of US Government backed bonds, investment grade corporate bonds, and/or municipal bonds. Any ETF used by the investment advisor shall be classified as an NAIC 1 or 2 investment and shall be deemed appropriate for the ICRMP portfolio in all other respects including interest rate risk
- t) State Treasurer's Investment Pool.

## **9) MASTER REPURCHASE AGREEMENT**

The Controller shall have on file a copy of the Master Repurchase Agreement, signed by both parties, prior to any repurchase agreements with a bank or dealer.

## **10) COLLATERALIZATION**

Collateralization will be required on two types of investments:

- a) Certificates of Deposits.
- b) Repurchase Agreements. Reverse repurchase agreement investments must have Board approval. Any bank or Federally insured banking institution doing business with ICRMP must provide dedicated collateral for any deposits it holds in excess of \$100,000 insured by The Federal Depository Insurance Corporation or Federal Savings & Loan Insurance Corporation. The collateralization process requires securities that serve as collateral are placed in a safekeeping account. The collateral must consist only of the following securities: U.S. Treasury Bills, Notes, Bonds and federal agency securities, and/or the government-guaranteed portion of certain government securities. Collateral will be marked to market on the day of the transaction or otherwise protected against price deterioration with over-collateralization of a minimum of 105%.
- c) Collateral will always be held by an independent third party with whom the Program has a current custodial agreement. A clearly marked evidence of ownership, safekeeping receipt, must be supplied to the Program and retained by the Controller.

## **11) SAFEKEEPING AND CUSTODY**

All security transactions, including collateral agreements, entered into by the Program shall be conducted on a delivery-versus-payment (DVP) basis. A third party custodian designated by the Controller will hold securities.

Repurchase agreements may be entered into on a safekeeping basis only if a master agreement with the bank or trust department providing the safekeeping is first obtained and it very clearly establishes that the bank/trust is acting as third party agent for the Controller, not the financial institution arranging the repurchase agreements. Such third party safekeeping arrangements will be documented with a signed agreement between the Controller and that the financial institution does not have access to them under any circumstances.

All securities owned by the Program will be held by a third party except the collateral for time deposits in banks and savings and loans. Collateral for time deposits in banks should be held in the Program's name in the bank's Trust Department, or alternately in the Federal Reserve Bank. Collateral for time deposits in savings and loans is held by the Federal Home Loan Bank or an approved Agent of Depository.

## **12) DIVERSIFICATION:**

It is the policy of ICRMP to diversify its investment portfolio to avoid incurring unreasonable and avoidable risks or loss resulting from over-concentration of assets in a specific maturity, specific insurer, or specific class of securities. The Investment Advisor will recommend an optimum investment mix that shall be reviewed by Management and the Board of Trustees.

## **13) PERFORMANCE STANDARDS:**

ICRMP's investment portfolio will be designed with the objective of exceeding a benchmark made up of a combination of the Barclays Aggregate Bond Index, the Barclays Intermediate Government/Credit Index, and the Barclays 5 Year Municipal Bond Index. Each index will be weighted by 1/3rd of the total in the customized index. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. The Controller's objective is to maximize the Program's cash invested at all times.

## **14) INVESTMENT POLICY ADOPTION:**

ICRMP's Investment Policy shall be adopted by resolution of its Board of Trustees. The Controller shall review the policy annually. Any modifications made thereto must be approved by the Board of Trustees.



ACKNOWLEDGEMENT OF RECEIPT OF ICRMP INVESTMENT SECURITY POLICY.

I, \_\_\_\_\_, acknowledge receipt of the ICRMP INVESTMENT SECURITY POLICY, approved February 3, 2014.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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(Trustee Signature)