



Ohio Association of Public
Treasurers

37th Annual conference

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Presented by:
Productive Capital Management, Inc.

“Investment Laws & Policies”

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ORC 135 – “Your User Manual”

- When did you last read Chapter 135?
 - Not the best read, but everything is there
 - Not all entities have the same rules
- Have you designated your “Moneys”?
 - Inactive, Active, and Interim
- Does your investment policy comply?
 - How often do you review your policy?
 - Do you ask outside parties to review it?
- Have you designated your depositories?

ORC 135.12(B) Designating Depositories

- Each governing board shall meet every five years in the month preceding the expiration of current depositories for the purpose of designating depositories for the next five year period.
- Are you then stuck with those so designated?
- 135.12 (C),(D) permit additional designations for the remainder of the designation period.

ORC 135.13 Evidence of inactive & interim deposits

- “Inactive deposits shall be evidenced by time certificates of deposit, each of which shall mature not later than the end of the period of designation,....”
- Is that five years?
- “Interim deposits shall be evidenced by time certificates of deposit maturing not more than one year from the date of deposit...”

ORC 135.14 “The important one” if you are not a County

Invest interim moneys of public subdivisions in all or any part in the following:

(B)(1) US Treasury bills, notes, bonds and other obligations issued by the US treasury or guaranteed as to principal and interest by the United States

(B)(2) Federal government agency including, FNMA, FHLB, FFCB, FHLMC, GNMA, & SLMA
(NO STRIPPED COUPONS OR PRINCIPAL)

ORC 135.14 “The Important one” if you are not a County

- (B)(3) Interim deposits in eligible institutions
- (B)(4) Bonds or other obligations of this state
- (B)(5) No load money market funds investing
Exclusively in obligations in (B)(1) or (2)
—Beware!!
- Repurchase agreements secured by such obligations
- The Ohio subdivision’s fund (STAR Ohio)

ORC 135.14 “The Important one” if you are not a County

- Up to 25% of interim moneys in the following:
- Commercial Paper* from entities with assets of more than \$500MM and rated in highest classification by at least two national rating agencies and maturity not long than 180 days.
- Bankers Acceptances* from FDIC insured banks where the BA's are eligible for purchase by the Federal Reserve and they mature not longer than 180 days after purchase.
- *Requires classroom certification

ORC 135.14

- All obligations purchased must mature no more than five years from settlement date.
- Exception is Repo (overnight out to 30 day repo) where collateral may be longer than five years if it is delivered to a custodian on a DVP basis and has a market value at least 2% greater than the principal value of the repo and must be marked to market daily.
- Can only repo securities listed in divisions (B)(1) to (5)

ORC 135.14 (G)

- No treasurer or governing board shall pay interim moneys into a fund established by another subdivision, if that fund was established for the purpose of investing the public moneys of other subdivisions.
- This restriction is result of:
 - (Secured Asset Fund Earnings) SAFE program from the Cuyahoga county treasurer.
- STAR Ohio is excluded as are funds for municipal utilities.

ORC 135.14 (N)

- Any subdivision making investments under this section (135.14) may retain the services of a licensed or registered investment advisor possessing experience in public funds investment management, specifically in the area of state and local government investment portfolios.

ORC 135.14 (O)1&2 Important!

- Your approved Investment Policy MUST be on file with the State Auditors Office. If not, then limited to investing interim moneys only in CD's, no-load money market mutual funds, or STAR Ohio.
- All brokers, dealers, financial institutions doing business with you are required to sign your written Investment Policy acknowledging their comprehension and receipt, or acknowledging their agreement to abide by it's contents (if they initiate transactions or make recommendations).

ORC 135.142 (C) For school district Treasurers (only)

- Required on an annual basis before the end of August to prepare a report for the auditor of state listing each investment made in CP & BA's during the preceding fiscal year, income earned and fees and commissions paid.
- Additional classroom training is required, and the authorization to use these instruments requires at least a two thirds approval vote of the school board.

ORC 135.18 Security for repayment-- collateral requirements

- All deposits over FDIC coverage must be collateralized with the following:
- Bills, notes, and bonds guaranteed by the US
- Bonds, notes debentures issued by any federal government agency, export-import bank, and other agencies with implied federal government backing.
- Bonds of this state
- Bonds of any county, township, school district, municipal corporation, or other taxing subdivision of this state that is not currently in default, with full faith and credit pledged.

ORC 135.18 Security for repayment-- collateral requirements

- Bonds of other states that have not been in default in the last ten years.
- Shares of no-load money market funds invested exclusively in treasuries and agencies.
- A surety bond issued by a state licensed corporate surety
- Bonds of taxing authorities in other states where the full faith and credit is pledged and rated in one of the two top bond ratings.
- Substitutions are permitted for equal value.

ORC 135.18 Security for repayment-- collateral requirements

- Pool of eligible securities is permitted if the combined market value is at least 105% of the amount on deposit. (ORC 135.181)

Continuing Education Required

- The state treasurer provides required annual continuing education for treasurers of subdivisions and provides completion certificates to the state auditor for all treasurers successfully completing the annual training.
- Get your training!

ORC 135.31-.35 County Depositories

- County requirements are somewhat different.
- Depositories are designated every four years.
- For active deposits, public depositories must have an office within county limits.
- Investment procedures are reviewed by commissioners on a semiannual basis (135.34)
- A County investment advisory committee of three to five members is required
- The committee meets at least quarterly
- And sets the written investment policy.

ORC 135.35 County Investments

- The committee can retain the services of an investment advisor with experience in state and local investment portfolios.
- Counties can invest in zero coupon US treasuries. (But no other zeros).
- Up to 25% of the total portfolio may be invested in CP & BA's if the investing authority has completed the state auditor certified training requirements.

ORC 135.35 County Investments

- Up to 15% of the portfolio can be invested in Corporate notes if rated in the highest two ratings by two recognized rating agencies so long as they mature within two years.
- Up to 1% of the portfolio can be invested in debt instruments rated in the three highest categories by two nationally recognized rating services issued by foreign nations who are diplomatically recognized by the United States government maturing within five years and payable in US Dollars.

ORC 135.35 County Investments

- Derivatives are specifically prohibited.
- Leverage is specifically prohibited.
- Short sales are specifically prohibited.
- The investment advisory committee will be provided with a monthly copy of the portfolio report listing current inventory, all transactions during the month, income received, investment expenses paid, and names of persons effecting transactions on behalf of the county.

Helpful websites

- <http://codes.ohio.gov/orc/135>



LAWriter[®] Ohio Laws and Rules

Route: [Ohio Revised Code](#) » [Title \[1\] I STATE GOVERNMENT](#)

Chapter 135: UNIFORM DEPOSITORY ACT

135.01 Uniform depository act definitions.

Except as otherwise provided in sections [135.14](#) and [135.181](#) of the Revised Code, as used in sections 135.

(A) "Active deposit" means a public deposit necessary to meet current demands on the treasury, and that includes:

- (1) A commercial account that is payable or withdrawable, in whole or in part, on demand;
- (2) A negotiable order of withdrawal account as authorized in the "Consumer Checking Account Equity Act of 1994";
- (3) A money market deposit account as authorized in the "Garn-St. Germain Depository Institutions Act of 1982";

(B) "Auditor" includes the auditor of state and the auditor, or officer exercising the functions of an auditor,

Thank you!



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