

**INVESTMENT POLICY
FOR THE
CITY OF ROCHESTER HILLS
As Required by Public Act 20 of 1943, as amended**

1.0 POLICY

It is the policy of the City of Rochester Hills to invest public funds in a manner, which will ensure the preservation of principal while providing the highest investment return with maximum security, while meeting the daily cash flow demands of the City and conforming to all state statutes and local ordinances governing the investment of public funds.

2.0 SCOPE

This investment policy applies to the investment of the City of Rochester Hills short-term operating funds.

Longer-term funds, including investment activities of the City of Rochester Hills employee Pension Plan funds, employee Deferred Compensation Plan and Trust funds, and employee Retiree Health Benefit Plan and Trust funds are organized and administered separately under the Code of Ordinances, Chapter 82, Articles III, V and VI respectively. Also excepted are the Van Hoosen/Jones Stoney Creek Cemetery Perpetual Care Trust Fund and the Green Space Perpetual Care Trust Fund. The funds for which this Investment Policy apply are included in the City's Comprehensive Annual Financial Report (CAFR) and include the following:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Improvement Funds
- Enterprise Funds
- Internal Service Funds
- Component Unit Funds
- Inter-Governmental Service Funds
- All other funds under the control of the Investment Officer for cash management purposes
- Any new fund created by the governing body, unless specifically exempted by the governing body

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

3.0 PRUDENCE

Investments shall be made with the 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.

- 3.1 The standard of prudence to be used by the City Treasurer will be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, the 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.

4.0 OBJECTIVES

The funds of the City of Rochester Hills shall be invested: in accordance with State of Michigan Public Act 20 of 1943, as amended; and the City’s policies and written administrative procedures. The primary objectives, in priority order, of the City’s investment activities shall be:

- 4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Rochester Hills shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate various risks.

4.1.1 Credit Risk

The risk of loss due to the failure of the security issuer or backer. The City will minimize the risk by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the City will do business
- Diversifying the portfolio so that potential losses on individual securities will be minimized

4.1.2 Interest Rate Risk

The risk of loss due to the market value of the securities in the portfolio with to changes in interest rates. The City will minimize the risk by:

- Structuring the maturities of the investment portfolio to meet cash requirements of ongoing operations, thereby avoiding the need to liquidate securities prior to maturity
- Investing operating funds primarily in shorter-term securities or investment pools
- Only purchasing securities with the intent to hold until maturity

4.1.3 Concentration Credit Risk

The risk of loss by placing a large portion of the portfolio with a single security issuer. The City will minimize the risk by:

- Limiting such placement to 10% of the total portfolio defined as securities plus deposits and cash equivalents.

4.1.4 Custodial Credit Risk

The risk of loss associated with the counter-party's failure. The City will minimize the risk by:

- Using only financial institutions and brokers meeting pre-established criteria
- Holding all securities in the name of the City of Rochester Hills

4.1.5 Foreign Currency Risk

The risk of loss due to foreign exchange rates. The City will minimize the risk by:

- Investing no more than 5% of its portfolio in any foreign currency, if such investments should become allowable by the State of Michigan

4.2 Liquidity:

The City of Rochester Hills investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that may be reasonably anticipated, this is accomplished by:

- Structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands
- Structuring the portfolio to consist largely of securities with active secondary or resale markets, since all possible cash demands cannot be anticipated
- Placing a portion of the portfolio in qualified money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds

4.3 Return on Investments:

The investment portfolio of the City of Rochester Hills shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the level of risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal
- A security swap would improve the quality, yield, or target duration in the portfolio
- Liquidity needs of the portfolio require that the security be sold

5.0 DELEGATION OF AUTHORITY

Authority to manage the City of Rochester Hills investments is derived from Section 8.12 of the City Charter and as required by State Statute. Management responsibility for the investment program is granted to the Chief Financial Officer, hereinafter referred to as Investment Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, in the absence of the Investment Officer.

5.1 Investment Procedures:

The Investment Officer shall establish written investment policy procedures for the operation of the investment program consistent with this policy.

The written Investment Procedures Manual is included as Appendix A of this Investment Policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

6.0 ETHICS AND CONFLICT OF INTEREST

All participants in the City’s investment process shall seek to act responsibly as custodian of the public trust. Investment officials shall avoid any transactions that might impair public confidence in the City of Rochester Hills ability to govern effectively.

Investment Officers and employees 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 their ability to make impartial investment decisions. Investment Officers and employees shall disclose to the Mayor any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City’s portfolio. Investment Officers and employees shall subordinate their personal investment transactions to those of the City, particularly with regard to timing of purchases and sales.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Investment Officer shall maintain a listing of financial institutions authorized to provide investment services. In addition, a list will also be maintained for approved security broker/dealers selected by creditworthiness that are authorized to provide investment services in the State of Michigan. These may include “primary” dealers or regional dealers that qualify under the Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No qualified public deposit shall be made except in a qualified public depository as established the State of Michigan law.

7.1 Financial Institutions

All financial institutions (Commercial Banks, Savings & Loans, and Credit Unions) utilized by the City of Rochester Hills shall maintain an office within the State of Michigan and shall meet the following requirements and financial criteria:

- 7.1.1 Have submitted and continue to submit audited annual financial statements (or have financial statements accessible electronically)
- 7.1.2 Have assets of at least \$50 million
- 7.1.3 Have an Equity to Asset Ratio of at least 5.5%
- 7.1.4 Have received and read the City’s Investment Policy
- 7.1.5 Have filed with the City an “Acknowledgement of Receipt of the Investment Policy of the City of Rochester Hills and Agreement to Comply” (Appendix C)

7.2 Brokers & Dealers

All broker/dealers utilized by the City of Rochester Hills shall meet the following requirements and financial criteria:

- 7.2.1 Have submitted and continue to submit audited annual financial statements (or have financial statements accessible electronically)
- 7.2.2 Proof of National Association of Securities Dealers (NASD) certification
- 7.2.3 Qualify under Securities and Exchange Commission Rule 15C3-1
- 7.2.4 Have a minimum capital of \$100 million
- 7.2.5 Have been in operation at least five years
- 7.2.6 Have received and read the City's Investment Policy
- 7.2.7 Have filed with the City an "Acknowledgement of Receipt of the Investment Policy of the City of Rochester Hills and Agreement to Comply" (Appendix C)

The City will conduct an annual evaluation of each financial institution and broker/dealer for credit worthiness to determine whether it should continue to be on the "Qualified Institution" listing. The authorized listing of institutions approved as depositories and/or broker/dealers shall be approved annually by a resolution of the City of Rochester Hills City Council

8.0 AUTHORIZED INVESTMENTS

The Investment Official is authorized to invest in the following types of securities authorized by Public Act 20 of 1943, as amended:

- 8.1 United States (U.S.) government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with readily determinable market value (does not include collateralized mortgage obligations)
- 8.2 Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution with offices in the State of Michigan
 - 8.2.1 Also, includes the Certificate of Deposit Account Registry Service (CDARS) where the funds are initially invested through a financial institution that is eligible to be a depository of surplus City funds
- 8.3 Commercial paper rated at the time of purchase within the two (2) highest classifications (e.g. A-1, P-1, F-1, or D-1 or higher) by not less than two (2) nationally recognized rating agencies and which mature not more than 270 days after the date of purchase
- 8.4 Repurchase agreements, consisting of instruments in subdivision 8.1, if a Master Repurchase Agreement has been signed with the bank or broker/dealer.
- 8.5 Banker's acceptances of U.S. banks
- 8.6 Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than two (2) standard rating services
- 8.7 Obligations described in subdivisions 8.1 through 8.6 if purchased through an interlocal agreement under the urban cooperation act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- 8.8 Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

- 8.9 Investment pools organized under the local government investment pool act, 1984 PA 121, MCL 129.141 to 129.150.
- 8.10 Mutual Funds registered under the investment company act of 1940, Title 1 of Chapter 686, 54 Stat. 789, 15 U.S. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation (limited to securities whose intention is to maintain a net asset value of \$1.00 per share)

9.0 INVESTMENT POOLS / MUTUAL FUNDS

A list shall be maintained of authorized investment pools. A thorough investigation of each pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire completed by each pool/fund utilized in the investment program. The questionnaire shall encompass:

- 9.1 The investment policy and objectives of the pool/fund
- 9.2 A description of eligible investment securities
- 9.3 A description of interest calculation and distribution
- 9.4 A description of how funds are safeguarded and securities priced
- 9.5 How often the pool/fund is audited and by who
- 9.6 A description of any limitations on the size or frequency of deposits or withdrawals
- 9.7 A fee schedule, including when and how assessed
- 9.8 A schedule for receiving statements and portfolio listings
- 9.9 A description of the use of reserves or retained earnings if applicable
- 9.10 Disclosure as to whether the pool/fund is eligible to receive and/or accept bond proceeds

10.0 COLLATERALIZATION

Collateralization may be required, at the discretion of the Investment Officer, on certificates of deposit. Collateralization will be required on authorized repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 102% of the market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the City of Rochester Hills has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted.

11.0 SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City of Rochester Hills will be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts will hold securities.

All securities purchased by the City of Rochester Hills shall be properly designated as an asset of the City, and secured through third-party custody and safekeeping procedures. For purposes of this

policy, third-party shall be defined as a separate financial institution or a separate and distinct division/department of the same institution whose function is safekeeping and/or trust activities. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Investment Officer as authorized herein, or by designee. Investment Officers shall be bonded to protect the public against possible embezzlement and malfeasance.

The City of Rochester Hills will execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements will include letters of authority from the City; details as to responsibilities of each party; notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping, and transaction costs; and procedures in case of wire failure or other unforeseen mishaps including the liability of each party.

12.0 DIVERSIFICATION

It is the policy of the City of Rochester Hills to maintain a diversified investment portfolio. Assets held in the common cash fund and other investment funds will be diversified to eliminate the risk of loss resulting from an over concentration of assets in a specific maturity, individual financial institution(s), or a specific class of securities. Diversification strategies shall be determined by the Investment Officer to meet diversification objectives (to reduce overall portfolio risks while attaining market average rates of return).

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer of business sector (excluding U.S. Treasury securities)
- Limiting investment in securities that have higher credit risks
- Investing in securities with varying maturities
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

12.1 Diversification by Instrument

<u>Instrument</u>	<u>Maximum % of Account/Funds</u>
U.S. Treasury Obligations	100%
U.S. Gov't. Agency Securities & Instruments	75%
State Investment Pool	50%
Government Short-term Investment Trust Funds	50%
Certificates of Deposit	50%
Money Market Funds	50%
Mutual Funds	50%
Commercial Paper	50%
Banker's Acceptance	50%

12.2 Diversification by Security Issuer

<u>Instrument</u>	<u>Maximum % of Account/Funds</u>
Commercial Paper Issuer	5%
Banks and Savings & Loan CD's	5%
U.S. Gov't. Agency	20%
Individual Pool Accounts	25%
U.S. Treasury Obligations	100%

13.0 MAXIMUM MATURITIES

To the extent possible, the City of Rochester Hills shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two (2) years from the date of purchase.

Reserve funds and other funds with longer-term investment horizon may be invested in securities exceeding two (2) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

14.0 INTERNAL CONTROLS

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Rochester Hills are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgements by management.

Accordingly, the Investment Officer shall establish a process for an independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- 14.1 Control of collusion
- 14.2 Separation of transaction authority from accounting and recordkeeping
- 14.3 Custodial safekeeping
- 14.4 Avoidance of physical delivery securities
- 14.5 Clear designation of authority to subordinate staff members
- 14.6 Written confirmation of transactions for investments and wire transfers
- 14.7 Development of a wire transfer agreement with the lead bank and third-party custodian.

The Investment Officer shall establish written Investment Policy Procedures for the operation of the Investment Program consistent with this Policy. The written Investment Procedures Manual is

included as Appendix A of this Investment Policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

15.0 PERFORMANCE STANDARDS

The investment portfolio shall be managed in accordance with the parameters specified within this policy. The investment portfolio shall be designed and managed to obtain a market average rate of return during market/economic cycles, taking into account the City's investment risk constraints and cash flow needs.

The City's investment strategy is passive. Given this strategy, the basis used by the Investment Officer to determine whether market yields are being achieved shall be the average U.S. Treasury Bill rate most closely approximating the average maturity of the portfolio.

16.0 REPORTING

The Investment Officer shall provide the Mayor and City Council a quarterly investment report that provides a clear picture of the status of the current investment portfolio. The report is to include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in portfolio structure going forward and thoughts on investment strategies.

The report shall include schedules detailing:

- Listing of individual securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- Listing of investments by maturity date
- Percentage of the total portfolio which each type of investment represents
- A summary of available funds and percentage invested

Within in 120 days of the end of the fiscal year, the Investment Officer shall prepare a comprehensive annual report on the investment program and investment activity. The annual report will include both a 12-month comparison of returns and shall suggest improvements to the investment policy if needed. The annual report shall include, in addition to the information provided in the quarterly reports, a concentration risk report and a marked-to-market analysis of the investments in the portfolio at year-end.

17.0 INVESTMENT POLICY ADOPTION

The City of Rochester Hills Investment Policy shall be adopted by resolution of the City of Rochester Hills City Council. The policy shall be reviewed annually by the Investment Officer or authorized designee. Any modifications made to the City's Investment Policy must be approved by City Council.

18.0 COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Before the City of Rochester Hills invests surplus funds, competitive bids shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids shall be requested for instruments that meet the maturity requirements. If no specific maturity is required, a market trend (yield curve) analysis shall be conducted to determine which maturities would be most advantageous.

In keeping with the City's concentration risk and diversification objectives, bids shall be requested from financial institutions for various options with regard to terms and instruments. The City shall accept the bid that provides the highest rate of return within the maturity required and within the parameters of the City's Investment Policy. Records indicating the bids offered, the bids accepted, and a brief explanation of the decision that was made regarding the investment will be kept for future review.

19.0 COMBINING FUNDS

The Investment Officer, or his/her designee, may combine money from two (2) or more funds for the purpose of making a combined investment. In the event of a combination of funds, the earnings of said investment shall be prorated between the funds based upon the initial level of principal contributed.

20.0 SAVINGS CLAUSE

In the event the State of Michigan or Federal legislation and/or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated in the City's Investment Policy. If new legislation and/or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in the Investment Policy only after written notification to the City Council.

21.0 GLOSSARY

In order to facilitate a thorough understanding of this investment policy, a glossary of related investment terminology has been incorporated in Appendix B, attached hereto.

22.0 EFFECTIVE DATE

This policy will become effective on _____.

de: 7/88

rev: 2/15/89, 7/24/90, 5/27/98, 2/24/06

Appendix A

INVESTMENT PROCEDURES MANUAL

1. Purpose

The purpose of these guidelines is to help create a Procedures Manual to assist Treasury staff with day-to-day investment operations, consistent with the City of Rochester Hills Investment Policy.

2. Cash Review

1.0 Policy

2.0 Scope

5.0 Delegation of Authority

The Investment Officer or his/her designee must review the City's cash balances and investment portfolio daily, or as needed. Resources to be referenced and reviewed include:

1. Cash Summary Report
2. Listing of balances, by fund:
 - a. Checking, savings, approved investment pools, CD Investments, CP Investments, and Treasury/Agency Investments
3. Investment Calendar
4. Listing investment maturities by date, fund, amount, and security type
5. Debt Payment Schedule
6. Estimated debt payments and transfers by fund
7. Payroll and payables schedules
8. Annual Calendar of sizable receipts and payments by fund, type, and amount
9. Historical Cash Fund Summary Reports
10. Average monthly balances for the year by fund
11. Current year and proposed budget documents, as needed
12. Sources of current rates of return and economic trends

3. Investment Selection

3.0 Prudence

4.0 Objectives

8.0 Authorized Investments

12.0 Diversification

13.0 Maximum Maturities

The Investment Officer or authorized designee determines how much of the cash balance is available for investment and selects the area of the yield curve that most closely matches the possible maturity date(s). In determining the maturity date(s), the Investment Officer should

consider liquidity, cash flow, and expected expenditures. A review of some of the following financial information sources shall be made to determine whether the investments should be placed to match projected expenditures, or to take advantage of current and expected interest rate environments:

- Wall Street Journal or similar daily business publication
- Input from approved brokers/dealers
- Input from depository banks
- Publications on general trends of economic statistics
- Input from data services (Bloomberg, Reuters, Telerate, etc...)

The investment selection shall be accomplished by reviewing:

- The current diversification of the portfolio
- Authorized investment instruments that meet the diversification criteria
- Authorized security issuers that meet the diversification criteria

4. Purchasing an Investment

7.0 Authorized Financial Dealers and Institutions

8.0 Authorized Investments

9.0 Investment Pools/Mutual Funds

10.0 Collateralization

11.0 Safekeeping and Custody

12.0 Diversification

13.0 Maximum Maturities

18.0 Competitive Selection of Investment Instruments

19.0 Combining Funds

Establish with whom the City of Rochester Hills is going to transact the investment. This shall be accomplished by reviewing the current authorized financial dealers and institutions that can provide the financial service required, within the constraints of the portfolio diversification requirements. Based upon the economic conditions of the time, the Investment Officer, as a matter of practice, may employ more restrictive diversification requirements than the norm. A selection of a minimum of two brokers/dealers shall be selected for competitive quotes for treasury and/or commercial paper investments. A selection of a minimum of three qualified institutions shall be selected for competitive quotes for certificates of deposits.

The following must be determined prior to contacting the providers:

1. Type of security(s)
2. Targeted maturity or maturity range
3. Amount – either par value or total dollars to be invested
4. Settlement – rollover or cash, same day or a date certain

Before concluding the transaction, the Investment Officer should validate the following:

1. The security selected for purchase meets all criteria
 - a. Including portfolio diversification, collateralization (if appropriate) and maturity

- b. If the security has any imbedded options such as call provisions or coupon adjustments, these should also be reviewed.
- 2. Yield calculations should be verified
- 3. Total purchase cost (including accrued interest) does not exceed funds available for investment
- 4. Inform the successful provider that their offering has been selected for purchase and confirm the particulars of the security purchased
 - a. Type, identification number, maturity date, price, yield, cost, par value, etc...
- 5. After confirmation of the purchase, the best price may be disclosed to the other broker/dealers

After consummation of the transaction, and prior to settlement, the Investment Officer and the provider should exchange and review the following information to ensure prompt and uninterrupted settlement.

- 1. Name of third-party safekeeping agent
- 2. ABA number for safekeeping agent
- 3. Safekeeping account number(s)
- 4. Reconfirm amount of transaction
- 5. Reconfirm settlement date
- 6. Acquire CUSIP/CD number of security/deposit

5. Settlement and Follow-through

5.0 Delegation of Authority

14.0 Internal Controls

It is the Investment Officer's responsibility to forward to and confirm the receipt of all wire instructions (incoming or outgoing wire transfers) with the City's primary bank. Should the transaction fail to take place for any reason, the City's primary bank will notify the City's Investment Officer immediately after it has been notified. The written "safekeeping receipt", once received, shall be verified with the City's Investment Report.

Once the security transaction has been consummated, the Investment Officer shall complete the following:

- 1. Create an investment record for the security
- 2. Update the City's electronic investment program
- 3. Input the investment transaction electronically into the City's General Ledger
- 4. Provide copies of the Investment record and General Ledger record to the Deputy City Treasurer and the City's Accounting Division
- 5. Place the original investment record and General Ledger record into the Investment Binder
 - a. For investment redemptions, place the records in the Redeemed Investments Binder
- 6. Manually update the investment calendar
- 7. File the competitive call record sheet in the Call Sheet Binder for future reference

6. Reporting

15.0 Performance Standards

16.0 Reporting

On a monthly basis, the City's electronic investment report shall be reviewed for accuracy, printed and saved in a separate file. The monthly Investment Report shall include the following:

- Investment Maturity Calendar
- Accrued Interest report
- Long Term Investments by Fund report
- Balance by Fund/Type/Amount report
- Report of accrued interest transferred to the General Ledger
- Report of Investments by Fund
- Report of Investments by Banks/Brokers/Dealers

The hardcopy of the reporting shall be distributed to the Treasurer's file and the Deputy Treasurer. The Accounting Department shall receive a copy of the Accrued Interest Report, Long Term Investments by Fund Report, Balance Report by Fund/Type/Amount and the Report of Accrued Interest transferred to the General Ledger.

The monthly electronic investment report shall be reviewed against the following documents as they are received:

- End-of-Month Cash Summary Report
- City's Monthly Trial Balance Report
- Broker/Dealers monthly reporting statements

On a quarterly basis, the investment officer shall provide the Mayor and City Council an Investment Report containing the following information.

- Analysis of the prior periods economic and market activity
- Analysis of investments by type and by month
- Analysis of available and invested balances by fund
- Interest income and average invested balances by fund
- Analysis of investments by maturity date (w/o pooled funds)
- Investment holding report by security type, with a further analysis of average weighted yield and average weighted days to maturity by investment type

Annually, the report shall also include a Concentration Risk Report and a Marked to Market Analysis by investment type.

All investment related documents and reports shall be retained for a minimum of one full year after the close of the City's Fiscal Year or the completion of the applicable Annual City Audit, whichever occurs later. All investment records shall be retained in accordance with applicable State and City retention schedules.

The Investment Officer shall cooperate fully with the City's auditors with regard to all aspects of the City's investment program. The City's Investment Officer shall incorporate into the investment process and procedures, suggestions made by the City Auditor, when they are required by statute, ordinance or recommended best practices for investment programs. Changes to the City's Investment Policy and/or procedures require a resolution of approval by the City of Rochester Hills City Council.

Appendix B

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKER'S ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance of risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS): A registered service mark of Promontory Interfinancial Network, LLC. The CDARS involves the placement of funds with a member institution that in turn places funds in the form of a Certificate of Deposit (CD), with other member institution(s), in the amount not to exceed the maximum FDIC insured amount of \$250,000.00. One rate of interest is earned on the entire investment. The initial member institution provides one regular account statement listing all of the CD's, along with their issuing banks, maturity dates, interest earned, and other details.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the governmental entity. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with the exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed Funds are traded. The Federal Reserve through open-market operations currently pegs this rate.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB's is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's

purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 7,500 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without substantial loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and BID.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) – registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond, the current income return.

REPURCHASE AGREEMENT (RP or REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him/her for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Glossary Source: APT US&C

Appendix C

**ACKNOWLEDGEMENT OF RECEIPT OF THE INVESTMENT
POLICY
OF THE CITY OF ROCHESTER HILLS
AND AGREEMENT TO COMPLY**

I have fully read and fully understand Act 20 of PA 1943, as amended, and the Investment Policy of the City of Rochester Hills.

Any investment advice or recommendation on investments given by

_____, representing _____,
to the City of Rochester Hills shall comply with the requirements of Act 20 PA 1943, as amended, and the Investment Policy of the City of Rochester Hills. Any existing investment not conforming to State statute or the City's Investment Policy shall be disclosed promptly to the Rochester Hills Investment Officer.

By: _____

Title: _____

Date: _____

INVESTMENT OF SURPLUS FUNDS OF POLITICAL SUBDIVISIONS
Act 20 of 1943

AN ACT relative to the investment of funds of public corporations of the state; and to validate certain investments.

History: 1943, Act 20, Imd. Eff. Mar. 13, 1943;—Am. 1988, Act 285, Imd. Eff. Aug. 1, 1988;—Am. 1997, Act 196, Imd. Eff. Dec. 30, 1997.

The People of the State of Michigan enact:

129.91 Investment of funds of public corporation; eligible depository; secured deposits; funds limitation on acceptable assets; pooling or coordinating funds; written agreements; investment in certificate of deposit; conditions; “financial institution” defined; additional definitions.

Sec. 1. (1) Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in 1 or more of the following:

(a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

(b) Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).

(c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

(d) Repurchase agreements consisting of instruments listed in subdivision (a).

(e) Bankers' acceptances of United States banks.

(f) 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.

(g) Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

(i) The purchase of securities on a when-issued or delayed delivery basis.

(ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.

(iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

(h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

(j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

(2) Except as provided in subsection (5), a public corporation that invests its funds under subsection (1) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to this state under a law or rule of this state or the United States.

(3) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (1).

(4) The governing body by resolution may authorize its investment officer to enter into written agreements with other public corporations to pool or coordinate the funds to be invested under this section with the funds of other public corporations. Agreements allowed under this subsection shall include all of the following:

(a) The types of investments permitted to be purchased with pooled funds.

(b) The rights of members of the pool to withdraw funds from the pooled investments without penalty.

(c) The duration of the agreement and the requirement that the agreement shall not commence until at least 60 days after the public corporations entering the agreement give written notice to an existing local government investment pool which is organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150, in those counties where such a pool is operating and accepting deposits on or before September 29, 2006.

- (d) The method by which the pool will be administered.
 - (e) The manner by which the public corporations will respond to liabilities incurred in conjunction with the administration of the pool.
 - (f) The manner in which strict accountability for all funds will be provided for, including an annual statement of all receipts and disbursements.
 - (g) The manner by which the public corporations will adhere to the requirements of section 5.
- (5) In addition to the investments authorized under subsection (1), the governing body by resolution may authorize its investment officer to invest the funds of the public corporation in certificates of deposit in accordance with all of the following conditions:
- (a) The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - (b) The financial institution arranges for the investment of the funds in certificates of deposit in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the public corporation.
 - (c) The full amount of the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.
 - (d) The financial institution acts as custodian for the public corporation with respect to each certificate of deposit.
 - (e) At the same time that the funds of the public corporation are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the public corporation through the financial institution.
- (6) In addition to the investments authorized under subsection (1), the governing body by resolution may authorize its investment officer to invest the funds of the public corporation in deposit accounts that meet all of the following conditions:
- (a) The funds are initially deposited in a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - (b) The financial institution arranges for the deposit of the funds in deposit accounts in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the public corporation.
 - (c) The full amount of the principal and any accrued interest of each deposit account is insured by an agency of the United States.
 - (d) The financial institution acts as custodian for the public corporation with respect to each deposit account.
 - (e) On the same date that the funds of the public corporation are deposited under subdivision (b), the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially deposited by the public corporation in the financial institution.
- (7) A public corporation that initially invests its funds through a financial institution that maintains an office located in this state may invest the funds in certificates of deposit as provided under subsection (5).
- (8) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- (9) As used in this act:
- (a) "Governing body" means the legislative body, council, commission, board, or other body having legislative powers of a public corporation.
 - (b) "Funds" means the money of a public corporation, the investment of which is not otherwise subject to a public act of this state or bond authorizing ordinance or resolution of a public corporation that permits investment in fewer than all of the investment options listed in subsection (1) or imposes 1 or more conditions upon an investment in an option listed in subsection (1).
 - (c) "Investment officer" means the treasurer or other person designated by statute or charter of a public corporation to act as the investment officer. In the absence of a statutory or charter designation, the governing body of a public corporation shall designate the investment officer.
 - (d) "Public corporation" means a county, city, village, township, port district, drainage district, special assessment district, or metropolitan district of this state, or a board, commission, or another authority or agency created by or under an act of the legislature of this state.

History: 1943, Act 20, Imd. Eff. Mar. 13, 1943;—CL 1948, 129.91;—Am. 1964, Act 126, Eff. Aug. 28, 1964;—Am. 1977, Act 66, Imd. Eff. July 20, 1977;—Am. 1978, Act 500, Imd. Eff. Dec. 11, 1978;—Am. 1979, Act 79, Imd. Eff. Aug. 1, 1979;—Am. 1982, Act 217, Imd. Eff. July 8, 1982;—Am. 1988, Act 239, Imd. Eff. July 11, 1988;—Am. 1997, Act 44, Imd. Eff. June 30, 1997;—Am. 1997, Act 196, Imd. Eff. Dec. 30, 1997;—Am. 2006, Act 400, Imd. Eff. Sept. 29, 2006;—Am. 2008, Act 308, Imd. Eff. Dec. 18, 2008;—Am. 2009, Act 21, Imd. Eff. May 5, 2009;—Am. 2012, Act 152, Imd. Eff. May 30, 2012.

129.92 Repealed. 1997, Act 196, Imd. Eff. Dec. 30, 1997.

Compiler's note: The repealed section pertained to investment of sinking funds and insurance moneys by school districts.

129.93 Existing investments ratified and validated.

Sec. 3. Investments made before the effective date of the amendatory act that repealed section 2 of the surplus funds, sinking funds, or insurance funds of a political subdivision of this state in bonds and other obligations of the United States or its instrumentalities or certificates of deposit or depository receipts of a bank that is a member of the federal deposit insurance corporation as provided under section 1 and former section 2 of this act are hereby ratified and validated.

History: 1943, Act 20, Imd. Eff. Mar. 13, 1943;—CL 1948, 129.93;—Am. 1964, Act 126, Eff. Aug. 28, 1964;—Am. 1997, Act 196, Imd. Eff. Dec. 30, 1997.

129.94 Funds accumulated under eligible deferred compensation plan; deposit; investment; existing investments ratified and validated.

Sec. 4. (1) As used in this section:

(a) “Eligible deferred compensation plan” means a deferred compensation plan established and maintained by a governing body, which plan meets the requirements of section 457 of the internal revenue code.

(b) “Financial institution” means a state or nationally chartered bank, a state or federally chartered savings bank, a state or federally chartered savings and loan association, or a state or federally chartered credit union, which financial institution is insured by an agency or instrumentality of the federal government.

(c) “Governing body” means the legislative or governing body of a county, city, village, township, or special assessment district, or an agency, board, or commission of a county, city, village, or township.

(2) The governing body, by resolution, may authorize its treasurer or chief fiscal officer to deposit funds received under an eligible deferred compensation plan in a financial institution authorized by law to do business in this state or with an authorized deferred compensation agent appointed by the governing body. Notwithstanding any other provision of this act, the treasurer or chief fiscal officer, as authorized by resolution of the governing body, may place funds accumulated under an eligible deferred compensation plan with a financial institution authorized to do business in this state, a state or federally licensed investment company or insurance company authorized to do business in this state, or trust established by public employers for the commingled investment of the amounts held under deferred compensation and retirement plans, which funds shall be invested by the financial institution, insurance company, investment company, or trust as directed by the governing body. The investment of eligible deferred compensation plan funds shall be in the manner and for the purposes described in section 457 of the internal revenue code.

(3) The investment of funds accumulated under an eligible deferred compensation plan of a governing body prior to the effective date of the amendatory act that added this section, which investments otherwise meet the requirements of this section, are ratified and validated.

History: Add. 1988, Act 285, Imd. Eff. Aug. 1, 1988.

129.95 Investment policy; adoption by governing body.

Sec. 5. (1) Not more than 180 days after the end of a public corporation's first fiscal year that ends after the effective date of the amendatory act that repealed section 2, a governing body, in consultation with the investment officer, shall adopt an investment policy that, at a minimum, includes all of the following:

(a) A statement of the purpose, scope, and objectives of the policy, including safety, diversification, liquidity, and return on investment.

(b) A delegation of authority to make investments.

(c) A list of authorized investment instruments. If the policy authorizes an investment in mutual funds, it shall indicate whether the authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share or also includes securities whose net asset value per share may fluctuate on a periodic basis.

(d) A statement concerning safekeeping, custody, and prudence.

(2) A governing body that as of the effective date of the amendatory act that repealed section 2 has adopted an investment policy that substantially complies with the minimum requirements under subsection (1) is not in violation of this section as long as that policy remains in effect.

History: Add. 1997, Act 196, Imd. Eff. Dec. 30, 1997.

129.96 Execution of order to purchase or trade funds of public corporation; providing copy of investment policy; public corporation subject to subsection (1); report.

Sec. 6. (1) Subject to subsection (2), before executing an order to purchase or trade the funds of a public corporation, a financial intermediary, broker, or dealer shall be provided with a copy of the public corporation's investment policy and shall do both of the following:

- (a) Acknowledge receipt of the investment policy.
- (b) Agree to comply with the terms of the investment policy regarding the buying or selling of securities.

(2) A public corporation is subject to subsection (1) beginning on the date that the investment policy of a public corporation takes effect or 180 days after the end of the public corporation's first fiscal year ending after the effective date of the amendatory act that repealed section 2, whichever is earlier.

(3) The investment officer shall provide quarterly a written report to the governing body concerning the investment of the funds.

History: Add. 1997, Act 196, Imd. Eff. Dec. 30, 1997;—Am. 2007, Act 213, Imd. Eff. Dec. 27, 2007.

129.97 Long-term or perpetual trust fund; investment of assets; resolution authorizing investment officer same authority as investment fiduciary under MCL 38.1132 to 38.1140m; conditions.

Sec. 7. Notwithstanding any law or charter provision to the contrary, if a public corporation has a long-term or perpetual trust fund consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the public corporation, the governing body of the public corporation may by resolution provide its investment officer with the same authority to invest the assets of the long-term or perpetual trust fund as is granted an investment fiduciary under the public employee retirement system investment act, 1965 PA 314, MCL 38.1132 to 38.1140m.

History: Add. 2008, Act 220, Imd. Eff. July 16, 2008.

129.97a Investment of assets of special revenue fund by investment officer; resolution granting authority; annual special revenue fund report.

Sec. 7a. (1) Notwithstanding any law or charter to the contrary, if a public corporation has a special revenue fund consisting of payments for park operations and maintenance, the governing body of the public corporation may by resolution provide its investment officer with the same authority to invest the assets of the special revenue fund as is granted an investment fiduciary under the public employee retirement system investment act, 1965 PA 314, MCL 38.1132 to 38.1140m.

(2) The investment officer shall prepare and issue an annual special revenue fund report. The investment officer shall make the annual special revenue fund report available to the citizens of the public corporation. The annual special revenue fund report shall include all of the following:

- (a) The name of the special revenue fund.
- (b) The special revenue fund's investment fiduciaries.
- (c) The special revenue fund's assets and liabilities.
- (d) The special revenue fund's funded ratio.
- (e) The special revenue fund's investment performance.
- (f) The special revenue fund's expenses.

History: Add. 2008, Act 404, Imd. Eff. Jan. 6, 2009.