

**3354:2-31-02 Investment Policy – Non Endowment Funds.****(A) Introduction**

(1) The purpose of this investment policy is to establish priorities and guidelines regarding the investment management of the funds of the Lake County Community College District (hereinafter referred to as the “District” or the “District’s Portfolio”). Such priorities and guidelines are based upon Chapters 3354.10, 3345.05, and 135.14 of the Ohio Revised Code (hereinafter referred to as “ORC”), and prudent money management. This policy includes (totally or partially) sections of the statutes in order to describe eligible investments. In some sections, the policy places further limits upon the use of eligible investments or investment transactions.

**(B) Investment Objectives**

(1) The investment objectives of the District, in priority order, include:

(a) Compliance with all Federal and State laws;

(b) Safety of principal — Safety of principal is the most important objective. The investment of District funds shall be conducted in a manner that seeks to ensure the preservation of capital within the context of the following criteria:

(i) Market Risk (interest rate risk) — The market value of securities in the Districts’ portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be minimized by maintaining adequate liquidity to pay current obligations, diversification of maturities, and diversification of assets.

(ii) Credit Risk — Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest. Eligible investments affected by credit risk include certificates of deposit, commercial paper, and bankers’ acceptances. Credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required minimum credit quality ratings exist prior to the purchase of commercial paper and bankers, acceptances; and (3) maintaining adequate collateralization of certificates of deposit.

(c) Liquidity — The portfolio shall remain sufficiently liquid to meet all current obligations of the District. Minimum liquidity levels (as a percentage of average investment funds) may be established in order to

meet all current obligations without having to sell securities. The portfolio may also be structured so that securities mature concurrently with cash needs.

- (d) Yield — The District’s portfolio shall be managed to consistently attain a market rate of return throughout budgetary and economic cycles. Whenever possible, and consistent with risk limitations and prudent investment management, the District will seek to augment returns through the implementation of active portfolio management strategies.

(C) Governance, Prudence, Delegation of Authority

- (1) Investments shall be made pursuant to the District’s Board of Trustees adopting this investment policy in public session.

- (2) This investment policy requires all fiduciaries to discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

- (3) In meeting its fiduciary obligation, the District’s Board of Trustees shall act as a committee of the whole and serve as the investment committee. As part of the Finance report, investment information and decisions will continue to be reported to, and reviewed with, the Board of Trustees. At a minimum, this is required to occur each quarter.

- (4) Authority to manage the District’s investment program as allowed under applicable State laws and statutes is delegated to the District’s Treasurer. The District’s Treasurer is responsible to establish procedures for the operation of the District’s 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 Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of internal control to regulate those activities.

- (5) The Treasurer is charged to work with the Board of Trustees in reviewing and recommending revisions to the District’s investment policy.

(D) Ethics and Conflicts of Interest

- (1) Individuals involved in the investment process shall comply with the ethics laws of the State of Ohio and refrain from personal business activity that could conflict with the proper execution of the District’s investment program, or which could impair their ability to make impartial investment decisions.

(E) Authorized Investments (itemized)

- (1) U.S. Treasury Bills, Notes, and Bonds.
- (2) Various federal agency securities including issues of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Association (SLMA), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the United States. Eligible investments include securities that may be “called” (by the issuer) 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.
- (3) Bonds and other obligations of the State of Ohio.
- (4) The state treasurer’s investment pool (STAR OHIO), pursuant to 135.45 ORC, or the STAR PLUS program, pursuant to 135.145 ORC.
- (5) Commercial paper notes issued from companies incorporated under the laws of the United States or any state, provided that such companies have assets in excess of \$500 million. Eligible commercial paper shall also be rated in the highest classification (at the time of purchase) by at least two nationally recognized rating services. The aggregate value of notes held in one company by the District shall not exceed 10 percent of the aggregate value of the outstanding commercial paper of the issuing company. The final maturity of commercial paper shall be no longer than 180 days from the date of purchase.
- (6) Bankers’ acceptances issued by any domestic bank rated in the highest category by one of two nationally recognized rating agencies. Said bank must be qualified as insured by the Federal Deposit Insurance Corporation. The final maturity of bankers’ acceptance shall be no longer than 180 days.
- (7) The maximum allowable percentage of commercial paper and bankers’ acceptances allowed to be invested by the District is defined under section 135.14(B)(7) ORC. Additionally no investment shall be made in commercial paper and bankers’ acceptances unless the Treasurer has completed additional training as defined in section 135.14(B)(7) ORC.
- (8) Interim deposits in the eligible institutions applying for interim moneys as provided in section 135.08 ORC.
- (9) No-load money market mutual funds, as defined in section 135.14(B)(5) ORC, rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division B (1) or B (2) under 135.14 ORC, and repurchase agreements secured by

such obligations. Eligible money market funds shall comply with 135.01 ORC, regarding limitations and restrictions.

(10) Repurchase agreements with any eligible institution mentioned in section 135.03 ORC, or any eligible securities dealer pursuant to division (M) of that section, except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements executed with eligible broker/dealers will settle on a delivery vs. payment basis with repurchase collateral held at a qualified custodian or agent, designated by the District. Eligible repurchase collateral is restricted to securities listed in division (B)(1) or (B)(2) under section 135.14 ORC. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase amount by at least 2 percent. Prior to the execution of any repurchase transaction, a master repurchase agreement shall be signed by the District and the eligible parties. Additional restrictions under section 135.14(E) ORC apply.

(11) Certificates of deposit of any national bank located in Ohio.

(F) Maximum Maturities

(1) Except as provided by specific reference within this investment policy and section 135.14 ORC, the final maturity of all eligible District investments is five years, unless the investment is matched to a specific future liability of the District, and that investment is specifically approved by the Board of Trustees.

(2) No investment shall be made unless, at the time of making that decision, it is reasonably expected that the investment can be held until maturity.

(G) Prohibited Investments/Other Restrictions

(1) The use of derivative securities, as defined in 135.14(C) ORC, is expressly prohibited.

(2) A repurchase agreement under the terms of which the investing authority agrees to sell securities to a purchaser and agrees with that purchaser to unconditionally repurchase those securities (reverse repurchase agreement).

(3) The use of leverage, in which the investing authority uses its current investment assets as collateral for the purpose of purchasing other assets.

(4) Any fund established by another subdivision, treasurer, governing board, or investing authority, if that fund was established for the purpose of investing the public monies of other subdivisions. This prohibition does not apply to STAR OHIO.

(5) The issuance of taxable notes for the purpose of arbitrage.

(6) Contracting to sell securities, not owned by the District, for the purpose of purchasing such securities at a later date on the speculation that bond prices will decline (short selling).

(H) Safekeeping and Custody

(1) Securities purchased for the District will be held in safekeeping by a qualified trustee (hereinafter referred to as the "Custodian"), as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safekeep the District's securities in (1) Federal Reserve Bank book entry form; (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank; or (3) Non-book entry (physical) securities held by the custodian or the custodian's correspondent bank. All securities transactions will settle using standard delivery vs. payment (DVP) procedures.

(I) Investment Reports

(1) The District shall maintain an inventory of all portfolio assets. A description of each security will include security type, issue/issuer, cost (original purchase cost or current book value), par value (maturity value), maturity date, settlement date (delivery versus payment date of purchased or sold securities), and any coupon (interest) rate. The investment report will also include a record of all security purchases and sales. An investment report shall be issued each month, detailing the inventory of all securities, all investment transactions, any income received (maturities, interest payments, and sales), and any expenses paid. The report will also include the purchase yield of each security, the average-weighted yield and average-weighted maturity of the portfolio.

(J) Investment Advisors, Qualified Dealers, and Financial Institutions

(1) The District is authorized to retain the services of a qualified investment advisor for the management of its funds. The investment advisor shall be either registered with the Securities and Exchange Commission, or be licensed by the division of securities under section 1707.141 ORC, and will possess experience in the management of public funds, specifically in the area of state and local government investment portfolios, or is an eligible institution referenced in 135.03 ORC.

(2) Retaining the services of a qualified investment advisor requires approval by the District's Board of Trustees.

(3) The investment advisor is authorized to manage the investment funds of the District, which includes the selection of eligible investment assets as defined under applicable sections of the ORC, and the selection of eligible broker/dealer

firms based upon the criteria as determined by the investment advisor. Upon the request of the Board of Trustees or the Treasurer, the investment advisor will attend meetings and will discuss all aspects of the District's portfolio, including market conditions affecting the value of the District's investments. The investment advisor will be required to issue a monthly portfolio report as defined under section (F) of this investment policy ("Investment Reports").

(4) Investment advisory fees may be paid monthly or quarterly. Such fees may be based upon a fixed-fee arrangement or based upon a percentage of assets under management. If approved by the Treasurer, such fees may be paid (by the District's custodian) from the earnings of the portfolio or paid directly by the District upon the presentation of an invoice by the investment advisor.

(5) The investment advisor may execute the purchase and/or sale of securities with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities, to transact business in the State of Ohio.

(6) The investment advisor, eligible financial institutions, and broker/dealers transacting investment business with the District are required to sign the approved investment policy as an acknowledgment and understanding of the contents of said policy.

(K) Sale of Securities Prior to Maturity

(1) Portfolio securities may be "redeemed or sold" prior to maturity under the following conditions:

(a) To meet additional liquidity needs.

(b) To purchase another security or securities in order to increase yield or current income.

(c) To purchase another security or securities in order to lengthen or shorten the average duration of the portfolio.

(d) To realize any capital gains and/or income.

(e) To change the asset allocation.

(2) Such transactions may be referred to as a "sale and purchase" or a "bond swap." For purposes of this section, redeemed shall also mean "called" in the case of a callable security.

(L) Procedures for the Purchase and Sale of Securities

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(1) Securities will be purchased by the District for the District's designated investment advisor through broker/dealers as determined by the investment advisor. All such investment transactions will be communicated by facsimile transmission to the District or to an authorized representative, designated by the Treasurer. A purchase or sale of securities will be represented by transaction advices issued by the District's investment advisor(s) which will describe the transaction, including par value, coupon (if any), maturity date, and cost. A facsimile transmission will also be sent to the District's designated custodian bank and will serve as an authorization to said custodian to receive or deliver securities versus payment. Confirmation advices, representing the purchase or sale of securities, will be issued by the eligible broker/dealer and sent to the District. Copies of such advices will be sent to the District's investment advisor.

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(2) The investment advisor is authorized to execute investment transactions with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker/dealers licensed with the Ohio Department of Commerce, Division of Securities. Investment transactions executed through broker/dealer firms or financial institutions shall be based upon a process utilized by the investment advisor.

(M) Statements of Compliance

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(1) This investment policy is subject to approval by the District's governing board and is to be filed with the Auditor of State, pursuant to the ORC.

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(2) All brokers, dealers, and financial institutions executing transactions initiated by the District or the District's investment advisor(s) are required to sign the approved investment policy. The District's investment advisor is required to certify that they meet the requirements of section G.1 of this investment policy. The investment advisor has additionally signed the approved investment policy and the signed policy is filed with the District.

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(3) Any amendments to this policy will be filed with the Auditor of State within fifteen days of the effective date of the amendment.

Replaces: 3354:2-31-02

Effective: 12/04/2014

CERTIFIED ELECTRONICALLY

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Certification

03/10/2015

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Date

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