

3358:11-4-25 Investment policy.

- (A) The purpose of this rule is to provide a framework for the prudent management of all public funds that will adhere to Chapter 135. of the Revised Code and to all other applicable laws and regulations at all times.

Owens community college shall invest public funds in a manner, which will provide maximum security with the highest investment return, safety and preservation of principal, while meeting the daily cash flow demand and conforming to all applicable statutes governing the investment of public funds.

- (B) Authority. The treasurer/chief financial officer is the investment officer of the college and is responsible for the purchase and sale of invested funds and the implementation of the investment rule. The treasurer/chief financial officer will adhere to the investment rule, section 3358.06 of the Revised Code, section 3345.05 of the Revised Code, and all other applicable laws and regulations.
- (C) Scope. The investment rule applies to all financial assets of the college, including state and federal funds held by the college. The treasurer/chief financial officer or designated staff shall routinely monitor the composition of the college's investment portfolio, the available markets and relative value of competing investments and will adjust the portfolio accordingly.
- (D) Standard of prudence. The standard of prudence to be applied by the treasurer shall be the industry 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."

Acting in accordance with the investment rule or any other appropriate written procedures pertaining to the administration and management of the college investment portfolio while exercising due diligence, shall relieve the treasurer of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the board of trustees in a timely fashion and appropriate action is taken to respond to adverse developments.

- (E) Objectives. The primary objectives of the college's investment activities are in priority order, as follows:
- (1) Safety. The safety of principal is the foremost objective of the investment program. College investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Diversification is required in order that potential losses on individual securities are not excessive relative to the income generated from the remainder of the portfolio.
 - (2) Liquidity. The college investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements, which might be reasonably anticipated.
 - (3) Return on investment. The college's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account this investment rule and the cash flow characteristics of the portfolio.
 - (4) Minimization of cost of services. The fourth objective is to minimize transaction costs. Relationships with securities dealers, investment bankers, and other entities providing investment services will be carefully managed to secure high quality services while simultaneously minimizing costs.
- (F) Ethics and conflict of interest. Designated college employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, including having any material financial interest involved in financial institutions or any substantial personal financial or investment positions that could be related to, or affected by, the performance of the college's portfolio. All employees, officers and investment consultants to the college shall subordinate their personal investment interests to those of the college, particularly with regard to the timing of purchases and sales.
- (G) Authorized financial dealers and institutions. The treasurer/chief financial officer shall maintain a list of financial institutions and approved security broker/dealers selected by creditworthiness who are authorized to provide

investment services and who qualify under division (M)(1) of section 135.14 of the Revised Code.

- (1) All financial institutions and broker/dealers, which desire to become qualified to handle investment transactions for the college should provide the treasurer/chief financial officer with: audited annual financial statements; proof of good standing with the office of the comptroller of the currency and state banking regulators; national association of security dealers certifications; proof of Ohio registration; and biographical and regulatory information regarding the employees who would be the primary contact.
 - (2) All financial institutions, broker/dealers and consultants, which desire to conduct investment business must certify that they have read, understood, and agree to abide by this rule.
- (H) Authorized investments. The authorized investments below constitute a nonexclusive list of appropriate investments, as follows:
- (1) The Ohio subdivision's fund, also known as the state treasury asset reserve of Ohio fund, set forth in section 135.45 of the Revised Code.
 - (2) Certificates of deposit of any national bank located in the state of Ohio.
 - (3) No-load money market mutual funds, rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the types of eligible securities as defined under sections 3345.05 and 3358.06 of the Revised Code. Eligible money market funds shall comply with section 135.01 of the Revised Code, regarding limitations and restrictions.
 - (4) Bankers' acceptances, maturing in two hundred seventy days or less, rated in the highest category by one of two nationally recognized rating agencies.
 - (5) United States of America treasury bills, notes, and bonds; various federal agency securities including issues of federal national mortgage association, federal home loan mortgage corporation,

federal home loan bank, federal farm credit bank, student loan marketing association, government national mortgage association, and other agencies or instrumentalities of the United States of America. Eligible investments include securities that may be “called” 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.

- (6) Bonds and other obligations of the state of Ohio.
- (I) Prohibited investment practices. In addition to any other prohibitions in the Revised Code, the college shall not:
 - (1) Contract to sell securities that have not yet been acquired on the speculation that prices will decline.
 - (2) Make any investment in “derivations” as defined in division (C) of section 135.14 of the Revised Code.
 - (3) Invest in a fund established by another public body for the purpose of investing public money of other subdivisions unless the fund is the Ohio subdivision’s fund (state treasury asset reserve of Ohio fund).
 - (4) Enter into reverse repurchase agreements.
 - (5) Leverage current investments as collateral to purchase other assets.
 - (6) Invest in stripped principal or interest obligation of otherwise eligible obligations.
 - (J) Diversification. The college will diversify its investments by security, type and institution. With the exception of direct obligations of the Ohio subdivision’s fund (state treasury asset reserve of Ohio fund), no more than seventy-five per cent of the college’s total investment portfolio will be invested in a single security type or with a single financial institution.
 - (K) Maximum maturities. To the extent possible, the college will attempt to match its investments with anticipated cash flow requirements. No

investment shall be made unless it can be reasonably held to its maturity. Unless there is no loss to be suffered due to possible early liquidation, the college will not directly invest more than five years from the date of settlement.

- (L) Safekeeping and custody. All security transactions, including collateral for repurchase agreements, entered into by the college shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the treasurer/chief financial officer and evidenced by safekeeping receipts. Pledge collateral will only be released by the college after verifications that the principal and interest have been credited to the college's account.

The treasurer/chief financial officer may require any depository holding a significant portion of the portfolio to identify specific collateral and to deliver that collateral to the federal reserve bank as security for the deposit.

- (M) Internal controls. The treasurer/chief financial officer is responsible for internal controls, which include but are not limited to:
- (1) The treasurer/chief financial officer shall maintain a current inventory of all investments, including:
 - (a) Description of each security
 - (b) Cost
 - (c) Par value
 - (d) Dates (beginning, settlement, maturity)
 - (e) Rates
 - (f) Seller
 - (g) Rating

- (2) The establishment of an investment committee consisting of the treasurer/chief financial officer, controller and budget officer. The investment committee shall generally meet monthly. Prior to making an adjustment to the portfolio, the members of the committee review investment options. An investment may be decided upon at the time of purchase or sale via a communication method deemed appropriate among the members of the committee. In the absence of the treasurer/chief financial officer, the president will serve as the third member of the committee.
- (a) With the approval of the board of trustees, the investment committee may authorize the services of an investment advisor who meets both of the following qualifications:
- (i) Licensed by the division of securities under section 1707.141 of the Revised Code; or, registered with the securities and exchange commission.
 - (ii) Demonstrated experience in the management of investments of public funds, particularly in the investment of state-government investment portfolios; or, is an eligible institution as a public depository in accordance with section 135.03 of the Revised Code.
- (b) The investment advisor may assist in the management of the college's portfolio and will share the responsibility for the investment and reinvestment of such investment assets, including the execution of investment transactions. Upon the request of the board of trustees finance committee or the treasurer/chief financial officer, the investment advisor will report on all aspects of the college's portfolio, including bond market conditions affecting the value of the college's investments. The investment advisor may transact business (execute the purchase and/or sale of securities) with eligible financial institutions, in accordance with this investment rule. The investment advisor will be required to issue monthly and quarterly portfolio reports to the treasurer/chief financial officer, as defined in this investment rule.

- (3) The treasurer/chief financial officer shall provide an investment report at regularly scheduled meetings of the board of trustees finance committee.

The investment report will include a list of all investments and a report on investment activity and returns.

- (N) Education. The treasurer/chief financial officer shall participate in education training programs sponsored by the state treasurer or the state auditor, in which the treasurer/chief financial officer is required to participate pursuant to section 135.22 of the Revised Code. In such programs, the treasurer/chief financial officer will develop and enhance background and working knowledge in investment, case management and ethics.
- (O) Adoption and amendment. The board of trustees shall adopt the investment rule and it shall be annually reviewed for recommended amendment. The treasurer shall file the adopted or amended investment rule with the office of the auditor of state.
- (P) Certification of reading, understanding and acceptance of the investment rule by those who desire to conduct investment business with the college.

The undersigned, hereby certifies that it has read, understands and will accept and abide by this investment rule and the relevant provisions of section 135.14 of the Revised Code in conducting investment business on behalf of Owens community college; that it understands that binding arbitration provisions are not permitted and that any non-binding arbitration provisions governing its relationship with the college must be expressly approved by the Owens community college board of trustees , and that the officer executing this certification is authorized to do so on behalf of the undersigned.

Undersigned: _____

Signature: _____

Title: _____

Date: _____

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