



BASICS OF INVESTING PUBLIC FUNDS

PRESENTED BY

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1

AGENDA

- State Statute and Investment Policy
- Permissible Investments
- Depository Agreements and Ohio Pooled Collateral System
- Role of Service Providers
- Safekeeping of Investment Securities



2

2



STATE STATUTE AND INVESTMENT POLICY

3

3

INVESTMENT OBJECTIVES & GOALS

LEGAL	Legal may not be suitable
SAFETY	Preservation of principal
LIQUIDITY	What are your liquidity needs?
YIELD	Does the investment have a competitive yield?



4

4



CURRENT OHIO INVESTMENT LAWS

ORC 135.14

- Cities, Villages, Townships, Schools, Libraries

ORC 135.143

- State

ORC 135.35

- Counties, Regional Transit Authorities or other agencies

Charter City exception

- May elect to not follow state guidelines

5

5

INVESTMENT POLICY

Requirements

- Approved by the Treasurer or Governing Board
- Filed with the Auditor of State
 - ohioauditor.gov/resources/AOSNotifications
- Signed-off by all Financial Institutions, Broker/Dealers and Investment Advisors

Limitations if not filed with Auditor of State

- Permitted investments restricted to bank deposits, Money market funds, STAR Ohio

Exceptions when Investment Portfolio less than \$100,000

- Treasurer or Governing Board certifies to Auditor of State will comply and is in compliance with Ohio Revised Code 135.01 through 135.21

6

6

COMPONENTS OF AN INVESTMENT POLICY

- Scope
- Statement of Objectives
- Ethics
- Authorized Investments
- Maximum Maturities
- Diversification
- Service Providers
- Reporting



7

7

RESOURCES



GFOA



8

8



PERMISSIBLE INVESTMENTS

9

9

INVESTMENT OBJECTIVES & GOALS

LEGAL	Legal may not be suitable
SAFETY	Preservation of principal
LIQUIDITY	What are your liquidity needs?
YIELD	Does the investment have a competitive yield?



10

10

AUTHORIZED INVESTMENTS

- Bank Deposits
- US Treasuries
- US Government Agencies
- Municipal Notes and Bonds (additional training required)
- Commercial Paper (additional training required)
- Bankers Acceptances (additional training required)
- Repurchase Agreements
- Money Market Mutual Funds
- STAR Ohio
- Additional under ORC135.35
 - Corporate Notes and Bonds
 - Foreign Government Debt

BANK DEPOSITS

- Savings and money market savings accounts
- Certificates of deposit
 - Non-negotiable
 - Negotiable
- Requirements for protection
 - FDIC insurance
 - Collateral
- Depository agreement

Erich Buckenmaier
Managing Director



13

13

The advertisement features a large, metallic safe with a handle and a dial. The left side of the safe is decorated with a pattern of white stars on a dark background, resembling the American flag. To the right of the safe, the text "CDARS" is displayed in a large, white, sans-serif font. Below it, the "iCS" logo is shown in a stylized, yellow font with a blue checkmark inside the "i". Underneath the logo, the words "INSURED CASH SWEEP" are written in a smaller, white, sans-serif font. At the bottom right, the text "FOR GOVERNMENT FINANCE OFFICERS WHO DEMAND BOTH SAFETY & SURETY" is displayed in a white, sans-serif font. The background is a solid blue color.

14

15

The Company Behind ICS® and CDARS®

About IntraFi® NetworkSM

Founded in 2002, IntraFi Network, formerly Promontory Interfinancial Network

- Invented reciprocal deposits and holds 20 patents supporting its various offerings
- is the #1 provider of FDIC-insured deposit solutions.
- Has been thoroughly tested and embraced by thousands of financial institutions across the nation, including more than half of all U.S. banks
- Has built the largest bank network of its kind, enabling it to offer breadth, depth, and stability, along with the largest capacity, of any competing provider



Largest Bank Network of Its Kind

chosen by more than
3,000
U.S. financial
institutions

representing
52% of banks
currently in the U.S.

representing
84% of the
nation's largest banks

95% are
community banks

66% of
minority-owned
banks are members

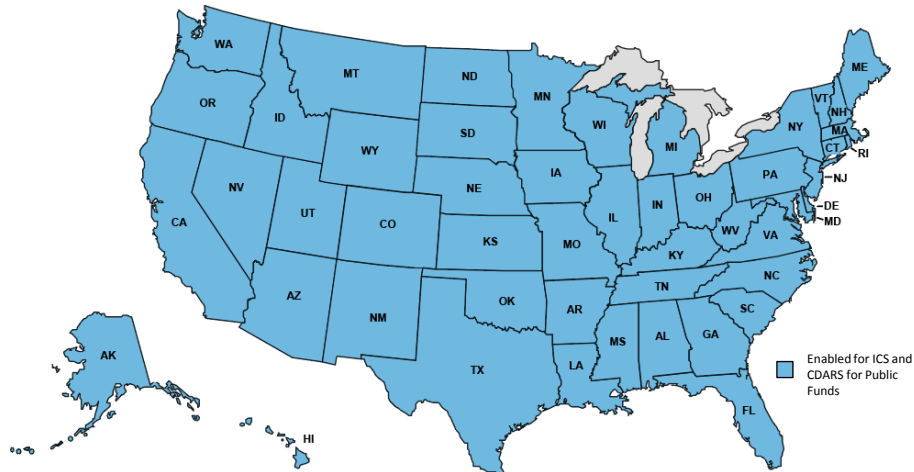


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16

ICS and CDARS Enabled by Law for All 50 States



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15

16

17

What is Insured Cash Sweep and CDARS®?

Smart Cash Management

For government finance officers, the ICS, or Insured Cash Sweep®, service and CDARS are smart and convenient services used to safeguard large deposits while earning returns that may compare favorably with other government-backed options.

Work directly with your local community bank to access millions in FDIC insurance on funds placed into demand deposit accounts, money market accounts, CDs or any combination that fits your organization's cash management needs.

Most importantly both CDARS and ICS are recognized as being acceptable deposit options by the Ohio Revised Code (ORC).



Placement of funds through the ICS and CDARS services is subject to the terms, conditions, and disclosures in the service agreements, including the Deposit Placement Agreement ("DPA"). Limits and customer eligibility criteria apply. Program withdrawals may be limited to six per month for funds placed in MMDAs. Although funds are placed at destination banks in amounts that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA"), a depositor's balances at the relationship institution that places the funds may exceed the SMDIA (e.g., before ICS settlement for a deposit or after ICS settlement for a withdrawal) or be ineligible for FDIC insurance (if the relationship institution is not a bank). As stated in the DPA, the depositor is responsible for making any necessary arrangements to protect such balances consistent with applicable law. If the depositor is subject to restrictions on placement of its funds, the depositor is responsible for determining whether its use of ICS satisfies those restrictions. IntraFi Network is a service mark, and ICS, Insured Cash Sweep, CDARS and the IntraFi Network logo are registered service marks, of IntraFi Network LLC.



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17

18

Why ICS and CDARS?

Save Time and Accomplish More

- By providing access to FDIC insurance, ICS and CDARS can help your organization comply with investment policy mandates through a single bank relationship.
- Plus, you can reduce your ongoing collateral-tracking requirements.
- Better still, your public fund deposit becomes more attractive to a bank when the burden (cost to acquire, to administer, and to maintain) pledged collateral is removed.
- All of this means you can spend more time accomplishing your organization's goals with the knowledge that your organization's deposits are eligible for multiple millions of FDIC coverage.



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18

Why ICS and CDARS?

Support Local Lending

Put local taxpayer's funds back to work in the community through deposits at the local community bank.

Using ICS and CDARS, your bank can place your funds on a reciprocal basis. This means that when your funds are placed using ICS Reciprocal or CDARS Reciprocal, your bank receives matching funds from other banks that participate in ICS or CDARS.



Feel good knowing that your local bank can use the full amount of funds to support lending in the local community.

[1] When deposited funds are exchanged on a dollar-for-dollar basis with other banks that use ICS or CDARS, we can use the full amount of a deposit placed through ICS or CDARS for local lending, satisfying some depositors' local investment goals or mandates. Alternatively, with a depositor's consent, our bank may choose to receive fee income instead of deposits from other participating institutions. Under these circumstances, deposited funds would not be available for local lending.



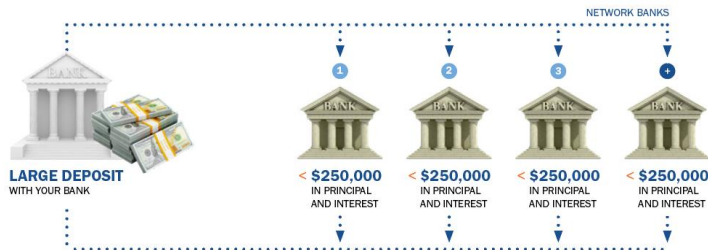
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How Does It Work?

Local Deposits / Placements through ICS as Reciprocal Deposits

By working directly with your local bank—a bank you already know and trust—you can receive coverage through many.



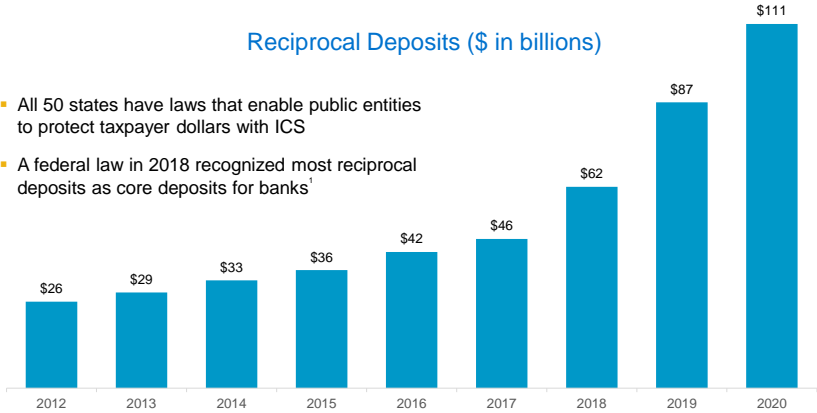
Banks can receive matching deposits in exchange for funds placed through ICS or CDARS as reciprocal deposits. This means that the full amount of the public entity's deposit can stay on our bank's balance sheet and can be used locally to support the community.



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Reciprocal Deposits Are Mainstream and Growing



- All 50 states have laws that enable public entities to protect taxpayer dollars with ICS
- A federal law in 2018 recognized most reciprocal deposits as core deposits for banks¹

Sources: Call Report data (as of September 30, 2020).
Note: Prior to the second quarter of 2018, Reciprocal Deposits represents Call Report line "Reciprocal Brokered Deposits." From the third quarter of 2018 onwards, it represents Call Report line "Total Reciprocal Deposits." Includes U.S. Commercial Banks, Savings Banks, and Savings and Loan Associations.
[1] Economic Growth, Regulatory Relief and Consumer Protection Act.

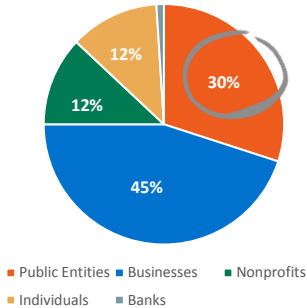


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ICS and CDARS Protect All Types of Customers

ICS Reciprocal Balances



- Businesses**
- Large corporations
 - Mid-size companies
 - Small businesses
 - Franchises
- Public Entities**
- Government agencies
 - Municipalities
 - Police departments
 - Fire districts
 - Public colleges and universities
 - Public hospitals
 - School districts
 - State funds
 - Utility districts
- Nonprofits**
- Charities
 - Religious institutions
 - Private colleges and universities
 - Foundations
 - Endowments
 - Foundations
 - Homeowners/Condo associations
 - Hospitals
- Others**
- Banks and credit unions
 - Escrow/Title companies
 - Estate planners
 - Private investors
 - Trusts/Trustees
 - 1031 exchange participants



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ICS and CDARS – Smart Solutions

Current options for keeping large deposits safe are limited. ICS and CDARS offer smarter solutions.

Product	Problem	ICS & CDARS Solutions
Checking accounts	May or may not earn interest, and funds are insured only up to \$250,000 per insured capacity, per bank	Funds are placed in deposit accounts that earn interest <i>and</i> are eligible for multi-million-dollar FDIC insurance, which is backed by the full faith and credit of the federal government; also, with ICS and CDARS there is no need to track collateral on an ongoing basis; ICS and CDARS are not subject to floating net asset values; ICS is not subject to liquidity fees and withdrawal restrictions.
Repurchase sweeps	May earn interest, but the yield can be very low; the process carries administrative tracking burdens; and the investment is not backed by FDIC insurance	
Collateralized deposits	Administrative tracking problems can be more onerous than with repo sweeps, and only certain types of deposits can be collateralized	
Money market mutual funds	Earn interest, but the yield may be very low; the investment is not backed by the full faith and credit of the federal government; and, some money market funds may have withdrawal restrictions, liquidity fees, and a floating share price	



Comfort Break



BANK DEPOSITS

- Savings and money market savings accounts
- Certificates of deposit
 - Non-negotiable
 - Negotiable
- Requirements for protection
 - FDIC insurance
 - Collateral
- Depository agreement



25

25

GOVERNMENT INSURED DEPOSIT PROGRAM

- Rebranded STAR Plus program
- Convenience of one account and one statement
- All deposits are demand deposits and are 100% FDIC-insured
- Up to \$25 million in deposits per legal entity
- Next day liquidity
- Daily transparency with 24/7 online access to account information



[Meederinvestment.com/gidp](https://meederinvestment.com/gidp)



26

26

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 or 135.181 of the Revised Code.

Amended by 129th General Assembly File No. 67, HB 209, §1, eff. 3/22/2012.

Effective Date: 07-04-2006



27

27

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.



28

28

CERTIFICATES OF DEPOSIT

NEGOTIABLE CERTIFICATE OF DEPOSIT EXAMPLE

CUSIP	ISSUER	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST
7954504K8	Sallie Mae Bank	1.95%	10/02/2024	99.75	\$247,000	\$246,382.50	2.00%

Full amount of principal and any accrued interest shall be insured by federal deposit insurance



29

29

TREASURY SECURITIES

- Full faith and credit of the U.S. government
- Structures and Terms
 - US Treasury bills – zero coupon, issued at a discount, mature 1 year or less
 - US Treasury notes or bonds – coupon bearing, semi-annual interest, terms 2, 3, 5, 7, 10, 20 or 30 years
 - Treasury inflation protected securities – coupon bearing, semi-annual interest, par adjusted for changes in inflation, terms of 5,10 or 30 years

US TREASURY NOTE EXAMPLE

CUSIP	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST
912828T26	1.375%	09/30/2023	99.765624	\$250,000	\$249,414.06	1.44%



30

30

GOVERNMENT AGENCIES AND GOVERNMENT SPONSORED ENTERPRISES

- Government agencies – backed by full faith and credit of U.S. government
 - Issuers include
 - GNMA – Government National Mortgage Association
- Government sponsored enterprises (GSE) – implied backing of U.S. government
 - Issuers include
 - FNMA – Federal National Mortgage Association
 - FHLMC – Federal Home Loan Mortgage Corporation
 - FFCB – Federal Farm Credit Bank
 - FHLB – Federal Home Loan Bank
 - Structures and Terms
 - Discount notes – zero coupon, issued at a discount, mature 1 year or less
 - Notes and Bonds – fixed or variable coupons, callable or non-callable, terms 2 – 30 years



31

31

GOVERNMENT SPONSORED ENTERPRISES

GSE EXAMPLE

CUSIP	ISSUER	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST
3134GT5B5	FHLMC	1.625%	09/09/2024 Callable 09/09/2021	100	\$275,000	\$275,000.00	1.625%

FHLMC has the option to redeem the security prior to maturity on 09/09/2021



32

32

MUNICIPAL SECURITIES

- General obligations of the State or political subdivisions of the State subject to the following:
 - 20% maximum of portfolio
 - Must be rated in three highest categories
 - Cannot be the sole owner of an entire issue
 - Maximum maturity of 10 years
- Must complete additional training approved by TOS

MUNICIPAL BOND EXAMPLE

CUSIP	ISSUER	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST	RATING Moody's S&P
199492L80	CITY OF COLUMBUS	0.197%	04/01/2022	100	\$480,000	\$480,000.00	0.197%	Aaa AAA



33

33

COMMERCIAL PAPER

- Short term corporate debt subject to the following:
 - Maximum maturity of 270 days
 - Highest rating category from two rating agencies
 - 40% maximum of total portfolio
 - 5% maximum of total portfolio in any issuer at time of purchase
- Must complete additional training approved by TOS

COMMERCIAL PAPER EXAMPLE

CUSIP	ISSUER	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST	RATING Moody's S&P
46640PXV0	J.P. Morgan Securities LLC	n/a	10/21/2021	99.87297	\$600,000	\$599,282.67	0.17%	P-1 A-1



34

34

BANKERS ACCEPTANCES

- Bank obligation subject to the following:
 - Maximum maturity of 180 days
 - Bank insured by FDIC
 - 40% maximum of total portfolio combined with commercial paper
- Must complete additional training approved by TOS



35

35

REPURCHASE AGREEMENTS

- Term loan with collateral in the form of securities
- Master Repurchase Agreement outlines procedures
- Reverse repo enables investment officer to leverage the portfolio –
PROHIBITED



36

36

MONEY MARKET MUTUAL FUNDS

- No-load fund
- Purchase through eligible institutions under ORC 135.03
- Fund's investments limited to
 - US Treasuries,
 - Government agencies or Government Sponsored Enterprises,
 - REPOS secured by the above
- Review Principal Investment Strategies in the Fund prospectus
 - Example from First American Funds
 - Government Obligations Fund invests exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities.
- Additional provisions under ORC 135.35
 - Fund may also invest in commercial paper
 - Fund rated in the highest category



37

37

STAR OHIO

- AAAM rated by Standard and Poor's (highest)
- Similar to money market fund
- Daily interest income
- Daily liquidity (within guidelines)
- State administered



38

38

CORPORATE SECURITIES

- Permitted under ORC 135.35
- Corporate debt subject to the following:
 - Maximum maturity of 3 years
 - Must be rated in three highest categories
 - 15% maximum of total average portfolio

CORPORATE BOND EXAMPLE

CUSIP	ISSUER	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST	RATING Moody's S&P
24422EVA4	John Deere Capital Corporation	1.95%	6/13/2022	100.373	\$715,000	\$717,666.95	1.79%	A2 A



39

39

FOREIGN GOVERNMENT DEBT

- Permitted under ORC 135.35
- Foreign government debt subject to the following:
 - Issued by foreign nations diplomatically recognized by US government
 - Backed by full faith and credit of that foreign nation
 - Interest and principal denominated and payable in US dollar
 - Must be rated in three highest categories
 - 2% maximum of total average portfolio

FOREIGN GOVERNMENT DEBT EXAMPLE

CUSIP	ISSUER	COUPON	MATURITY	PURCHASE PRICE	PAR VALUE	PRINCIPAL COST	YIELD AT COST	RATING Moody's S&P
46513JEE7	State of Israel	1.95%	3/01/2025	100	3,000,000.	3,000,000.00	1.95%	A-1 AA-



40

40



DEPOSITORY AGREEMENTS AND OHIO POOLED COLLATERAL SYSTEM

41

41

DEPOSITORY AGREEMENTS

- Bank application to public entity for public depository designation
 - Submitted at least 30 days prior to accepting deposits
 - Specifies maximum amount of active, interim and inactive deposits for the depositor
 - Subject to maximum of 30% of bank's assets
 - Method of collateralization – specific or pooled
- Public entity awards public depository designation
 - Five year designation period
 - Permitted to add or remove depositories during the five year period if in the best interest of the entity



42

42

OHIO POOLED COLLATERAL SYSTEM

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



43

43



ROLE OF SERVICE PROVIDERS

44

44

WHO WILL HELP YOU INVEST?

KNOW THE TYPES OF SERVICE PROVIDERS			
STAR OHIO	BANKS	INVESTMENT ADVISORS	BROKERS
STAR Ohio • Know the investments of STAR Ohio • Look over the annual report	• Make sure they understand nuances of public entities • Work with banks you know and trust	• Acts as a fiduciary in the client's best interest • Who do they work with? • What are their credentials? • Check them out: www.investor.gov	• Recommends suitable investments • Who do they work with? • What do they do and how much do they charge? • Check them out: www.finra.org
PERFORM THE DUE DILIGENCE BEFORE INVESTING			



45

45

SUITABILITY VS. FIDUCIARY

“People may confuse the terms **suitability** and **fiduciary**. Both seek to protect the investor from foreseeable harm or excessive risk. However, the standards of investor care are different. An investment fiduciary is any person who has the legal responsibility for managing someone else’s money. Investment advisors, who are usually fee-based, are bound to fiduciary standards. Broker-dealers, customarily compensated by commission, generally have to fulfill only a suitability obligation.”



46

46



SAFEKEEPING OF INVESTMENT SECURITIES

47

47

SAFEKEEPING OPTIONS

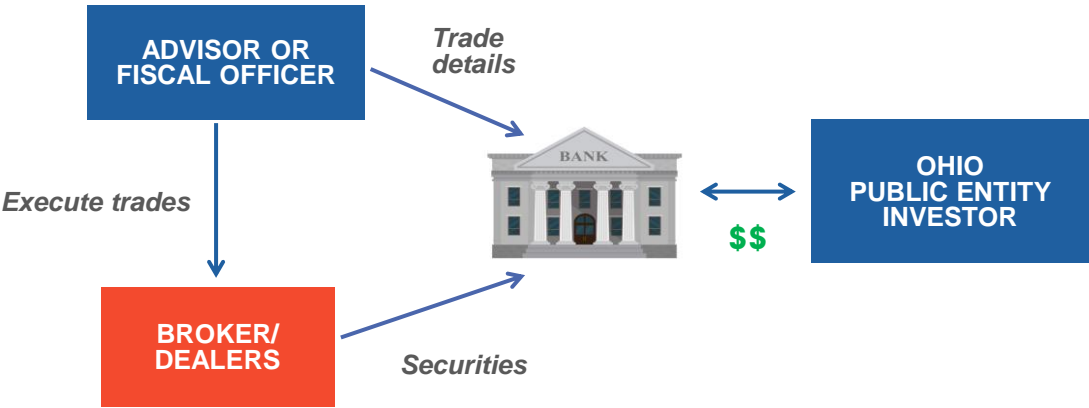
THIRD PARTY CUSTODIAN	BROKER OR BANK ACTING AS BROKER
<ul style="list-style-type: none"> • Securities held in public entity's account at bank trust department • Public entity controls account • Securities held in public entity's name • Written custodial agreement • Best practice 	<ul style="list-style-type: none"> • Securities held in brokerage account • Broker controls account • Securities not held in public entity's name • Safekeeping cost bundled with other services



48

48

THIRD PARTY CUSTODIAN



49

49

QUESTIONS?



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50

50

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Advisory services provided by Meeder Public Funds, Inc.

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51