

# **Robert Sprague** **Ohio Treasurer**

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*Statement of Investment Policy*

*State Treasury – Interim Funds*



As of March 26, 2020

*Statement of Investment Policy*

**Ohio Treasurer of State  
State Treasury – Interim Funds**

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## ***Definitions***

### **Banker's Acceptance**

A banker's acceptance is drawn on and accepted by banks, which are obligated to pay the face value amount at maturity.

### **Book Value**

The purchase price paid for either a security or the holdings of a specific portfolio.

### **Commercial Paper**

An unsecured, short-term debt instrument issued at a discount by a corporation or other entity.

### **Eligible Counterparty**

An Ohio financial institution that is a member of the Federal Reserve System, a Federal Home Loan Bank, any recognized United States (U.S.) government securities dealer and/or any other institution as permitted by Ohio Revised Code (R.C.) § 135.143.

### **London Interbank Offer Rate (LIBOR)**

LIBOR is derived from a filtered average of the world's most creditworthy banks' interbank deposit rates for larger loans with maturities between overnight and one full year.

### **Nationally Recognized Statistical Rating Organization (NRSRO)**

A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. All references in this Policy to ratings by an NRSRO incorporate by reference the investment ratings standards set forth in Rule 113-6-01 of the Ohio Administrative Code.

### **Perfected Security Interest**

A security interest that is perfected pursuant to the requirements set forth by R.C. Chapter 1309 and 12 United States Code (U.S.C.) § 1823(e).

### **Repurchase Agreement**

An agreement with a commitment by the seller of securities (Counterparty A) to buy the same securities back from the purchaser (Counterparty B) at a specified price at a designated future date.

### **Reverse Repurchase Agreement**

The other side of a repurchase transaction where Counterparty B sells a group of securities to a Counterparty A under the terms that the Counterparty B will buy them back by a predetermined date for a specified price.

### **Secured Overnight Financing Rate (SOFR)**

A measure of the cost of borrowing cash on an overnight basis in the U.S. Treasury repurchase (repo) markets. The rate includes the tri-party general collateral rate collected by the Bank of New York Mellon, the GCF repo rate from the Depository Trust & Clearing Corporation, and the rate used in bilateral Treasury repo transactions cleared at the Fixed Income Clearing Corporation.

**State Treasury**

The State Treasury consists of the moneys, claims, bonds, notes, or other obligations, stocks, and other securities, receipts or other evidence of ownership, and other intangible assets of the State that are required by law to be deposited into the State Treasury or are otherwise part of the State Treasury.

**Total Average Portfolio (TAP)**

For purposes of this Policy, TAP for any one month shall be calculated on the first business day of each month, and is equal to the numerical average of the five highest end-of-business day balances, based on market value, within the 12 month period immediately preceding the calculation date.

**Uniform Commercial Code (UCC)**

The Uniform Commercial Code as set forth in R.C. Title 13.

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**Ohio Treasurer of State**  
**State Treasury – Interim Funds**  
**Statement of Investment Policy**

***Purpose and Scope***

This investment policy (the “Policy”) has been adopted by the Ohio Treasurer of State (the “Treasurer”) and governs the investment activities (the “Investment Activities”) of the Treasurer in connection with the investment of interim funds within the State Treasury (the “Portfolio”), including the Ohio Lottery Deferred Prizes Trust Fund (the “OLDPTF”). However, the OLDPTF is treated as independent of the Portfolio when calculating the limitations set forth in this Policy relating to asset class exposure, counterparty exposure, issuer exposure, and/or maximum maturity. In addition, consistent with Ohio Revised Code (“R.C.”) § 3770.06(C), the OLDPTF is not subject to any asset class limitation for corporate obligations exclusive of commercial paper, or any single issuer exposure limitation for corporate obligations inclusive of commercial paper.

The Policy is designed to ensure the prudent management of interim funds, conformance to the Ohio Revised Code, and the availability of operating and capital funds when needed. The State Treasury will consolidate cash and reserve balances from all funds to maximize earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.

The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the management or administration of these funds. Exceptions to the Policy are permitted only if made pursuant to the Investment Compliance Exception Procedure.

***Investment Objectives***

In order of priority, the objectives of the Treasurer’s Investment Activities are safety, liquidity, and yield:

1. **Safety of Principal.** The safety of interim funds is the single most important objective of the Treasurer. Consistent with this paramount goal, Investment Activities shall be undertaken in a manner that both ensures the preservation of capital in the Portfolio and mitigates credit risk and interest rate risk.

- a. Credit Risk

The Treasurer will manage credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- i. Limiting investments to the types of securities listed in the Policy; and
- ii. Diversifying the Portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

- b. Interest Rate Risk

The Treasurer will manage interest rate risk, which is the risk that the market value of securities in the Portfolio will fall due to changes in the market interest rates, by:

- i. Structuring the Portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
- ii. Investing operating funds primarily in short-term securities, money market funds, or similar investment pools and limiting the average maturity of the Portfolio.

If market conditions or liquidity needs require the portfolio to be rebalanced, it may be necessary for the Treasurer’s Investments staff to liquidate certain maturities at a net loss.

2. **Preservation of Liquidity.** The Portfolio shall be managed in such a manner that ensures that funds are available as needed to meet the immediate and/or future operating requirements of the State of Ohio (the “State”). Since all possible cash demands cannot be anticipated, the Portfolio shall consist largely of liquid securities with active secondary markets. A portion of state interim funds may be placed in money market mutual funds or STAR Ohio which offer same day liquidity.
3. **Yield.** The Portfolio shall be managed in such a fashion as to attain a reasonable rate of return throughout budgetary and economic cycles.

### ***Delegation of Authority***

The Treasurer is responsible for the prudent investment of funds within the Portfolio. The Director of Investments<sup>1</sup> is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Investments. The Director of Investments shall be responsible for all trades undertaken, and shall establish a system of controls to regulate the activities of subordinate officials and shall exercise control over that staff. Investment staff shall be bonded in amounts appropriate to levels of responsibility and portfolio characteristics.

### ***Standard of Prudence***

All Investment Activities shall be conducted with judgment and care, under circumstances currently prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

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<sup>1</sup> Throughout this Investment Policy, the term “Director of Investments” is used to describe, regardless of job title, the individual responsible for direct supervision and management of the Ohio Treasurer of State’s investment department

All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the Portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of prudence and professionalism that is worthy of the public trust.

### ***Ethics and Conflict of Interest***

Employees involved in Investment Activities shall refrain from personal business activity that could conflict with the proper execution and management of the investment of the Portfolio, or that could impair their ability to make impartial decisions. Further, no employee involved in Investment Activities shall use the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the public official or employee with respect to that person's duties.

Employees and investment officials shall comply fully with the reporting and disclosure requirements of R.C. Chapter 102 and the ethics policy adopted by the Treasurer's office.

### ***Authorized Investments***

R.C. §§ 135.09, 135.143 and 135.144 broadly outline various options and restrictions governing the investment of state interim funds. As discussed in the "Purpose and Scope" section of this Policy, R.C. § 3770.06(C) modifies the applicability of certain portions of R.C. § 135.143 solely with respect to funds invested in the OLDPTF. Pursuant to these statutes, the Treasurer is authorized to invest the Portfolio in the following instruments, subject to all applicable conditions set forth in this Policy. Unless otherwise specified, all limitations on investments related to the aggregate size of the Portfolio shall apply at the time of purchase.

- A. U.S. Treasury Obligations.** U.S. Treasury bills, notes, bonds, or any other obligations or securities issued by the U.S. Treasury or any other obligation guaranteed as to principal and interest by the United States, provided that floating rate U.S. obligations shall be indexed to the three-month U.S. Treasury Bill.
  
- B. U.S. Federal Agency Obligations.** Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, provided that floating rate agency or instrumentality obligations shall be based on a money market index that resets to any of the following indices:
  - 1. Prime Rate
  - 2. Federal Funds Rate (includes Federal Funds Effective Rate)
  - 3. One-month LIBOR
  - 4. Three-month LIBOR
  - 5. Three-month U.S. Treasury Bill
  - 6. Six-month U.S. Treasury Bill
  - 7. One-year U.S. Treasury Bill
  - 8. Secured Overnight Financing Rate

The final maturity of any floating rate obligation shall be no longer than three (3) years at the time of purchase.

**C. Repurchase Agreements.** Investments in repurchase agreements, provided that all of the following conditions are met:

1. A Master Repurchase Agreement or another written repurchase agreement shall govern the transaction.
2. The repurchase agreement is fully secured by deliverable obligations set forth in R.C. § 135.143(A)(4) and having a market value of at least one hundred two percent (102%) of the principal value of the repurchase transaction.
3. The Treasurer obtains a perfected first security interest in the collateral under the UCC, or book entry procedures prescribed at 31 Code of Federal Regulations (C.F.R.) 306.1 et seq. in such securities is created for the benefit of the State.
4. The counterparty to the repurchase agreement is (i) an Ohio financial institution that is a member of the Federal Reserve System; (ii) a Federal Home Loan Bank; (iii) any recognized government securities dealer; or (iv) any other institution as permitted by R.C. § 135.143, *and* such counterparty has a short-term debt rating in the two highest categories by one or more of the NRSROs, , if the counterparty is not explicitly rated in such a category, the counterparty must possess a guarantee from an NRSRO-rated parent company.
5. No more than ten percent (10%) of the book value of the Portfolio shall be invested in repurchase transactions with any one counterparty.
6. A repurchase transaction shall have a term to maturity of no longer than ninety (90) days.
7. For repurchase agreements with terms to maturity of longer than one (1) day, the Director of Investments or his or her designee will value the collateral securities daily, unless market conditions warrant more frequent valuation. If additional collateral is required based upon such market valuations, the additional collateral must be delivered by the close of business on the day it was requested.
8. The repurchase agreement is transacted on a delivery versus payment basis or on a tri-party basis through an independent third-party custodian acting solely as agent for the Treasurer.
9. For repurchase transactions executed on a delivery versus payment basis, substitutions of collateral shall occur only when permitted under the applicable master repurchase agreement and upon written approval of an authorized trader.

**D. Reverse Repurchase Agreements.** Investments in reverse repurchase agreements provided that all of the conditions set forth in Section C, above, are met, with the following modifications:

1. The securities sold in a reverse repurchase transaction have been fully paid for and are owned by the Treasurer at the commencement of the reverse repurchase transaction.

2. No more than twenty-five percent (25%) of the book value of the Portfolio shall be invested in reverse repurchase transactions.
3. A reverse repurchase transaction shall have a term to maturity of no longer than five (5) days.
4. No more than ten percent (10%) of the book value of the Portfolio shall be invested in reverse repurchase transactions with any one counterparty.

**E. Commercial Paper.** Unsecured short-term debt obligations of entities organized under the laws of the United States or a state, provided that all of the following conditions are met:

1. The commercial paper is issued pursuant to the exemption from registration granted by Section 3(a)(3) of the Securities Act of 1933 (codified at 15 U.S.C. § 77c(a)(3)).<sup>2</sup>
2. At the time of issuance, the maturity of the commercial paper does not exceed 270 days.
3. The total amount invested in commercial paper at any time does not exceed forty percent (40%) of TAP.
4. When added to the investments in other corporate obligations, the investments in the commercial paper of a single issuer at any time shall not exceed in the aggregate five percent (5%) of the book value of the Portfolio.
5. At the time of purchase, the issuer has a short-term debt rating in the two highest categories by two or more of the NRSROs. Under all circumstances, a minimum of two short-term debt ratings must be available.

**F. Corporate Obligations.** Bonds, notes, or other obligations issued by entities organized under the laws of the United States or a state (excluding commercial paper, which is discussed in Section E), provided that all of the following conditions are met:

1. At the time of purchase, the remaining maturity of the bonds, notes, or other obligations issued by corporations does not exceed five (5) years.
2. The bonds, notes, or other obligations are rated, at the time of purchase, by two NRSROs in any of the three highest rating categories.
3. The total amount invested in bonds, notes, or other obligations issued by corporations does not exceed twenty-five percent (25%) of TAP.
4. When added to the investments in commercial paper, the investments in the bonds, notes, or other obligations of a single issuer at any time shall not exceed in the aggregate five percent (5%) of the book value of the Portfolio.

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<sup>2</sup> This contrasts with commercial paper issued pursuant to the registration exemption provided by Section 4(a)(2) of the Securities Act of 1933 (codified at 15 U.S.C. § 77d(a)(2)), which remains an impermissible investment for state interim funds. Such securities are also referred to as “4(2)” commercial paper.

- G. Foreign Debt.** Bonds, notes, or other obligations issued by foreign nations diplomatically recognized by the U.S. government, provided that all of the following conditions are met:
1. The maturity of the bonds, notes, or other obligations is no longer than five (5) years at the time of purchase.
  2. The interest and principal of the bonds, notes, or other obligations is denominated and payable in U.S. dollars.
  3. The total amount invested in bonds, notes, or other obligations issued by foreign nations does not exceed two percent (2%) of TAP.
  4. The bonds, notes, or other obligations are backed by the full faith and credit of the foreign nation.
  5. Either (i) the bonds, notes, or other obligations of the debt interest itself is rated in the three highest categories by two NRSROs, or (ii) the implicit rating of the issuer of the bonds, notes and other obligations is rated in the three highest categories by two NRSROs.
- H. Municipal Obligations.** Bonds, notes, and other obligations that fall into at least one of the following three categories:
1. Bonds, notes, and other obligations of the State including, but not limited to, those issued by the Treasurer, the Ohio Public Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Ohio Turnpike and Infrastructure Commission.
  2. Bonds, notes, and other obligations of any state or political subdivision thereof, provided that all of the following conditions are met:
    - a. The Treasurer is not the sole purchaser of such bonds, notes, or other obligations at original issuance (per R.C. § 135.143(A)(3)(b));
    - b. The bonds, notes, or other obligations are purchased through a registered broker/dealer;
    - c. The bonds, notes, or other obligations are rated by at least one NRSRO in the three highest categories, as defined in Rule 113-6-01(B)(4) of the Ohio Administrative Code; and
    - d. The total amount invested in any single issuer of bonds, notes, or other obligations does not exceed two and one-half percent (2.5%) of the book value of the Portfolio.
  3. Obligations issued under R.C. Chapter 133 that are identified in an agreement executed by and between the Treasurer and the issuer pursuant to R.C. § 135.143(G).

- I. Bank Deposits.** State interim funds may be placed in one or both of the following types of deposit instruments purchased from an institution that meets all eligibility requirements set forth in R.C. §§ 135.03 and 135.04, and which is designated to hold state interim deposits pursuant to R.C. § 135.12:
1. Time certificates of deposit or savings or deposit accounts, all of which must be collateralized in accordance with R.C. § 135.18. Any certificate of deposit purchased as part of a linked deposit program shall comply with all statutory requirements applicable to that program.
  2. Federally-insured certificates of deposit purchased in the manner set forth in R.C. § 135.144 by a public depository holding deposits of state interim funds.
- J. State Treasurer’s Investment Pool.** The investment pool authorized under R.C. § 135.45 and operated by the Treasurer’s office, which is currently branded as “STAR Ohio” (State Treasury Asset Reserve of Ohio).
- K. Registered Investment Companies (Mutual Funds)**  
Shares in open-end, no-load money market mutual funds (“Money Market Funds”), provided that all of the following conditions are met:
1. The Money Market Fund is registered under the Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7 (Rule 2a-7). The SEC maintains a list of registered funds at the following website: <https://www.sec.gov/open/datasets-mmfm.html>.
  2. At the time that shares of a Money Market Fund are purchased, the Money Market Fund must have a rating in the highest category from one or more of the NRSROs..
  3. The Portfolio shall hold no more than ten percent (10%) of the book value of the Portfolio in any one Money Market Fund.
  4. The Portfolio’s holdings in a single Money Market Fund shall not represent more than ten percent (10%) of the total assets under management of such Money Market Fund.
- L. Banker’s Acceptances.** Banker’s acceptances of any domestic bank or federally chartered domestic branch office of a foreign bank, provided that all of the following conditions are met:
1. The maturity is no greater than two hundred-seventy (270) days.
  2. The total amount invested in banker’s acceptances at any time does not exceed ten percent (10%) of TAP.
  3. The amount invested in any single issuer at any time shall not exceed five percent (5%) of the book value of the Portfolio.
  4. The issuer, at the time of purchase, has a minimum ‘A+’ long-term debt rating (‘AAA’ for foreign banks) by a majority of the NRSROs that rate the issuer. The

short-term debt rating, at the time of the purchase, must be at least ‘A-1’ or equivalent by two or more of the NRSROs.

### ***Securities Lending***

In addition to the instruments authorized above, and pursuant to R.C. §§ 135.143 and 135.47, the State may engage in securities lending, subject to policies adopted by the Treasurer’s office.

### ***Investment Diversification***

The Portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security.

The maximum percentage of the book value of the Portfolio and maximum percentage of TAP permitted in each eligible security is set forth below. Unless otherwise specified, all limitations below shall apply at the time of purchase.

<b>Asset Class</b>	<b>Maximum Percentage of Book Value of the Portfolio</b>
U.S. Treasury Obligations	100%
Fixed Rate Federal Agency Obligations*	100%
Callable Federal Agency Obligations *	55%
Variable Rate Federal Agency Obligations *	10%
Repurchase Agreements	50%
Reverse Repurchase Agreements	25%
Certificates of Deposit & Bank Deposits	20%
Municipal Obligations	20%
STAR Ohio	25%
Money Market Funds	100%
<b>Asset Class</b>	<b>Maximum Percentage of TAP</b>
Commercial Paper	40% (at any time)
Corporate Notes	25%
Foreign Debt	2%
Banker’s Acceptances	10% (at any time)

\*Includes federal government agency or instrumentality securities

### ***Maximum Maturity***

Maintenance of adequate liquidity to meet the cash flow needs of the State is essential. Accordingly, each account within the Portfolio shall be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with forecasted cash requirements, so as to avoid the forced sale of securities prior to maturity.

For purposes of this Policy, assets of the Portfolio shall be segregated into two general categories based on expected liquidity needs and purposes: (1) short-term funds and (2) long-term funds.

Assets categorized as short-term funds shall be invested in permitted investments maturing in eighteen (18) months or less. The average weighted maturity of the short-term assets shall not exceed ninety (90) days.

Assets categorized as long-term funds shall be invested in permitted investments with a stated maturity of no more than five (5) years from the date of purchase, unless the security is matched to a specific obligation or debt of the State. The purchase of any security with a maturity of greater than five (5) years, with the exception of securities purchased for the ODPLTF, must be approved both in advance and in writing by the Treasurer. To control the volatility of the assets categorized as long-term funds, the Treasurer shall determine a duration target, not to exceed three (3) years.

A security with an unconditional put shall be deemed to have a maturity equal to the period remaining until the next put date.

Under no circumstances shall short-term funds or long-term funds be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds.

Notwithstanding and independent of the limitations set forth above, the ODPLTF shall be invested in permitted investments with a stated maturity of no more than thirty (30) years from the date of purchase (per R.C. § 3770.06(C)).

### ***Prohibited Investments and Investment Practices***

The Treasurer's office is expressly prohibited from engaging in the following Investment Activities:

1. Short sales (selling a specific security or asset before it has been legally purchased).
2. Investment in complex derivatives including, but not limited to, range notes; dual index notes; inverse floating rate notes and de-leveraged notes; and notes linked to lagging indices or to long-term indices.
3. Investment in collateralized mortgage obligations (CMOs) or real estate mortgage investment conduits (REMICs).

4. Investment in any security or asset not specifically permitted by this Policy, or pursuant to the conditions set forth in this Policy with respect to such security or asset.

The aforementioned prohibitions do not apply to any collateral portfolios established or maintained pursuant to a securities lending program. Any prohibitions applicable to such collateral portfolios are set forth in the applicable securities lending policy.

### ***Monitoring and Adjusting the Portfolio***

The authorized investment officers responsible for the day-to-day management of the Portfolio will routinely monitor the holdings of the Portfolio, current market conditions and the relative values of competing instruments, and will adjust the Portfolio as necessary to meet the investment objectives set forth in this Policy. It is recognized and understood that this non-speculative, active management of Portfolio holdings may cause a loss on the sale of an owned investment. It is the policy of the State to charge any such loss against the interest income account during the month in which the loss was realized.

On a quarterly basis, the Ohio Office of Budget and Management allocates the net income/losses earned on investments of the Portfolio to various funds based on each fund's cash balance in proportion to the State Treasury as a whole.

### ***Internal Controls***

The Director of Investments shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the Portfolio, and such controls shall be documented in writing. These controls shall be designed to prevent and control losses of the State funds arising from fraud, employee error, malfeasance or misfeasance by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel. The internal controls shall address: prevention of collusion; separation of duties; separating transaction authority from accounting and record keeping; custodial safekeeping; clear delegation of authority; written confirmation of telephone transactions; and documentation of investment transactions. Also, the Internal Audit department within the Treasurer's office shall have independent authority to scrutinize and report on all internal controls within the Investment Department, and shall be granted full access to personnel and records to perform its intended functions.

As part of its annual audit, the Treasurer shall have the investment program reviewed by the Auditor of State or his/her designee. This audit is designed to establish asset and liability valuations and measure compliance with the State investment policies and procedures. The Treasurer's office, at its discretion, may contract with an independent firm to audit the State investment program.

### ***Authorized Broker/Dealers and Financial Institutions***

A list will be maintained of broker/dealers that are approved to cover the Portfolio. An organized evaluation process will be utilized by the Treasurer to determine the approval status and coverage parameters of qualified broker/dealers.

Qualified firms will be limited to “primary” dealers and other broker/dealers that qualify under SEC Rule 15c3-1 (uniform net capital rule), are registered with the Ohio Department of Commerce to do business in the State of Ohio, and are accepted by the Treasurer pursuant to a Request for Information process.

Portfolio funds may be placed on deposit with financial institutions that fulfill all eligibility requirements set forth in R.C. §§ 135.03 and 135.04, and which are designated to hold state interim deposits pursuant to R.C. § 135.12.

### ***Selection of Investments***

The Treasurer’s office shall use an approved broker/dealer to transact the purchase and sale of the following types of investments: U.S. Treasury and federal agency securities, municipal obligations (except obligations of the State of Ohio or obligations purchased pursuant to R.C. § 135.143(G)), and corporate notes issued with an original maturity date in excess of 270 days. The State shall accept the offer which (a) optimizes the investment objective of the overall Portfolio and (b) has the highest rate of return within the maturity required. When selling a security, the Treasurer will select the bid that generates the highest sale price.

In making investment decisions, all other things being equal and subject to compliance with any applicable Internal Revenue Code requirements for bond proceeds, investment in corporations and financial institutions doing business in the State of Ohio will be given preference over other investment options.

### ***Investment of Bond Proceeds***

It shall be the duty of the Office of Debt Management — a department within the Treasurer’s office — with the assistance of financial advisors, to ensure that the Treasurer complies with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations and bond covenants with regard to the investment of bond proceeds. The Office of Debt Management shall cooperate with the Director of Investments to ensure that the State’s issuance of variable rate debt is considered in conjunction with the effect that the liquidity requirements of such debt may have on the investment returns of the Portfolio.

### ***Safekeeping and Custody of Investments***

All investment securities purchased by the Treasurer’s office, or held by the Treasurer’s office as collateral against deposits or investments, shall be held in custody in accordance with the requirements promulgated in R.C. §§ 113.05(A) and 113.051.

All securities in the Portfolio shall be held in the name of the Treasurer of State of Ohio, and with the exception of securities lent pursuant to a securities lending policy, shall be free and clear of any lien. Further, with the exception of repurchase transactions and reverse repurchase transactions conducted on a tri-party basis, all investment transactions will be conducted on a delivery versus payment basis.

Any public depository that executes custodial duties on behalf of the Treasurer's office shall provide, on a monthly basis, the following two statements:

- (1) Statement of all transactions and activities within the custodial account during the previous month.
- (2) Statement that identifies calendar month-end holdings of all securities in the custodial account, including the book value and market value for each security.

Appropriate employees of the Treasurer's office and representatives of any public depository responsible for, or in any manner involved with, the safekeeping and custody process of the State shall be bonded in such a fashion as to protect the State from losses caused by malfeasance or misfeasance.

### ***Performance Standards***

The Portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the State. Returns on short-term funds and long-term funds should be compared to the returns on short-term and long-term benchmarks or indices with comparable investment parameters. Linked deposit investments shall be excluded for purposes of computing investment performance.

### ***Reporting***

The Investment and Trust departments within the Treasurer's office shall maintain accurate, complete, and timely records of all Investment Activities. Within ten (10) business days of the end of the month, the Director of Investments shall submit an investment report to the Treasurer. This report shall include: (i) a listing of the existing Portfolio in terms of investment securities, maturity date, purchase yield, market value and other features deemed relevant; (ii) a listing of all transactions executed during the month; and (iii) a summary of linked deposit investments. The market values presented in these reports will be consistent with accounting guidelines in Governmental Accounting Standards Board Statement No. 31 pertaining to the valuation of investments and the treatment of unrealized gains/losses. The report shall also include a statement that the investments of the State Treasury are in compliance with this Policy. A report identifying public monies classified as interim funds will be submitted to the Board of Deposit on a monthly basis. A monthly Portfolio review will be fully accessible to the public on the Treasurer's website. The Director of Investments will also prepare annual reports in sufficient detail to provide full disclosure of all Investment Activities to the Treasurer and the general public.

### ***Conflict of Law***

In the event that any portion of this Policy is in conflict with any State or federal law, that law shall prevail.

### ***Investment Policy Adoption***

This Policy is adopted as of March 26, 2020.



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Marjorie Kruse  
Deputy Treasurer



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Jonathan Azoff  
Chief of Finance & Senior Counsel