



POLICY 6.08

5-D I recommend that the Board approve development of the proposed **revised** Policy 6.08, entitled "Investment Policy."

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Development

CONSENT ITEM

- 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.

POLICY 6.08

INVESTMENT POLICY

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Table of Contents

	Page
PURPOSE	3
SCOPE	3
INVESTMENT OBJECTIVES	3
DELEGATION OF AUTHORITY	4
STANDARDS OF PRUDENCE	4
ETHICS AND CONFLICTS OF INTEREST	5
INTERNAL CONTROLS AND INVESTMENT PROCEDURES	5
CONTINUING EDUCATION	5
AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS	5
MATURITY AND LIQUIDITY REQUIREMENTS	6
COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS	6
AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION	7
DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS	14
PERFORMANCE MEASUREMENTS	14
REPORTING	14
THIRD-PARTY CUSTODIAL AGREEMENTS	15
INVESTMENT POLICY ADOPTION	16

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4
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ATTACHMENT: Glossary of Cash and Investment Management Terms

1. **PURPOSE**

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

12 **2. SCOPE**

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

21 **3. INVESTMENT OBJECTIVES**

22 **Safety of Principal**

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

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

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

36 **Maintenance of Liquidity**

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

41 **Return on Investment**

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

49

50 **4. DELEGATION OF AUTHORITY**

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

65 **5. STANDARDS OF PRUDENCE**

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

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

80 to be derived from the investment.

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

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

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

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

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

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

115 **8. CONTINUING EDUCATION**

116 The ~~chief financial officer~~ Chief Financial Officer, treasurer and appropriate staff
117 designated by the chief financial officer shall each annually complete eight (8)

118 hours of continuing education in subjects or courses of study related to investment
119 practices and products.

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

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

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

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

133 **10. MATURITY AND LIQUIDITY REQUIREMENTS**

134 **Operating Funds**

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

138 **Core Funds**

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

143 The maturities of the underlying securities of a repurchase agreement will follow
144 the requirements of the master repurchase agreement.

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

146 After the treasurer or the investment advisor has determined the approximate
147 maturity date based on cash flow needs and market conditions and has analyzed
148 and selected one or more optimal types of investments, a minimum of three (3)
149 qualified banks and/or approved broker/dealers must be contacted and asked to
150 provide bids/offers on securities in questions. Bids will be held in confidence until
151 the bid deemed to best meet the investment objectives is determined and selected.

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

- 156 a. Telerate Information System
- 157 b. Bloomberg Information Systems
- 158 c. Wall Street Journal or a comparable nationally recognized financial publication
159 providing daily market pricing

160 Daily market pricing provided by the District's custodian or their correspondent
161 institutions.

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

167 Examples of when this method may be used include:

- 168 d. When time constraints due to unusual circumstances preclude the use of the
169 competitive bidding process
- 170 e. When no active market exists for the issue being traded due to the age or
171 depth of the issue
- 172 f. When a security is unique to a single dealer, for example, a private placement
- 173 g. When the transaction involves new issues or issues in the "when issued"
174 market

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

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

179 Investments should be made subject to the cash flow needs and such cash flows
180 are subject to revisions as market conditions and the district's needs change.
181 However, when the invested funds are needed in whole or in part for the purpose
182 originally intended or for more optimal investments, the treasurer may sell the
183 investment at the then-prevailing market price and place the proceeds into the
184 proper account at the district's custodian.

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

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

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

197 i. Investment Authorization

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

202 ii. Portfolio Composition

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

205 iii. Rating Requirements

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

208 iv. Due Diligence Requirements

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

216 b. United States Government Securities

217 i. Purchase Authorization

218 The treasurer may invest in negotiable direct obligations, or obligations

219 the principal and interest of which are unconditionally guaranteed by the
220 United States government. Such securities will include, but not be limited
221 to the following:

222 Cash Management Bills Inflation Index Securities
223 Treasury Securities - State and Local Government Series ("SLGS")
224 Treasury Bills
225 Treasury Notes
226 Treasury Bonds
227 Treasury Strips

228 ii. Portfolio Composition

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

231 iii. Maturity Limitations

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

234 c. United States Government Agencies

235 i. Purchase Authorization

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

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

244 Farmer Home Administration
245 -Certificates of beneficial ownership

246 Federal Financing Bank
247 -Discount notes, notes and bonds

248 Federal Housing Administration Debentures

249 Government National Mortgage Association (Ginnie Mae)

250 General Services Administration

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

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

313 the master repurchase agreement prior to the execution of a
314 repurchase agreement transaction.

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

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

328 ii. Portfolio Composition

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

332 iii. Limits on Individual Issuers

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

335 iv. Limits on Maturities

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

338 g. Commercial Paper

339 i. Purchase Authorization

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

343 ii. Portfolio Composition

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

- 346 iii. Limits on Individual Issuers
- 347 A maximum of ten percent (10%) of available funds may be invested with
348 any one issuer.
- 349 iv. Maturity Limitations
- 350 The maximum length to maturity for prime commercial paper shall be one
351 hundred eighty (180) days from the date of purchase.
- 352 h. Corporate Notes
- 353 i. Purchase Authorization
- 354 The treasurer may invest in corporate notes issued by corporations
355 organized and operating within the United States or by depository
356 institutions licensed by the United States that have a long term debt
357 rating, at the time of purchase, at a minimum "Aa" by Moody's and a
358 minimum long term debt rating of "AA" by Standard & Poor's.
- 359 ii. Portfolio Composition
- 360 A maximum of fifteen percent (15%) of available funds may be directly
361 invested in corporate notes.
- 362 iii. Limits on Individual Issuers
- 363 A maximum of five percent (5%) of available funds may be invested with
364 any one issuer.
- 365 iv. Maturity Limitations
- 366 The maximum length to maturity for corporate notes shall be three (3)
367 years from the date of purchase.
- 368 i. Bankers' Acceptances
- 369 i. Purchase Authorization
- 370 The treasurer may invest in bankers' acceptances issued by a domestic
371 bank or a federally chartered domestic office of a foreign bank, which are
372 eligible for purchase by the Federal Reserve System, at the time or
373 purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's
374 Investors Services and "A-1" Standard & Poor's.
- 375 ii. Portfolio Composition

376 A maximum of thirty five percent (35%) of available funds may be directly
377 invested in bankers' acceptances

378 iii. Limits on Individual Issuers

379 A maximum of ten percent (10%) of available funds may be invested with
380 any one (1) issuer.

381 iv. Maturity Limitations

382 The maximum length to maturity for bankers' acceptances shall be one
383 hundred eighty (180) days from the date of purchase.

384 j. State and/or Local Government Taxable and/or Tax-Exempt Debt

385 i. Purchase Authorization

386 The treasurer may invest in state and/or local government taxable and/or
387 taxexempt debt, general obligation and/or revenue bonds, rated at least
388 "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt, or
389 rated at least "MIG-1" by Moody's and "SP-1" by Standard & Poor's for
390 short-term debt.

391 ii. Portfolio Composition

392 A maximum of twenty percent (20%) of available funds may be invested
393 in taxable and tax-exempt debts.

394 iii. Maturity Limitations

395 A maximum length to maturity for an investment in any state or local
396 government debt security is three (3) years from the date of purchase.

397 k. Registered Investment Companies (Money Market Mutual Funds)

398 i. Investment Authorization

399 The treasurer may invest in shares in open-end, no-load funds provided
400 such funds are registered under the Federal Investment Company Act of
401 1940 and operate in accordance with Title 17 Code of Federal
402 Regulations. § 270.2a-7, which stipulates that money market funds must
403 have an average weighted maturity of ninety (90) days or less. The
404 prospectus of the funds will indicate that the share value shall not
405 fluctuate.

406 ii. Portfolio Composition

407 A maximum of ~~fifty~~ seventy-five percent (~~50~~ 75%) of available funds may
408 be invested in money market funds.

409 iii. Limits of Individual Issuers

410 A maximum of twenty five percent (25%) of available funds may be
411 invested with any one (1) money market fund.

412 iv. Rating Requirements

413 The money market funds shall be rated "AAm" or "AAm-G" or better by
414 Standard & Poor's, or the equivalent by another rating agency.

415 v. Due Diligence Requirements

416 A thorough investigation of any money market fund is required prior to
417 investing, and on a continual basis. There shall be a questionnaire
418 developed by the treasurer that will contain a list of due diligence
419 considerations that deal with the major aspects of any investment
420 pool/fund. A current prospectus must be obtained.

421 I. Mortgage-Backed Securities (MBS)

422 i. Investment Authorization

423 The Treasurer may invest in mortgage-backed securities (MBS) which are
424 usually based on mortgages issued or guaranteed as to principal and
425 interest by United States government sponsored agencies (federal
426 instrumentalities) which are non-full faith and credit agencies.

427 ii. Portfolio Composition

428 A maximum of 20% of available funds may be invested in MBS.

429 iii. Limits of Individual Issuers

430 A maximum of 20% of available funds may be invested with any one
431 MBS.

432 iv. Rating Requirements

433 MBS shall be AAA rated or better by Standard & Poor's or the equivalent
434 by another nationally recognized rating agency.

435 v. Maturity Limitations

436 A maximum length to maturity for an investment in any MBS is five (5)
437 years from the date of purchase.
438

439 m. Short Term Bond Funds

440 i. Investment Authorization

441 The Treasurer may invest in bond funds.

442 ii. Portfolio Composition

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

444 iii. Limits of Individual Issuers

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

447 iv. Rating Requirements and Duration

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

451 v. Due Diligence Requirements

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

457 n. Intergovernmental Investment Pools

458 i. Investment Authorization

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

462 ii. Portfolio Composition

463 A maximum of 25% of available funds may be invested in
464 intergovernmental investment pools.

465 iii. Rating Requirement

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

468 iv. Due Diligence Requirements

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

474

475 13. **DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS**

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

486 14. **PERFORMANCE MEASUREMENTS**

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

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

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

501 i. For performance comparison, if the district's investment portfolio has a

502 duration of 1.5 years or less, and the duration of the Merrill Lynch 1-3
503 Government Index is longer than 1.5 years, the portfolio's performance
504 shall be compared to a Duration Adjusted Index performance calculated
505 by comparing the duration of the District's portfolio to the duration of the
506 index and multiplying that percentage to the performance of the index.

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

509 **15. REPORTING**

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

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

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

518 Schedules in the quarterly report should include the but not be limited to the
519 following:

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

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

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

534 Upon issuance of debt, the treasurer shall submit a summary report on the

535 investment of any debt proceeds to the ~~investment committee~~ Finance Committee.

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

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

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

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

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

569 **17. INVESTMENT POLICY ADOPTION**

570 The investment policy shall be adopted by board resolution. The chief operating
571 officer, chief financial officer, treasurer and the ~~investment committee~~ Finance
572 Committee shall review the policy annually and the board shall approve any
573 modification made thereto.

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

575 _____
576 Chairman of the School Board

577 _____
578 _____
579 Superintendent of Schools

580 _____
581 _____
582 Chief Operating Officer

583

584 STATUTORY AUTHORITY: Fla. Stat. §§ 230.23(22); 230.23005(2),
585 LAWS IMPLEMENTED: Fla. Stat. §§ 218.415, 230.23(10)(K), 236.24(2), 237.211(4)
586 STATE BOARD RULE SUPPLEMENTED: Rule 6A-1.0012, Fla. Admin. Code
587 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 development by the Board.

Attorney

Date