



POLICY 6.08

4-D I recommend that the Board adopt the proposed revised Policy 6.08, entitled "Investment Policy."

[Contact: Leanne Evans, PX 48142.]

Adoption

CONSENT ITEM

- The Board approved development of this revised Policy at the development reading on March 30, 2011.
- This proposed revision updates the authorized investments and portfolio composition section (Section 12) to reflect current District treasury department practices.
- This revision also changes references from investment committee to Finance Committee.
- The Finance Committee has review and approved the proposed changes.

POLICY 6.08

INVESTMENT POLICY

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1. PURPOSE

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of the School District of Palm Beach County, Florida (hereinafter "District"). These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

2. SCOPE

In accordance with § 218.415, Florida Statutes, this investment policy applies to all cash and investments held or controlled by the district and shall be identified as "Pooled Funds" of the district with the exception of pension funds and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Funds held by state agencies (e.g., Department of Education) are not subject to the provisions of this policy. Pooled funds shall include internal accounts of schools and direct support organizations that choose to have the Treasurer invest funds on their behalf.

3. INVESTMENT OBJECTIVES

Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be purchased at a premium or traded for other securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve optimal investment return, provided any of the following occurs with respect to the replacement security:

- a. The yield has been increased, or
- b. The maturity has been reduced or lengthened, or
- c. The quality of the investment has been improved.

34 **Maintenance of Liquidity**

35 The second highest priority is liquidity of funds. The portfolios shall be managed in
36 such a manner that funds are available to meet reasonably anticipated cash flow
37 requirements in an orderly manner. Periodical cash flow analyses will be completed
38 in order to ensure that the portfolios are positioned to provide sufficient liquidity.

39 **Return on Investment**

40 The third highest priority is investment income. Investment portfolios shall be
41 designed with the objective of attaining a market rate of return throughout
42 budgetary and economic cycles, taking into account the investment risk constraints
43 and liquidity needs. Return on investment is of least importance compared to the
44 safety and liquidity objectives described above. The core of investments is limited
45 to relatively low risk securities in anticipation of earning a fair return relative to the
46 risk being assumed.

47 4. **DELEGATION OF AUTHORITY**

48 In accordance with the district's administrative policies, the responsibility for
49 providing oversight and direction in regard to the management of the investment
50 program resides with the district's chief financial officer. The management
51 responsibility for all district funds in the investment program and investment
52 transactions is delegated to the district's treasurer. The chief financial officer shall
53 establish written procedures for the operation of the investment portfolio and a
54 system of internal accounting and administrative controls to regulate the activities
55 of employees. The district may employ an investment manager to assist in
56 managing some of the district's portfolios. Such investment manager must be
57 registered under the Investment Advisors Act of 1940. Proposed contracts between
58 an investment manager and the school board shall be reviewed by the ~~investment~~
59 ~~committee~~ Finance Committee prior to submission to the school board. Any such
60 contract shall include a stipulation that the investment manager is designated as a
61 fiduciary.

62 5. **STANDARDS OF PRUDENCE**

63 The standard of prudence to be used by investment officials shall be the "prudent
64 person" standard and shall be applied in the context of managing the overall
65 investment program. Investment officers acting in accordance with written
66 procedures and this investment policy and exercising due diligence shall be
67 relieved of personal responsibility for an individual security's credit risk or market
68 price changes, provided deviations from expectation are reported to the ~~chief~~
69 ~~financial officer~~ Chief Financial Officer and the ~~investment committee~~ Finance
70 Committee in a timely fashion and the liquidity and the sale of securities are carried
71 out in accordance with the terms of this policy. The "prudent person" rule states the
72 following:

73 Investments shall be made with judgment and care, under circumstances then
74 prevailing, which persons of prudence, discretion and intelligence exercise in
75 the management of their own affairs, not for speculation, but for investment,
76 considering the probable safety of their capital as well as the probable income
77 to be derived from the investment.

78 While the standard of prudence to be used by investment officials who are officers
79 or employees is the "prudent person" standard, any person or firm hired or retained
80 to invest, monitor, or advise concerning these assets shall be held to the higher
81 standard of "prudent expert". The standard shall be that in investing and reinvesting
82 moneys and in acquiring, retaining, managing, and disposing of investments of
83 these funds, the contractor shall exercise: the judgment, care, skill, prudence, and
84 diligence under the circumstances then prevailing, which persons of prudence,
85 discretion, and intelligence, acting in a like capacity and familiar with such matters
86 would use in the conduct of an enterprise of like character and with like aims by
87 diversifying the investments of the funds, so as to minimize the risk, considering
88 the probable income as well as the probable safety of their capital.

89 **6. ETHICS AND CONFLICTS OF INTEREST**

90 Employees involved in the investment process shall refrain from personal business
91 activity that could conflict with proper execution of the investment program, or
92 which could impair their ability to make impartial investment decisions. Also,
93 employees involved in the investment process shall disclose to the district any
94 material financial interests in financial institutions that conduct business with the
95 district, and they shall further disclose any material personal financial/investment
96 positions that could be related to the performance of the district's investment
97 program.

98 **7. INTERNAL CONTROLS AND INVESTMENT PROCEDURES**

99 The ~~chief financial officer~~ Chief Financial Officer shall establish a system of internal
100 controls and operational procedures that are in writing and made a part of the
101 district's operational procedures. The internal controls should be designed to
102 prevent losses of funds, which might arise from fraud, employee error, and
103 misrepresentation, by third parties, or imprudent actions by employees. The written
104 procedures should include reference to safekeeping, bonding, repurchase
105 agreements, separation of transaction authority from accounting and record
106 keeping, wire transfer agreements, banking service contracts and
107 collateral/depository agreements. No person may engage in an investment
108 transaction except as authorized under the terms of this policy.

109 Independent auditors as a normal part of the annual financial audit to the district
110 shall conduct a review of the system of internal controls to ensure compliance with
111 policies and procedures.

112 **8. CONTINUING EDUCATION**

113 The ~~chief financial officer~~ Chief Financial Officer, treasurer and appropriate staff
114 designated by the chief financial officer shall each annually complete eight (8)
115 hours of continuing education in subjects or courses of study related to investment
116 practices and products.

117 **9. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

118 Authorized district staff and investment advisors shall only purchase securities from
119 financial institutions, which are qualified as public depositories by the Treasurer of
120 the State of Florida, or institutions designated as "primary securities dealers" by the
121 Federal Reserve Bank of New York. Qualified public depositories may provide the
122 services of a securities dealer through a Section 20 subsidiary of the financial
123 institution or from direct issuers of commercial paper and bankers' acceptances.

124 Authorized district staff and investment advisors shall only enter into repurchase
125 agreements with financial institutions that are state qualified public depositories
126 and primary securities dealers as designated by the Federal Reserve Bank of New
127 York.

128 For the investment of debt proceeds, financial institutions shall be selected
129 pursuant to the debt covenants.

130 **10. MATURITY AND LIQUIDITY REQUIREMENTS**

131 **Operating Funds**

132 To the extent possible, an attempt will be made to match investment maturities with
133 known cash needs and anticipated cash flow requirements. Investments of current
134 operating funds shall have maturities of no longer than twenty-four (24) months.

135 **Core Funds**

136 Investments of reserves, project funds, debt proceeds and other non-operating
137 funds ("core funds") shall have a term appropriate to the need for funds and in
138 accordance with debt covenants, but in no event shall exceed five (5) years and
139 the average duration of the funds as a whole may not exceed three (3) years.

140 The maturities of the underlying securities of a repurchase agreement will follow
141 the requirements of the master repurchase agreement.

142 **11. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS**

143 After the treasurer or the investment advisor has determined the approximate
144 maturity date based on cash flow needs and market conditions and has analyzed
145 and selected one or more optimal types of investments, a minimum of three (3)

146 qualified banks and/or approved broker/dealers must be contacted and asked to
147 provide bids/offers on securities in questions. Bids will be held in confidence until
148 the bid deemed to best meet the investment objectives is determined and selected.

149 However, if obtaining bids/offers are not feasible and appropriate, securities may
150 be purchased utilizing the comparison to current market price method on an
151 exception basis. Acceptable current market price providers include, but are not
152 limited to:

153 a. Telerate Information System

154 b. Bloomberg Information Systems

155 c. Wall Street Journal or a comparable nationally recognized financial publication
156 providing daily market pricing

157 Daily market pricing provided by the District's custodian or their correspondent
158 institutions.

159 The treasurer or the investment advisor shall utilize the competitive bid
160 process to select the securities to be purchased or sold. Selection by
161 comparison to a current market price, as indicated above, shall only be utilized
162 when, in judgment of the treasurer or the investment advisor, competitive
163 bidding would inhibit the selection process.

164 Examples of when this method may be used include:

165 d. When time constraints due to unusual circumstances preclude the use of the
166 competitive bidding process

167 e. When no active market exists for the issue being traded due to the age or
168 depth of the issue

169 f. When a security is unique to a single dealer, for example, a private placement

170 g. When the transaction involves new issues or issues in the "when issued"
171 market

172 Overnight sweep repurchase agreements will not be bid, but may be placed with
173 the district's depository bank relating to the demand account for which the
174 repurchase agreement was purchased.

175 **12. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION**

176 Investments should be made subject to the cash flow needs and such cash flows
177 are subject to revisions as market conditions and the district's needs change.
178 However, when the invested funds are needed in whole or in part for the purpose

179 originally intended or for more optimal investments, the treasurer may sell the
180 investment at the then-prevailing market price and place the proceeds into the
181 proper account at the district's custodian.

182 The following are the investment requirements and allocation limits on security
183 types, issuers, and maturities as established by the district. The ~~chief financial~~
184 officer Chief Financial Officer, treasurer Treasurer or the treasurer's Treasurer's
185 designee, and the ~~investment committee~~ Finance Committee shall have the option
186 to further restrict investment percentages from time to time based on market
187 conditions, risk and diversification investment strategies. The percentage
188 allocations requirements for investment types and issuers are calculated based on
189 the original cost of each investment. Investments not listed in this policy are
190 prohibited. All investments shall be in US Dollars only.

191 The allocation limits and security types do not apply to the investment of debt
192 proceeds. These investments shall be governed by the debt covenant.

193 a. The Florida Local Government Surplus Funds Trust Fund ("SBA")

194 i. Investment Authorization

195 The treasurer may invest in the SBA. (Florida Prime Fund) only with the
196 approval of the School Board. Any investment with the SBA will be
197 evaluated with the same criteria as Money Market Mutual Funds, detailed
198 in section K.

199 ii. Portfolio Composition

200 A maximum of ~~one hundred percent (100%)~~ twenty five percent (25%) of
201 available funds may be invested in the SBA.

202 iii. Rating Requirements

203 As with any other Intergovernmental Investment Pool, it shall be rated
204 "AAAm" by Standard & Poor's or the equivalent by another rating agency.

205 iv. Due Diligence Requirements

206 A thorough investigation of any Intergovernmental Investment Pool is
207 required prior to investing, and on a continual basis. There shall be a
208 questionnaire developed by the Treasurer that will contain a list of due
209 diligence considerations that deal with the major aspects of any
210 investment pool/fund. A current prospectus or equivalent documentation,
211 including and Investment Policy, Financial Statements, and Portfolio
212 Holdings must be obtained.

213 b. United States Government Securities

214 i. Purchase Authorization

215 The treasurer may invest in negotiable direct obligations, or obligations
216 the principal and interest of which are unconditionally guaranteed by the
217 United States government. Such securities will include, but not be limited
218 to the following:

- 219 Cash Management Bills [Inflation Index Securities](#)
- 220 Treasury Securities - State and Local Government Series ("SLGS")
- 221 Treasury Bills
- 222 Treasury Notes
- 223 Treasury Bonds
- 224 Treasury Strips

225
226 ii. Portfolio Composition

227 A maximum of one hundred percent (100%) of available funds may be
228 invested in the United States government securities.

229 iii. Maturity Limitations

230 The maximum length to maturity of any direct investment in the United
231 States government securities is five (5) years from the date of purchase.

232 c. United States Government Agencies

233 i. Purchase Authorization

234 The treasurer may invest in bonds, debentures, notes which may be
235 subject to call, issued or guaranteed as to principal and interest by the
236 United States government agencies, provided such obligations are
237 backed by the full faith and credit of the United States government. Such
238 securities will include, but not be limited to the following:

- 239 United States Export - Import Bank
- 240 -Direct obligations or fully guaranteed certificates of beneficial
- 241 ownership

- 242 Farmer Home Administration
- 243 -Certificates of beneficial ownership

- 244 Federal Financing Bank
- 245 -Discout notes, notes and bonds

- 246 Federal Housing Administration Debentures

- 247 [Government National Mortgage Association \(Ginnie Mae\)](#)

- 248 General Services Administration
- 249 United States Maritime Administration Guaranteed
- 250 -Title XI Financing
- 251 New Communities Debentures
- 252 -United States Government guaranteed debentures
- 253 United States Public Housing Notes and Bonds
- 254 -United States Government guaranteed public housing notes and
- 255 bonds
- 256 United States Department of Housing and Urban Development
- 257 -Project notes and local authority bonds
- 258 ii. Portfolio Composition
- 259 A maximum of fifty percent (50%) of available funds may be invested in
- 260 United States government agencies.
- 261 iii. Limits on Individual Issuers
- 262 A maximum of twenty five percent (25%) of available funds may be
- 263 invested in individual United States government agencies.
- 264 iv. Maturity Limitations
- 265 The maximum length to maturity for an investment in any United States
- 266 government agency security is five (5) years from the date of purchase.
- 267 d. Federal Instrumentalities (United States government sponsored agencies)
- 268 i. Purchase Authorization
- 269 The treasurer may invest in bonds, debentures, inflation index securities,
- 270 or notes which may be subject to call, issued or guaranteed as to
- 271 principal and interest by United States government sponsored agencies
- 272 (federal instrumentalities) which are non-full faith and credit agencies
- 273 limited to the following:
- 274 Federal Farm Credit Bank (FFCB)
- 275 Federal Home Loan Bank or its district banks (FHLB)
- 276 Federal National Mortgage Association (FNMA)
- 277 Federal Home Loan Mortgage Corporation (Freddie-Macs) including
- 278 Federal -Home Loan Mortgage Corporation participation certificates

- 279 Student Loan Marketing Association (Sallie-Mae)
- 280 ii. Portfolio Composition
- 281 A maximum of eighty percent (80%) of available funds may be invested in
282 federal instrumentalities.
- 283 iii. Limits on Individual Issuers
- 284 A maximum of fifty percent (50%) of available funds may be invested in
285 individual United States government agencies.
- 286 iv. Maturity Limitations
- 287 The maximum length to maturity for an investment in any federal
288 instrumentality security is five (5) years from the date of purchase.
- 289 e. Interest Bearing Time Deposit or Saving Accounts
- 290 i. Purchase Authorization
- 291 The treasurer may invest in non-negotiable interest bearing time
292 certificates of deposit or savings accounts in banks organized under the
293 laws of this state and/or in national banks organized under the laws of the
294 United States and doing business and situated in the state of Florida,
295 provided that any such deposits are secured by the Florida Security for
296 Public Deposits Act, Chapter 280, F.S.. Additionally, the bank shall not be
297 listed with any recognized credit watch information service.
- 298 ii. Portfolio Composition
- 299 A maximum of twenty five percent (25%) of available funds may be
300 invested in non-negotiable interest bearing time certificates of deposit.
- 301 iii. Limits on Individual Issuers
- 302 A maximum of fifteen percent (15%) of available funds may be deposited
303 with any one issuer.
- 304 iv. The maximum maturity on any certificate shall be no greater than one (1)
305 year from the date of purchase.
- 306 f. Repurchase Agreements
- 307 i. Purchase Authorization
- 308 A. The treasurer may invest in repurchase agreements composed of

309 only those investments based on the requirements set forth by the
310 district's master repurchase agreement. All firms are required to sign
311 the master repurchase agreement prior to the execution of a
312 repurchase agreement transaction.

313 B. A third party custodian with whom the district has a current custodial
314 agreement shall hold the collateral for all repurchase agreements
315 with a term longer than one (1) business day. A clearly marked
316 receipt that shows evidence of ownership must be supplied to the
317 Treasurer and retained.

318 C. Securities authorized for collateral are negotiable direct obligations of
319 the United States government, government agencies, and federal
320 instrumentalities with maturities under five (5) years and must have a
321 market value for the principal and accrued interest of one hundred
322 two percent (102%) of the value and for the term of the repurchase
323 agreement. Immaterial short-term deviations from one hundred two
324 percent (102%) requirement are permissible only upon the approval
325 of the treasurer.

326 ii. Portfolio Composition

327 A maximum of fifty percent (50%) of available funds may be invested in
328 repurchase agreements excluding one (1) business day agreements and
329 overnight sweep agreements.

330 iii. Limits on Individual Issuers

331 A maximum of twenty five percent (25%) of available funds may be
332 invested with any one institution.

333 iv. Limits on Maturities

334 The maximum length to maturity of any repurchase agreement is ninety
335 (90) days from the date of purchase.

336 g. Commercial Paper

337 i. Purchase Authorization

338 The treasurer may invest in commercial paper of any United States
339 company that is rated, at the time of purchase, "Prime-1" by Moody's and
340 "A-1" by Standard & Poor's (prime commercial paper).

341 ii. Portfolio Composition

342 A maximum of thirty five percent (35%) of available funds may be directly
343 invested in prime commercial paper.

344 iii. Limits on Individual Issuers

345 A maximum of ten percent (10%) of available funds may be invested with
346 any one issuer.

347 iv. Maturity Limitations

348 The maximum length to maturity for prime commercial paper shall be one
349 hundred eighty (180) days from the date of purchase.

350 h. Corporate Notes

351 i. Purchase Authorization

352 The treasurer may invest in corporate notes issued by corporations
353 organized and operating within the United States or by depository
354 institutions licensed by the United States that have a long term debt
355 rating, at the time of purchase, at a minimum "Aa" by Moody's and a
356 minimum long term debt rating of "AA" by Standard & Poor's.

357 ii. Portfolio Composition

358 A maximum of fifteen percent (15%) of available funds may be directly
359 invested in corporate notes.

360 iii. Limits on Individual Issuers

361 A maximum of five percent (5%) of available funds may be invested with
362 any one issuer.

363 iv. Maturity Limitations

364 The maximum length to maturity for corporate notes shall be three (3)
365 years from the date of purchase.

366 i. Bankers' Acceptances

367 i. Purchase Authorization

368 The treasurer may invest in bankers' acceptances issued by a domestic
369 bank or a federally chartered domestic office of a foreign bank, which are
370 eligible for purchase by the Federal Reserve System, at the time or
371 purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's
372 Investors Services and "A-1" Standard & Poor's.

- 373 ii. Portfolio Composition
- 374 A maximum of thirty five percent (35%) of available funds may be directly
375 invested in bankers' acceptances.
- 376 iii. Limits on Individual Issuers
- 377 A maximum of ten percent (10%) of available funds may be invested with
378 any one (1) issuer.
- 379 iv. Maturity Limitations
- 380 The maximum length to maturity for bankers' acceptances shall be one
381 hundred eighty (180) days from the date of purchase.
- 382 j. State and/or Local Government Taxable and/or Tax-Exempt Debt
- 383 i. Purchase Authorization
- 384 The treasurer may invest in state and/or local government taxable and/or
385 tax-exempt debt, general obligation and/or revenue bonds, rated at least
386 "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt, or
387 rated at least "MIG-1" by Moody's and "SP-1" by Standard & Poor's for
388 short-term debt.
- 389 ii. Portfolio Composition
- 390 A maximum of twenty percent (20%) of available funds may be invested
391 in taxable and tax-exempt debts.
- 392 iii. Maturity Limitations
- 393 A maximum length to maturity for an investment in any state or local
394 government debt security is three (3) years from the date of purchase.
- 395 k. Registered Investment Companies (Money Market Mutual Funds)
- 396 i. Investment Authorization
- 397 The treasurer may invest in shares in open-end, no-load funds provided
398 such funds are registered under the Federal Investment Company Act of
399 1940 and operate in accordance with Title 17 Code of Federal
400 Regulations. § 270.2a-7, which stipulates that money market funds must
401 have an average weighted maturity of ninety (90) days or less. The
402 prospectus of the funds will indicate that the share value shall not
403 fluctuate.

- 404 ii. Portfolio Composition
- 405 A maximum of ~~fifty~~ seventy-five percent (~~50~~ 75%) of available funds may
406 be invested in money market funds.
- 407 iii. Limits of Individual Issuers
- 408 A maximum of twenty five percent (25%) of available funds may be
409 invested with any one (1) money market fund.
- 410 iv. Rating Requirements
- 411 The money market funds shall be rated "AAm" or "AAm-G" or better by
412 Standard & Poor's, or the equivalent by another rating agency.
- 413 v. Due Diligence Requirements
- 414 A thorough investigation of any money market fund is required prior to
415 investing, and on a continual basis. There shall be a questionnaire
416 developed by the treasurer that will contain a list of due diligence
417 considerations that deal with the major aspects of any investment
418 pool/fund. A current prospectus must be obtained.
- 419 I. Mortgage-Backed Securities (MBS)
- 420 i. Investment Authorization
- 421 The Treasurer may invest in mortgage-backed securities (MBS) which are
422 usually based on mortgages issued or guaranteed as to principal and
423 interest by United States government sponsored agencies (federal
424 instrumentalities) which are non-full faith and credit agencies.
- 425 ii. Portfolio Composition
- 426 A maximum of 20% of available funds may be invested in MBS.
- 427 iii. Limits of Individual Issuers
- 428 A maximum of 20% of available funds may be invested with any one
429 MBS.
- 430 iv. Rating Requirements
- 431 MBS shall be AAA rated or better by Standard & Poor's or the equivalent
432 by another nationally recognized rating agency.
- 433 v. Maturity Limitations

434 A maximum length to maturity for an investment in any MBS is five (5)
435 years from the date of purchase.

436 m. Short Term Bond Funds

437 i. Investment Authorization

438 The Treasurer may invest in bond funds.

439 ii. Portfolio Composition

440 A maximum of 25% of available funds may be invested in bond funds.

441 iii. Limits of Individual Issuers

442 A maximum of 10% of available funds may be invested with any one bond
443 fund.

444 iv. Rating Requirements and Duration

445 Bonds funds shall be AAA rated or better by Standard & Poor's or the
446 equivalent by another nationally recognized rating agency. Duration shall
447 be no greater than 3 years.

448 v. Due Diligence Requirements

449 A thorough investigation of any bond fund is required prior to investing,
450 and on a continual basis. There shall be a questionnaire developed by
451 the Treasurer that will contain a list due diligence considerations that deal
452 with the major aspects of any investment pool/fund. A current prospectus
453 must be obtained.

454 n. Intergovernmental Investment Pools

455 i. Investment Authorization

456 The Treasurer may invest in intergovernmental investment pools that are
457 authorized pursuant to the Florida Interlocal Cooperation Act, as provided
458 in Section. 163.01, F.S.

459 ii. Portfolio Composition

460 A maximum of 25% of available funds may be invested in
461 intergovernmental investment pools.

462 iii. Rating Requirement

463 Intergovernmental investment pools shall be rated "AAAm" by Standard &
464 Poor's or the equivalent by another rating agency.

465 iv. Due Diligence Requirements

466 A thorough investigation of any intergovernmental investment pool is
467 required prior to investing, and on a continual basis. There shall be a
468 questionnaire developed by the Treasurer that will contain a list due
469 diligence considerations that deal with the major aspects of any
470 investment pool/fund. A current prospectus must be obtained.

471 13. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

472 Investment in any derivative products or the use of reverse repurchase agreements
473 requires specific board approval prior to their use. If the board approves the use of
474 derivative products, the treasurer shall develop sufficient understanding of the
475 derivative products and have the expertise to manage them. A "derivative" is
476 defined as a financial instrument the value of which depends on, or is derived from,
477 the value of one or more underlying assets or indices or asset values. If the board
478 approves the use of reverse repurchase agreements or other forms of leverage,
479 the investment shall be limited to transactions in which the proceeds are intended
480 to provide liquidity and for which the treasurer has sufficient resources and
481 expertise to manage them.

482 14. PERFORMANCE MEASUREMENTS

483 In order to assist in the evaluation of the portfolio's performance, the district will use
484 performance benchmarks for short-term and long-term portfolios. The use of
485 benchmarks will allow the district to measure its returns against other investors in
486 the same markets.

487 a. The 91-Day T-Bill ~~State Board of Administration's Local Government Surplus~~
488 ~~Funds Trust Fund ("SBA Pool")~~ will be used as a benchmark as compared to
489 the portfolios' net book value rate of return for current operating funds.

490 b. Investment performance of funds designated as core funds and other non-
491 operating funds that have a longer-term investment horizon will be compared
492 to the Merrill Lynch 1-3 year Government Index or an equivalent index
493 comprised of U. S. Treasury or government securities. The appropriate index
494 will have a duration and asset mix that approximates the portfolios and will be
495 utilized as a benchmark to be compared to the portfolio's total rate of return.
496 The duration of the District's portfolios shall not exceed 1.5 years.

497 i. For performance comparison, if the district's investment portfolio has a
498 duration of 1.5 years or less, and the duration of the Merrill Lynch 1-3
499 Government Index is longer than 1.5 years, the portfolio's performance

500 shall be compared to a Duration Adjusted Index performance calculated
501 by comparing the duration of the District's portfolio to the duration of the
502 index and multiplying that percentage to the performance of the index.

503 ii. The target duration of the District's core portfolio shall be reviewed with
504 the investment advisor quarterly.

505 15. REPORTING

506 The treasurer shall provide the accounting services department timely transaction
507 data as necessary to record and document investment activity.

508 The treasurer shall provide a monthly report including the listing of holdings in the
509 portfolio at market value to the chief financial officer and chief operating officer.

510 The treasurer and/or investment advisor shall provide the superintendent, chief
511 operating officer, chief financial officer and the ~~investment committee~~ Finance
512 Committee with quarterly investment reports. Once reviewed by the ~~investment~~
513 ~~committee~~ Finance Committee this report shall be submitted to the board.

514 Schedules in the quarterly report should include the but not be limited to the
515 following:

- 516 a. A listing of individual securities held at the end of the reporting period
- 517 b. Percentage of available funds represented by each investment type
- 518 c. Coupon, discount or earning rate
- 519 d. Average life or duration and final maturity of all investments
- 520 e. Par value, and market value

521 On an annual basis, the treasurer shall prepare and submit to the board a written
522 report on all invested funds. The annual report shall provide all, but not limited to,
523 the following: a complete list of all invested funds, name or type of security in which
524 the funds are invested, the amount invested, the maturity date, income earned, the
525 book value, the market value and the yield on each investment.

526 The annual report will show performance on both a book value and total rate of
527 return basis and will compare the results to the above-stated performance
528 benchmarks. All investments shall be reported at fair value per GASB standards.
529 Investment reports shall be available to the public.

530 Upon issuance of debt, the treasurer shall submit a summary report on the
531 investment of any debt proceeds to the ~~investment committee~~ Finance Committee.

532 16. **THIRD-PARTY CUSTODIAL AGREEMENTS**

533 All securities, with the exception of certificates of deposits, shall be held with a third
534 party custodian; and all securities purchased by, and all collateral obtained by, the
535 district should be properly designated as an asset of the district. The securities
536 must be held in an account separate and apart from the assets of the financial
537 institution. A third party custodian is defined as any bank depository chartered by
538 the federal government, the state of Florida, or any other state or territory of the
539 United States which has a branch or principal place of business in the state of
540 Florida as defined in § 658.12, F.S., or by a national association organized and
541 existing under the laws of the United States which is authorized to accept and
542 execute trusts and which is doing business in the state of Florida. Certificates of
543 deposits will be placed in the provider's safekeeping department for the term of the
544 deposit.

545 The chief financial officer, upon approval of the Palm Beach County School Board,
546 will execute on behalf of the district, third party custodial agreement(s) with its
547 bank(s) and depository institution(s). Such agreements may include letters of
548 authority from the district, details as to the responsibilities of each party, method of
549 notification of security purchases, sales, delivery, procedures related to repurchase
550 agreements and wire transfers, safekeeping and transaction costs, procedures in
551 case of wire failure or other unforeseen mishaps and describing the liability of each
552 party.

553 The custodian shall accept transaction instructions only from those persons who
554 have been duly authorized by the School Board of Palm Beach County and which
555 authorization has been provided, in writing, to the custodian. No withdrawal of
556 securities, in whole or in part, shall be made from safekeeping, shall be permitted
557 unless by such a duly authorized person.

558 The custodian shall provide the treasurer with safekeeping receipts that provide
559 detail information on the securities held by the custodian. Security transactions
560 between a broker/dealer and the custodian involving the purchase or sale of
561 securities by transfer of money or securities must be made on a "delivery vs.
562 payment" basis, if applicable, to ensure that the custodian will have the security or
563 money, as appropriate, in hand at the conclusion of the transaction. Securities held
564 as collateral shall be held free and clear of any liens.

565 17. **INVESTMENT POLICY ADOPTION**

566 The investment policy shall be adopted by board resolution. The chief operating
567 officer, chief financial officer, treasurer and the ~~investment committee~~ Finance
568 Committee shall review the policy annually and the board shall approve any
569 modification made thereto.

570 **APPROVED AND ADOPTED BY THE SCHOOL BOARD ON _____.**

571 _____
572 Chairman of the School Board
573
574 _____
575 Superintendent of Schools
576
577 _____
578 Chief Operating Officer

579 STATUTORY AUTHORITY: Fla. Stat. §§ 230.23(22); 230.23005(2)
580 LAWS IMPLEMENTED: Fla. Stat. §§ 218.415, 230.23(10)(K), 236.24(2), 237.211(4)
581 STATE BOARD RULE SUPPLEMENTED: Rule 6A-1.0012, Fla. Admin. Code
582 HISTORY: 02/18/72; 11/29/76; 4/06/83; 12/18/96; 03/26/01; ___/___/2011

Legal Signoff:

The Legal Department has reviewed proposed Policy 6.08 and finds it legally sufficient for adoption by the Board.

Attorney

Date