



Investment Tips & Techniques

Ohio Association of Public Treasurers

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Presented by

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1 A small set of navigation icons consisting of a left-pointing arrow, a right-pointing arrow, and a circular refresh icon.

AGENDA

- Cash vs. Core Portfolio
- Bank Fees vs. Balances
- Commercial Paper
- Step-up Bonds
- Municipal Securities
- Brokered CDs
- Collateralization of Public Deposits

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Cash vs. Core

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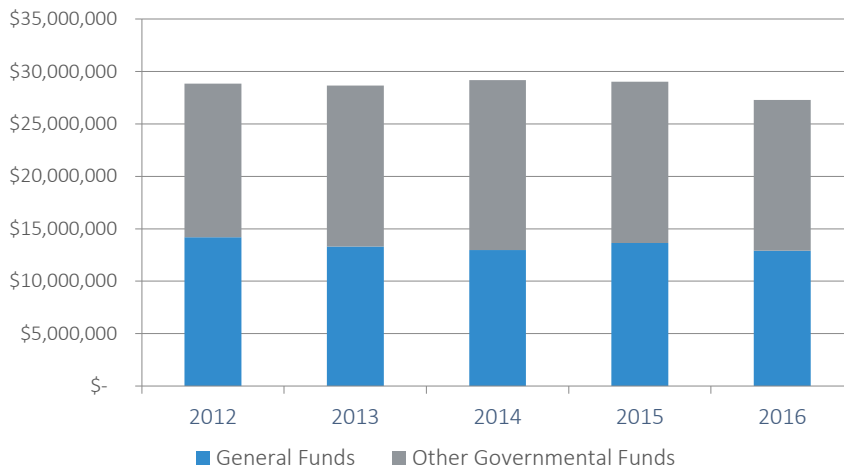
CASH VS. CORE

- Cash Management - “Cash” Portfolio
 - Operating needs for current year
 - Funds with uncertain time horizon
- Investment Management – “Core” Portfolio
 - Time horizon greater than one year
 - Apply investment strategy to maximize earnings

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CASH VS. CORE

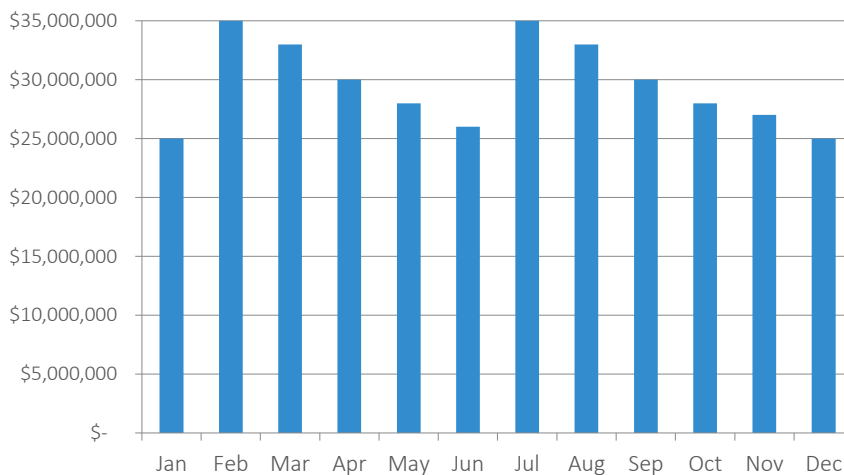
Year-end Balances per CAFR



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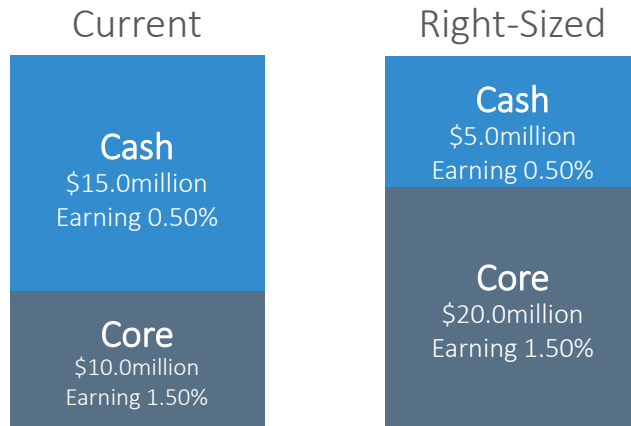
CASH VS. CORE

Month-end Balances



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CASH VS. CORE



Projected Additional Interest Income of \$100,000



7 (navigation icons)

Bank Fees vs.
Balances

8 (navigation icons)

BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

Average Ledger Balance	\$24,536,865.97
Less Average Float	\$0.00
Average Collected Balance	\$24,536,865.97
Less Reserve Requirement	\$2,453,686.60
Average Available Balance	\$22,083,179.37



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BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

Cost of Services	Volume	Unit Price	Total Cost
Account maintenance	5	41.80	209.00
Image statement	5	10.00	50.00
Checks paid	2,500	0.19	475.00
ACH credits received	200	0.14	28.00
Analysis maintenance fee	1	29.90	29.90
Total Charge for Services			\$791.90



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BANK ACCOUNT ANALYSIS STATEMENT

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Average Collected Balance		\$24,536,865.97
Less Reserve Requirement		\$2,453,686.60
Average Available Balance		\$22,083,179.37
Earnings Credit Allowance	0.25%	\$5,111.85
Total Charge for Services		\$791.90
Net Charge for Services		\$0



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BENEFITS OF REDUCING BANK BALANCES

	Existing	Reduced Balances
Average Ledger Balance	\$24,536,865.97	\$4,536,864.97
Earnings Credit Allowance (0.25%)	\$5,111.85	\$945.18
Total Charge for Services	(\$791.90)	(\$791.90)
Alternative Investment Earning (0.86% annually)	\$0	\$14,333.33

INCREASED INTEREST INCOME OF \$172,000 PER YEAR BASED ON
INVESTING THE \$20.0 MILLION TO YIELD 0.86%



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Commercial Paper

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COMMERCIAL PAPER

OHIO REVISED CODE 135.14

7) Up to forty per cent of interim moneys available for investment in either of the following:

(a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:

(i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.

(ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.

(iii) The notes mature not later than two hundred seventy days after purchase.

(iv) The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five per cent of interim moneys available for investment at the time of purchase.

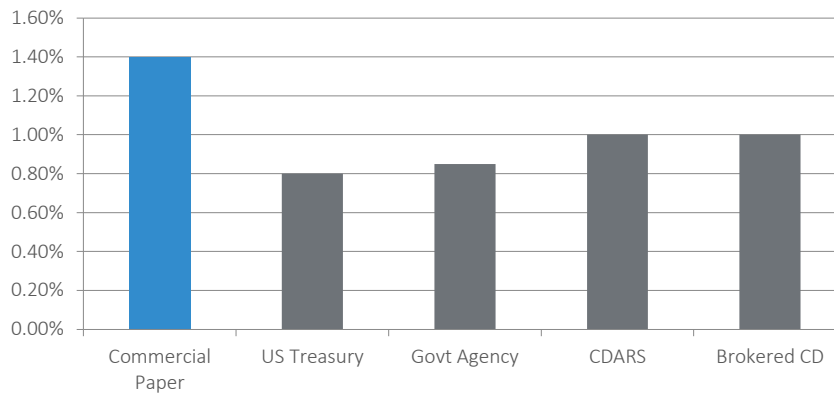
(b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than one hundred eighty days after purchase.

No investment shall be made pursuant to division (B)(7) of this section unless the treasurer or governing board has completed additional training for making the investments authorized by division (B)(7) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state.

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RATE COMPARISON



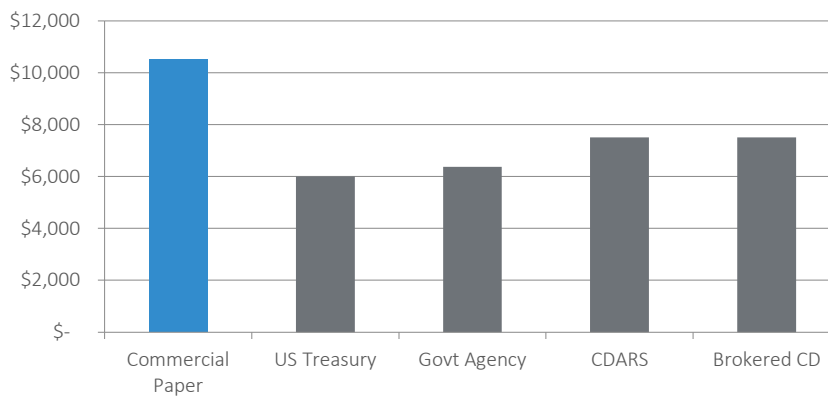
Commercial Paper rates for 270 days. Rates on all other securities for 1 year maturity. Rates as of 2/28/17. For illustration purposes only.



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COMMERCIAL PAPER

INCOME COMPARISON PER \$1.0 MILLION INVESTED



Income calculated for 270 day term for all investment options. For illustration purposes only.



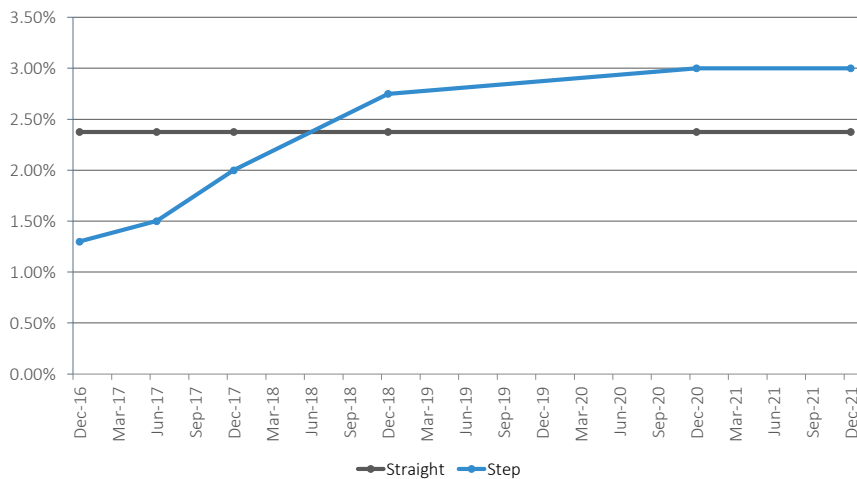
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Step-up Bonds

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STRAIGHT CALLABLE VS STEP (INTEREST RATES)

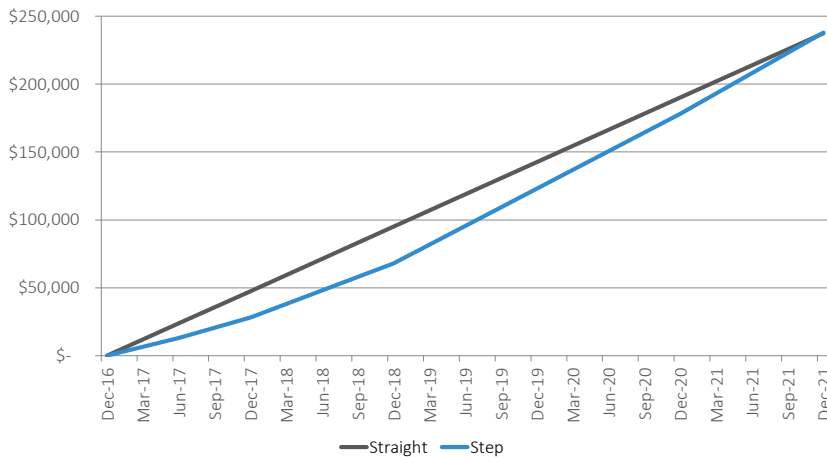
Straight Callable - 3134GAC44 FHLMC 2.375% 12/30/21 vs. Multi Step - 3130AAAN8 FHLB 1.30% 12/16/21



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STRAIGHT VS STEP (CUMULATIVE INTEREST)

Straight Callable - 3134GAC44 FHLMC 2.375% 12/30/21 vs. Multi Step - 3130AAAN8 FHLB 1.30% 12/16/21



Municipal Securities

MUNICIPAL SECURITIES

OHIO REVISED CODE 135.14

(4) Bonds and other obligations of this state, or the political subdivisions of this state, provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:

- (a) The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision.
- (b) The bonds or other obligations are rated at the time of purchase in the three highest classifications established by at least one nationally recognized standard rating service and purchased through a registered securities broker or dealer.
- (c) The aggregate value of the bonds or other obligations does not exceed twenty per cent of interim moneys available for investment at the time of purchase.
- (d) The treasurer or governing board is not the sole purchaser of the bonds or other obligations at original issuance.

No investment shall be made under division (B)(4) of this section unless the treasurer or governing board has completed additional training for making the investments authorized by division (B)(4) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state.

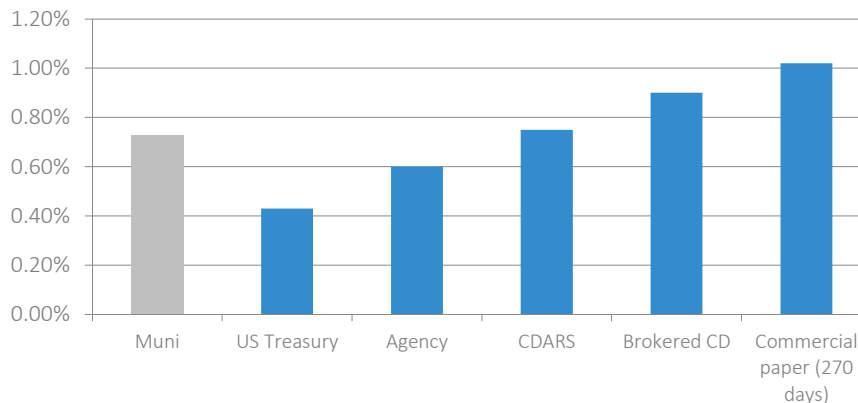


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MUNICIPAL SECURITIES: TAX-EXEMPT ISSUE

City of Avon Water System Revenue Bonds 1.25% 2/2/17 priced 1/20/16 to yield 0.73%

Rate Comparison



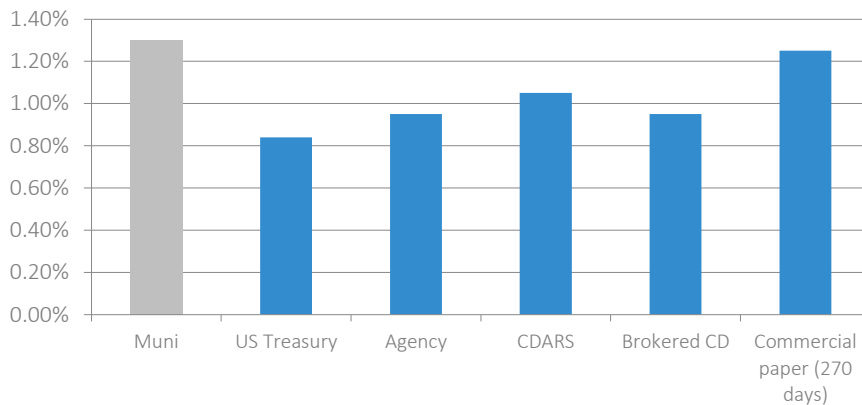
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MUNICIPAL SECURITIES: TAXABLE ISSUE

Lake County Community College District, OH Facilities Bonds, 2.00% 12/1/17

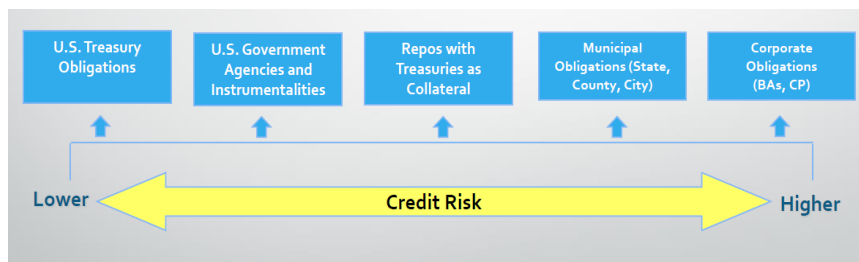
Priced 1/27/16 to yield 1.30%

Rate Comparison



MUNICIPAL SECURITIES

Credit Risk



Brokered CDs

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CERTIFICATES OF DEPOSIT

135.144 Investment of interim moneys in federally insured certificates of deposit

(A) In addition to the authority provided in section 135.14 or 135.143 of the Revised Code, the treasurer of state or the treasurer or governing board of a political subdivision may invest interim moneys in certificates of deposit in accordance with all of the following:

- (1) The interim moneys initially are deposited with an eligible public depository described in section 135.03 of the Revised Code and selected, pursuant to section 135.12 of the Revised Code, by the treasurer of state or the treasurer or governing board of a political subdivision, for interim moneys of the state or of the political subdivision.
 - (2) For the treasurer of state or the treasurer or governing board of the political subdivision depositing the interim moneys pursuant to division (A)(1) of this section, the eligible public depository selected pursuant to that division invests the interim moneys in certificates of deposit of one or more federally insured banks, savings banks, or savings and loan associations, wherever located. The full amount of principal and any accrued interest of each certificate of deposit invested in pursuant to division (A)(2) of this section shall be insured by federal deposit insurance.
 - (3) For the treasurer of state or the treasurer or governing board of the political subdivision depositing the interim moneys pursuant to division (A)(1) of this section, the eligible public depository selected pursuant to that division acts as custodian of the certificates of deposit described in division (A)(2) of this section.
 - (4) On the same date the public moneys are redeposited by the public depository, the public depository may, in its sole discretion, choose whether to receive deposits, in any amount, from other banks, savings banks, or savings and loan associations.
 - (5) The public depository provides to the treasurer of state or the treasurer or governing board of a political subdivision a monthly account statement that includes the amount of its funds deposited and held at each bank, savings bank, or savings and loan association for which the public depository acts as a custodian pursuant to this section.
- (B) Interim moneys deposited or invested in accordance with division (A) of this section are not subject to any pledging requirements described in section 135.18 , 135.181, or 135.182 of the Revised Code.

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CERTIFICATES OF DEPOSIT

HOLDINGS - FIXED INCOME		Quantity	Estimated Price as of 07/11/15	Estimated Current Market Value	Estimated Annual Income	Total Cost Basis	Unrealized Gain (Loss)
BANK OF NORTH AMER UTAH 0.85000% 03/08/2017 CD FIC INSURED CPN PMT SEMIANNUAL ON SEP 08 MAR 08 Next Interest Payable: 03/08/15 Estimated Yield: 0.84% Accrued Interest: \$80.00	02502716 CASH	250,000	\$1.001	\$250,250.00	\$7.15/00	\$250,000.00	
BANK OF NORTH AMER UTAH 0.85000% 03/08/2017 CD FIC INSURED CPN PMT SEMIANNUAL ON SEP 08 MAR 08 Next Interest Payable: 03/08/15 Estimated Yield: 0.84% Accrued Interest: \$80.00	02502716 CASH	250,000	\$1.00087	\$250,212.50	\$2.125/00	\$250,000.00	\$212.50
BANK OF NORTH AMER UTAH 0.85000% 03/08/2017 CD FIC INSURED CPN PMT SEMIANNUAL ON SEP 08 MAR 08 Next Interest Payable: 03/08/15 Estimated Yield: 0.84% Accrued Interest: \$80.00	02502716 CASH	250,000	\$0.99951	\$249,877.50	\$1.500/00	\$250,000.00	(\$122.50)
GE CAPITAL BANK INC CD 1.00000% 07/11/2015 FIC INSURED CPN PMT SEMIANNUAL ON JAN 11 JUL 11 Next Interest Payable: 07/11/15 Estimated Yield: 1.51% Accrued Interest: \$230.14 Adjusted Cost Basis	06102716 CASH	250,000	\$0.99279	\$248,197.50	\$1.500/00	\$250,000.00	(\$1,802.50)



CERTIFICATES OF DEPOSIT

2014 Ohio Compliance Supplement

Indirect Laws & Statutorily Mandated Tests

- Any CD's purchased by a broker must be held in the name of the government. Also, the broker cannot be in possession of cash at any time. If we believe a broker has held cash for any length of time, AOS auditors should refer the matter to the Center for Audit Excellence and AOS Legal division for further evaluation. A way to verify compliance is to request monthly statements provided by the public depository located in Ohio. Ohio Rev. Code §135.144(A)(5) requires the initial public depository to provide public offices with a monthly account statement that includes the amount of its funds deposited and held at each bank, savings bank, or savings and loan association for which **the public depository acts as a custodian pursuant to Ohio Rev. Code §135.144**. If a public office does not have these statements, it may indicate that the money is being held by a broker-dealer in violation of Ohio Rev. Code §135.144.



Collateralization of Public Deposits

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COLLATERALIZATION OF PUBLIC DEPOSITS

Ohio Revised Code 135.18 and 135.181

- Market value of collateral equal to or greater than 105% of uninsured public deposit
- Methods of collateralization
 - Specific
 - Pooled
- Quarterly reporting of collateral to public depositor

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OHIO POOLED COLLATERAL PROGRAM

Ohio Revised Code 135.182

- House Bill 64, House Bill 340 and House Bill 374
- Effective July 1, 2017
- Lien perfection required
- Bank must select one method of collateralization for all public depositors
- Ohio Pooled Collateral System (OPCS)
 - Treasurer of State sole regulator and monitor of program
 - Market value of collateral equal to or greater than
 - 102% of uninsured public deposits , or
 - Amount determined by rules adopted by Treasurer of State
 - Website access for reporting of collateral to public depositor



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THANK YOU



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