

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

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INV 161: Effective Investment Policies and Investment Statement Analysis

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Investment Policy

○ Investment Policy

- Important element in investing public funds
- Describes prudent primary objectives
- Identifies eligible investments
- Improves quality of decision making
- Signals to public the entity is well managed and taking steps to safeguard funds

Elements of Investment Policies

- Clearly describe what funds are covered by which policy
 - Different funds may have different policies (i.e. general, debt proceeds or reserve funds)
- Have clear, concise statement of objectives
 - State objectives: Safety, liquidity and yield
 - Then state how you will achieve objectives

Elements of Investment Policies

- Standards of Care
 - Who is responsible for program?
 - Refer to prudent investor rule
- Allowable investments
 - Simply follow state law
 - Could be more restrictive
 - Cities could have different language

Elements of Investment Policies

- Investment language
 - Simply follow state code
 - Itemizing allowable investments leaves little room for misinterpretation, *but* policy may get stale as code changes (and therefore require an update)
- Diversification percentages
 - Entities already limited on investing
 - Arbitrary diversification could limit flexibility in changing markets

Elements of Investment Policies

- Include collateralization requirements
 - Specify ratios
- Require third-party custody for securities
 - Protects from the bank's credit risk
- Require formal process for selecting financial institutions and brokers
 - How will you choose the investment professionals?

Elements of Investment Policies

- Address investment reporting
 - How frequently?
 - Who will receive?
 - What do reports contain?
- Should a benchmark be assigned?
 - Be careful here
 - Consider setting different benchmarks for various fund types

Elements of Investment Policies

- Adopt policy by resolution
 - File with Auditor of State's office
- Authorized financial institutions
 - Must acknowledge policy in writing
 - Auditors will ask for copies
- Review annually
 - Modify as needed

Elements of Investment Policies

○ Sources:

- gfoa.org/creating-investment-policy
- aptusc.org/certifications/investment-policy-certification
- *Investing Public Funds*, by Girard Miller

Investment Procedures

- Document the daily investment process
 - Who will complete which duties?
 - Provides accountability
- Duties can include:
 - Receiving investment information
 - Accounting of transactions
 - Approval
 - Proper payment of investments

Effective Investment Reporting

- Every entity will be different
- Dual Role
 - Internal investment reports
 - Helps you make informed decisions and think in terms of *overall* portfolio management
 - Board investment reports
 - Condensed version for public
- Facilitates audit questions
- Compliance of investments
- GASB requirements

Investment Reporting

Internal investment reports

- Suggestions:

CUSIP	Description of Security	Maturity Date	Purchase Date
Call Date	Ratings	Bank/Broker Purchased From	Yield
Average Maturity/Days to Maturity	Income Payment Dates/Amounts	Cost Basis	Market Value

Investment Reporting

Investment reports to Governing Board/Public

- Suggestions:

Description of Security	Purchase Date	Maturity Date	Call Date
Yield	Average Maturity	Diversification of Assets	Comments on Recent Activity
Cost Basis	Market Value	Market Benchmark Rates	Maturity Distribution

Investment Reporting

- Investment reporting ideas
- Interactive examples