



## Shelby County Trustee

### Subject: Investment Policy

<b>Policy Number: 171 Version: 7</b> <b>Document Type: Policy</b> <b>Created Date: 01/01/1995</b> <b>Last Approved: 07/05/2019</b> <b>Approvers: Administrator, Finance and Controls, Chief Administrator</b> <b>Version Effective Date: 07/05/2019</b>	<b>Department: Accounting</b> <b>Document Owner: Investments Analyst</b> <b>Affected Departments: Treasury</b> <b>Readers: Administration, Treasury</b>  <b>Next Review Date: 01/11/2022</b>
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#### I. Purpose:

The purpose of this policy is to provide prudent and systematic guidance for investment activities within the Trustee's office.

#### II. Scope:

Pursuant to T.C.A. Title 5, chapter 8, part 2, the Shelby County Trustee is responsible for the receipt, the deposit, the investment, the safekeeping, and the collateralization of county funds. This investment policy applies to all financial assets under the management of the Shelby County Trustee including, but not limited to, daily cash receipts, bond proceeds, county revenue, deposits received from elected officials, and funding received from grants. Further, the policy applies to all investment functions and all related activities associated with cash management including accurate cash projections, the collection and reporting of interest revenue, the control of disbursements, and cost-effective banking practices.

#### III. Objectives:

- A. Safety: Safety of investments is the foremost objective of the Shelby County Trustee investment program. Investments of the Shelby County Trustee shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- B. Liquidity: The investment portfolio of the Shelby County Trustee will maintain sufficient flexibility and liquidity to meet the operating needs of Shelby County Government, Shelby County Schools, the Elected Officials, and/or other county entities at all times.

- C. Return on Investments: The Shelby County Trustee Investment Portfolio will be designed to provide the highest return considering safety, liquidity, and all applicable state and local restrictions as to the nature and type of investment. Earnings will be monitored in comparison to reasonable benchmarks including, but not limited to, the 90-day U.S. Treasury Bill rate and the Tennessee LGIP (Local Government Investment Portfolio) monthly rate of return.

The Trustee Investment Portfolio shall be designed to attain a market-average rate of return through budgetary and economic cycles, taking into account investment risk constraints, the cash flow requirements of various funds managed by the Trustee, and state laws that restrict the placement of short-term funds.

- D. Diversification: The Trustee Investment Portfolio will be diversified according to security type, issuer, and maturity to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Diversification among U.S. government agencies should be considered to the extent practical when making investments.
- E. Portfolio Management: While the Trustee will not make investments for the purpose of trading or speculating as the dominant criterion, the Trustee shall seek to enhance total portfolio return by means of active portfolio management. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. However, trading in response to changes in market value or market direction is warranted under active portfolio management.
- F. Fiduciary Responsibility: All participants in the investment process shall act responsibly as custodians of the public trust. Investment staff shall recognize that the Trustee Investment Portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

#### **IV. Prudence:**

It is the policy of the Shelby County Trustee to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of Shelby County Government, Shelby County Schools, the Elected Officials, and/or other county entities while conforming to all statutes authorized by the State of Tennessee in regard to the investment of public funds. Investment

activities will be conducted in accordance with the primary objectives (safety, liquidity, and return) outlined in this policy.

The responsibility for conducting the Trustee investment program resides with designated investment staff including, but not limited to, the Portfolio Manager, the Director of Accounting and Financial Services, the Deputy CAO, the CAO, and the Trustee. The standard of prudence to be used by the investment staff shall be the “prudent person rule”, which obligates a fiduciary to ensure that:

“...investments shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which 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.”

Investment staff shall make disclosures and act in accordance with the Trustee [Ethics Policy](#) and the Ethics Policy adopted by [Shelby County Government Code of Ordinances Part II Code of Ordinances-Chapter 12.5 Ethics-Article II Code of Ethics](#). In addition, Trustee employees must notify the Trustee in writing using the Trustee [Ethics Disclosure Form Regarding Family Members & Personal Transactions](#) to acknowledge family members that are employed by a broker/dealer or other entity in which county funds might be invested or in which investment transactions might be processed. Investment staff shall also disclose to the Trustee any intentions of investing personal funds or funds for others with any broker/dealer authorized to transact business for the county before such transactions are completed using the Trustee Ethics Disclosure Form Regarding Family Members & Personal Transactions.

#### **V. Delegation of Authority:**

The responsibility for conducting the Trustee’s investment program resides with the Trustee pursuant to T.C.A. Title 5, chapter 8, part 2, and shall be exercised in accordance with this investment policy. Responsibility for day-to-day administration of this policy may be assigned by the Trustee to appropriate investment staff members within the Trustee’s Office.

#### **VI. Authorized Investments:**

- A. The Shelby County Trustee invests funds as authorized in [§ 5-8-301](#) of the Tennessee Code Annotated.

- B. While under certain conditions maturities of greater than two years are authorized under T.C.A. 5-8-301, it is the policy of the Shelby County Trustee to invest in maturities of two years or less.
- C. Subject to the maturity limitations and diversification requirements noted below (diversification requirements are as of the date the security is acquired), idle county funds shall be invested in accordance with the "Schedule of Authorized Investments" provided in Attachments.
- D. The Trustee may use the State of Tennessee "State Pooled Investment Fund Investment Policy, Revised and Restated" as of March, 2016 as an additional guide for making investment decisions. In addition, the Trustee may purchase the same investments made by the State Pooled Fund (LGIP) within the last 60 days.
- E. US Government Securities:
1. Acquisitions will be monitored to ensure that no more than twenty percent (20%) of the book value of the Trustee Investment Portfolio, on the date of acquisition, is invested in a single U.S. Government Agency and that such acquisition does not cause the Trustee's aggregate U.S. Government Agency holdings to exceed fifty percent (50%) of the total book value of the Trustee Investment Portfolio on such date.
  2. In the event that the fifty percent (50%) threshold is exceeded at the time of acquisition by more than three (3%) of the total book value of the Trustee Investment Portfolio, the exception should be reviewed with the Trustee and adjusted accordingly.
  3. Obligations of government instrumentalities that are not fully guaranteed by the U.S. Government must be rated AAA at the time of purchase.
  4. Agency variable rate notes are permitted investments provided they are indexed to one of the following rates: treasury bills, fed funds, LIBOR or the prime rate. It is the intent of the Trustee that variable rate notes move in the same direction as general money market rates.
  5. The use of derivative type securities of high risk is deemed inappropriate. Only securities of the type enumerated in this policy may be acquired. Accordingly, securities such as the following are prohibited investments: futures, contractual swaps, options, exotic derivatives (e.g. range notes, dual index notes, and inverse floating rate notes), and equity investments of any type. Caution and dual review are required for step up notes or any note with a cap or floor on the interest rate.
  6. This section specifically includes nonconvertible debt securities of the following federal government sponsored enterprises (GSEs) that are chartered by the United States Congress and rated in the

highest category by at least two (2) nationally organized rating services:

- a. Federal Home Loan Bank (FHLB)
- b. Federal National Mortgage Association (FNMA)
- c. Federal Farm Credit Bank (FFCB)
- d. Federal Home Loan Mortgage Corporation (FHLMC)
- e. Any other obligations that are guaranteed as to principal and interest by the United States or any of its agencies

F. Certificates of Deposit:

1. Certificates of deposit and other evidence of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations shall be secured in the manner and under the same conditions as state deposits as outlined in title 9 chapter 4 parts 1 (Definitions) and 4 (Security) or as provided in a collateral pool created under title 9, chapter 4, part 5 (Collateral Pool for Public Deposits).
2. Certificates of deposit shall be collateralized at one hundred and five percent (105%) of the value of the Certificate of Deposit, less the amount protected by the Federal Deposit Insurance Corporation, if the financial institution *is not* a participant of the Tennessee State Collateral Pool. Please note the following requirements for collateral:
  - a. Eligible securities include municipal government securities, U.S. Treasuries, or U.S. Agencies.
  - b. Municipal securities should be issued by governmental agencies within the State of Tennessee.
  - c. Securities should be rated “AAA” by at least two (2) nationally organized rating services.
  - d. The Trustee should receive written confirmation that the securities have been pledged in repayment of the time deposit.
  - e. A statement of the collateral should be provided to the Trustee on a monthly basis from the custodial bank.
  - f. Collateral should be monitored monthly to ensure that the stated maturities of the collateral exceed the maturity of the certificate of deposit. Collateral should also be monitored monthly to ensure that the 105% threshold is met as well as the “AAA” rating is still in place. Exceptions should be reported to the Trustee.
3. If the financial institution *is* a participant of the Tennessee State Collateral Pool, pledging levels for public fund depository accounts shall be maintained and monitored by the State of Tennessee in accordance with the Collateral Pool for Public Deposits Acts of 1990 clarified under title 9, chapter 4, part 5. Treasury staff should verify and provide evidence regarding the current participation of the financial institution in the Collateral Pool at the time of each

certificate purchase or at the time of each public fund deposit. In addition, pool participants for public fund deposits held by the Trustee should be verified and published monthly with the investment report package in an effort to ensure that no adverse changes have been made in the Trustee collateral position.

4. Tennessee financial institutions designated as state depositories, to the extent they are able to absorb the CD (certificates) investment or the deposit of county funds at market rates, shall be preferred in making investments.
5. As an alternative to a certificate of deposit, a financial institution may provide a MMDDA account or a public fund depository (PFD) account provided that the rate of return compares favorably with market rates for CD investments.
6. Deposits and investments made with financial institutions that are NOT a participant of the Tennessee State Collateral Pool should not exceed 10% of the institution's Total Assets for CD limitation. This determination will be made at the time of potential transaction and the net worth will be retrieved from the latest available Call Report on the FDIC's website:  
<https://www2.fdic.gov/idasp/main.asp>.
7. The FDIC's website should also be monitored for failed banks. These banks should be checked against all financial institutions where the Trustee currently has funds:  
<https://www.fdic.gov/bank/individual/failed/banklist.html>.

#### F. CDARS:

1. The Trustee may place deposits using the Certificate of Deposit Account Registry Service (CDARS) in accordance with TCA 9-1-118 and TCA 45-2-620.
2. Prior to placing deposits, the Trustee must execute both a CDARS Deposit Placement Agreement with a CDARS Network member (financial institution) as well as a Custodial Agreement whereby the CDARS Network member will act as a custodian with respect to certificates acquired through the CDARS program. Please note that the CDARS Network member will also have entered into an agreement with another depository institution (i.e. the Bank of New York) to act as a sub-custodian as no physical certificates will be issued.
3. Each deposit placement should be documented with a CDARS Customer Request for Account Placement form.
4. That CDARS Network member will have the opportunity to place large deposits with multiple institutions (currently estimated at 3,000 financial institutions across the country) via the Promontory Interfinancial Network so that no one institution will have a deposit in excess of the FDIC coverage amount (Note: principal + interest must not exceed the FDIC coverage amount). For this reason,

Trustee staff shall notify the CDARS Network member of existing certificates of deposit held at local institutions in order to avoid the risks associated with duplicate deposits for FDIC coverage.

5. Deposits made through CDARS are considered the same type of investment as the Certificates of Deposit described in section VI. E. above and are subject to the same restrictions.
6. Deposits booked in the CDARS Promontory Interfinancial Network shall be held by a sub-custodian (i.e. Bank of New York). The Trustee shall request monthly audit confirmations to verify the certificates (account ids, rates, amounts, and maturities) booked through the CDARS Network and to include such audit confirmations in the monthly investment reporting package (see Attachments).
7. In addition to the maximum holdings outlined in the Authorized Investments, the amount of deposits placed into the CDARS Promontory Interfinancial Network shall be subject to the dollar limit established by the CDARS Promontory Interfinancial Network. Currently, the limit for the liquid Insured Cash Sweep (ICS) is \$110 million and the limit for the standard CDARS is \$50 million. The CDARS Network member should be able to provide the Trustee with any dollar limitations at the time of purchase.

G. State, county, or municipal bonds:

1. Investments may be made in bonds of this state, any agency of this state, any county or municipal corporation of this state excluding bonds of any road, levee or drainage district, and in bonds of any other state or political subdivision thereof.
2. Investments may be made in such bonds only if the bonds are rated "A" or higher by any nationally recognized rating service--see TCA 5-8-301(b)(5)(B).

H. Repurchase Agreements:

1. Securities purchased under the repurchase agreement shall be limited to the securities and qualifications of section D above.
2. At the time of purchase, the market value of the securities shall be one hundred two percent (102%) of the cash investment.
3. At the time of purchase, the repurchase agreement must be for a term less than the maturities of the securities purchased under the repurchase agreement.
4. Confirmations resulting from securities purchased under repurchase agreements should clearly state the following:
  - a. The exact and complete nomenclature of the underlying securities purchased;

- b. That these securities have been sold to the Trustee under a repurchase agreement; and
  - c. The stipulated date and amount of the resale by the Trustee back to the seller of the securities.
5. Securities purchased under the repurchase agreement shall be marked-to-market daily and shall be maintained at a value equal to or greater than the cash investment. The Trustee will monitor the market value of securities daily and if the market value should depreciate more than 2%, the seller shall be required to deliver additional securities.
  6. All securities purchased under a repurchase agreement shall be held in accordance with Section IX "Safekeeping and Custody".
  7. The seller of repurchase securities shall be entitled to substitute securities, only by prior authorization from authorized personnel of the Shelby County Trustee. New or substitute securities should be reasonably identical to the original securities in terms of maturity, yield, quality, and liquidity.
  8. Only brokers/dealers that complete the appropriate state master repurchase agreement and obtain the approval of the comptroller of the Tennessee State Treasury will be considered for repurchase transactions.
  9. In no event shall the seller under a repurchase agreement be the custodian.
  10. The Shelby County Trustee will evaluate the financial condition of each prospective seller. Eligible sellers will be Primary Government Securities Dealers who report daily to the Federal Reserve Bank of New York, or any bank, saving and loan association or diversified securities broker/dealer subject to regulation of capital standards by any state or federal regulatory agency. The Trustee will monitor the financial condition of sellers at least annually, and for sellers outside Shelby County at least quarterly.
  11. Investments in repurchase agreements shall be generally used to maintain a liquidity margin and to ensure that funds are fully invested to the maximum extent practical. Repurchase agreements shall not be used as a primary investment vehicle. Individual repurchase agreement transactions shall not have a maturity that exceeds ninety (90) days.

I. Bankers Acceptances:

1. Prime banker's acceptances must be issued by domestic banks with a minimum "AA" long term debt rating or by foreign banks with an "AAA" long term bond rating from the majority of rating services that have rated the issuer. The short-term debt rating must be at least "A1" or equivalent by all of the rating services that rate the issuer, and a minimum of two ratings must be available.
2. The amount invested in any one commercial bank should not exceed five percent (5%) of the total book value of the Trustee



portfolio on the date of acquisition or \$10,000,000; whichever is less.

3. Evidence of rating and program size must be maintained with purchase documentation.
4. Prime banker's acceptances must be eligible for purchase by the Federal Reserve System as required by TCA 9-4-602 (a) (1) (B) (f). To be eligible, the original maturity must be no more than 270 days and it must:
  - a. Arise out of the current shipment of goods between countries or within the United States, or
  - b. Arise out of storage within the United States of goods under contract of sale or expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.
5. It is the policy to buy prime banker's acceptances to hold to maturity, although they may be sold in the secondary market to maintain liquidity. Trustee investment staff will report any banker's acceptances sold prior to maturity directly to the Trustee.

J. Commercial Paper:

1. Prime commercial paper shall not have a maturity that exceeds ninety (90) days.
2. Acquisition will be monitored to ensure that no more than ten percent (10%) of the Trustee portfolio book value at the date of acquisition shall be invested in prime commercial paper of a single issuing corporation. The total holdings of an issuer's paper should not represent more than five percent (5%) of the issuing corporation's total outstanding paper.
3. Total purchases of prime commercial paper shall not exceed forty-three percent (43%) of the Trustee's book value on the date of acquisition. In the event that the forty-three percent (43%) threshold is exceeded by no more than three percent (3%) of the total book value of the Trustee portfolio through acquisitions, the exception shall be reviewed with the Trustee and adjusted accordingly.
4. Purchases must be limited to corporations that meet the following criteria:
  - a. If the corporation has senior long-term debt, it must have a minimum rating of "A1" or equivalent and a short-term debt minimum rating of A1 or equivalent as provided by a majority of the rating services that rate the issuer. If there is no long term debt rating of the issuer, the short term debt rating must be A1 or equivalent by all of the rating services that rate the issuer.

- Under all circumstances, a minimum of two short-term debt ratings should be available. (For example, A1/P1)
- b. The commercial paper rating must be based on the merits of the issuer or guarantee/agreement of a non-bank corporation, and not be backed by a letter of credit or insurance from a third party.
  - c. Financial information should be maintained on all corporations issuing commercial paper owned by the Shelby County Trustee.
  - d. A financial review shall be made of each issuer to ascertain the financial strength of the issuer to cover the debt at maturity. Information may be requested from the broker dealer on the date of purchase or printed from a reporting service such as Bloomberg and retained with all other purchase documents.
5. Commercial paper cannot be purchased if a rating agency has the commercial paper on a **negative** credit watch.
  6. Evidence of rating and program size should be maintained with purchase documentation.
  7. Issues may be acquired from authorized broker/dealers or directly from an eligible issuer.
  8. Prime commercial paper of depository institutions or of a holding company thereof shall not be purchased.
  9. Investments in banks should be as a depositor rather than creditor.
  10. Asset-backed commercial paper must be evaluated for ease of collection with a preference for liquidity agreements, not receivables. If receivables are used to back the paper, the paper maturity should be less than sixty (60) days.

## VII. Authorizations of Investment Agreements and Activity

- A. An account agreement should be executed with each broker/dealer, primary dealer, commercial bank, or savings & loan with which the Shelby County Trustee conducts business ([Broker Account Authorization Form](#)). The document informs each institution/firm about who is authorized to conduct business on behalf of the Trustee. Account authorizations must be updated each time a review is conducted and each time a personnel change occurs.
- B. A Master Repurchase Agreement should be executed by the Shelby County Trustee with each seller of repurchase agreements. The only individual authorized to execute the Master Repurchase Agreement is the Shelby County Trustee.
- C. When purchasing securities, a minimum of three competitive bids should be obtained. Any exceptions to the policy of obtaining three bids should be approved by the Shelby County Trustee. Under the guidelines established by the Shelby County Trustee, the purchase may be approved by any one of the following staff members listed

below with a preference for an additional acknowledgement by any one of the remaining two:

1. Shelby County Trustee
2. Shelby County Deputy Trustee, Chief Administrative Officer
3. Shelby County Deputy Chief Administrative Officer

D. Authorizations for transfers from the Shelby County Trustee depository account to the State of Tennessee Local Government Investment Pool, and transfers from the State of Tennessee Local Government Investment Pool to the Shelby County Trustee depository account may be approved by any two of the following:

1. Shelby County Trustee, Portfolio Manager
2. Shelby County Trustee, Director, Accounting & Financial Services
3. Shelby County Trustee, Deputy Chief Administrative Officer
4. Shelby County Deputy Trustee, Chief Administrative Officer
5. Shelby County Trustee

E. Authorizations for transfers between accounts in the State of Tennessee Local Government Investment Pool may be approved by any one of the following:

1. Shelby County Trustee, Portfolio Manager
2. Shelby County Trustee, Director, Accounting & Financial Services
3. Shelby County Trustee, Deputy Chief Administrative Officer
4. Shelby County Deputy Trustee, Chief Administrative Officer
5. Shelby County Trustee

F. Notifications to the Safekeeping Custodian to pledge a purchased security or to release a maturing security may be approved by any one of the following:

1. Shelby County Trustee, Deputy Chief Administrative Office
2. Shelby County Deputy Trustee, Chief Administrative Officer
3. Shelby County Trustee

G. Notification to the Safekeeping Custodian to pledge or release a security to or from joint custody with the Safekeeping Custodian may be approved by any one of the following:

1. Shelby County Trustee, Deputy Chief Administrative Officer
2. Shelby County Deputy Trustee, Chief Administrative Officer
3. Shelby County Trustee

H. All transactions should be executed on a delivery versus payment basis.

- I. All transactions should be traded in U.S. dollars.
- J. For each investment transaction, the Treasury Analyst should provide safekeeping confirmation for the investment file and documentation to Trustee Accounting to identify the following:
  - 1. Purchase
  - 2. Interest Payment
  - 3. Maturity
- K. Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, liquidity risks, and increase the total return of the portfolio, securities may be sold prior to maturity.

#### **VIII. Broker/Dealer Approval and Monitoring:**

- A. Eligible broker/dealers should be Primary Government Securities Dealers who report daily to the Federal Reserve Bank of New York or any bank, or diversified broker/dealer subject to regulation of capital standards by any state or federal regulatory agency.
- B. It is the intent of the Shelby County Trustee to enter into a long-term relationship with broker/dealers. Therefore, the integrity of the firm and the personnel assigned to the account is of primary importance.
- C. It is important the firm provide related services that will enhance the account relationship which could include:
  - 1. An active secondary market for its securities.
  - 2. Internal credit research analysis on the securities offered for sale.
  - 3. A willingness to purchase securities from the Trustee portfolio.
  - 4. The provision of market analysis, economic projections, or newsletters.
- D. Representatives for broker/dealer firms should have a history of being in operation for more than five (5) years.
- E. Prior to approving a broker/dealer, an inquiry or request for any disciplinary information should be made to the appropriate regulatory authority.
- F. Prior to approving a broker/dealer, the broker/dealer will be required to complete a Shelby County Trustee [Broker Dealer Request for Information Form](#). Additionally, each individual broker conducting business with the Trustee shall be interviewed and evaluated.

- G. Each broker/dealer will be provided a copy of the Shelby County Trustee Investment Policy and will be required to acknowledge that the investment policy of the Trustee has been read (see question #17 on the Broker Dealer Request for Information form).
- H. Upon approval of the financial institution with its designated representative(s), each broker/dealer will receive a “[Broker Account Authorization Form](#)” from the Trustee indicating the parameters for submitting bids and processing investment transactions.
- I. Trustee investment staff shall review the financial statements of any prospective broker/dealer to evaluate the financial condition and capital adequacy. The due diligence review of firms seeking to do business with the Trustee shall include a review of recent news, financial statements, applicable Focus Reports (X-17A-5), SEC filings, and FINRA (Financial Industry Regulatory Authority) reports for the firm and its designated representatives.
1. In evaluating capital adequacy, the level of total capital as well as pertinent ratios should be reviewed. Suggested methods for review include the ratios for broker/dealers contained in the SEC Net Capital rules (i.e 15c3-1). Broker/dealers may compute net capital requirements using the basic or aggregate indebtedness method (generally used by smaller firms) or the alternative method (generally used by larger companies).
  2. The financial condition of each broker/dealer should be reviewed for changes at least annually.
- J. When a broker/dealer is approved, that broker/dealer will be added to a listing of approved broker/dealers. Broker/dealers may be removed from the approved listing for any of the following reasons:
- Failure to meet the capital adequacy requirements described above.
  - Any servicing problems or failure to trade as quoted.
  - Any disciplinary action.
  - Consistent indications that bids are not competitive.

## **IX. Safekeeping and Custody**

- A. All securities purchased shall be deposited for safekeeping with a Custodian (i.e. Regions Morgan Keegan Trust) that has contracted to provide the Shelby County Trustee with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the Shelby County Trustee with a perfected interest in, ownership of, and control over the securities held by a Custodian on the Trustee’s behalf, and are intended to protect the Trustee from the

bank's own creditors in the event of a bank default and filing for bankruptcy. Under no circumstances are securities to be held in investment firm/broker dealer accounts.

- B. All purchased securities, as well as securities held as collateral for repurchase agreements, shall be delivered simultaneously against payment to a third-party custodian. The securities will be pledged with the Custodian for the benefit of the Shelby County Trustee (i.e. currently, Trustee assets are held at the Bank of New York in the name of Regions Morgan Keegan Trust; these assets are identified on the trust accounting system of Regions Morgan Keegan Trust for the benefit of the Shelby County Trustee).
- C. The Safekeeping Custodian shall not be the buyer or seller of any investment type.
- D. The Safekeeping Custodian shall provide promptly after any purchase, a confirmation or other evidence verifying receipt of the security.
- E. The Safekeeping Custodian shall provide all normal custodial functions including security safekeeping, collection of income, settlement of trades, collection of proceeds from maturing securities and the distribution of income to a related checking account.
- F. The Safekeeping Custodian shall provide regular custodial reports to be reconciled monthly with the Trustee investment portfolio and the Trustee Accounting General Ledger reports.

#### **X. Records and Reporting:**

- A. For each security purchased, the Trustee will maintain in the appropriate bond file or investment file a record of the competitive bids for five (5) years. A facsimile/digital image of the trade confirmation will be obtained on the trade date and will be verified to the terms of the broker/dealer's bid.
- B. For each security purchased, the Trustee will maintain the original trade ticket or the confirmation of the purchase and the vault ticket showing receipt by the Safekeeping Custodian in the Trustee's vault. These documents will be verified to the bid and the confirmation copy described in A. above.
- C. For each security purchased, the Trustee will maintain duplicate copies of the documents in A. above in files maintained by maturity date.

- D. The Trustee will maintain subsidiary listings of all securities according to investment fund or bond fund, and will reconcile these subsidiary records to the Trustee General Ledger monthly.
- E. Monthly reports from the Safekeeping Custodian will be reconciled to the Trustee subsidiary and general ledger records.
- F. Treasury staff will be responsible for reconciling Trustee daily cash management activity with the Local Government Investment Pool. Written documentation should be maintained with daily records.
- G. The Trustee will prepare monthly reports detailing investment activity, end of period balances, and investment earnings. Reports shall be presented by the 10<sup>th</sup> of each month and shall describe the investment portfolio in terms of investment securities, maturities, yields, and the overall average weighted maturity of the portfolio.
- H. A copy of the year-end report should be provided to the Shelby County Government Finance Controller.
- I. Treasury software utilized by the Trustee should not be closed until all year-end schedules are finalized.
- J. According to GASB 31 and 72, the Trustee must value investment holdings at fair market value for reporting purposes at year-end. Should the portfolio have an unrealized loss at year-end, such loss will be allocated to each respective fund. The entry would then be reversed in the following year. In addition, a report allocating cash and investments held for the benefit of Shelby County Schools, Shelby County Government and the Community Redevelopment agency should be provided at year-end for audit purposes.

#### **XI. Internal Controls:**

The Trustee has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure the assets of the Trustee portfolio are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The Trustee shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the Trustee's office shall observe the following procedures on a daily basis:

- A. All investment transactions conducted by the Trustee's office shall be confirmed and entered into the Trustee's Accounting System.
- B. A copy of each day's investment transactions shall be filed with the Accounting Department.
- C. Trustee investments shall be executed, confirmed, accounted for, and audited by different people.

Financial audits shall be performed on an annual basis for the Shelby County Trustee.

## **XII. Policy Changes:**

The investment policy and applicable Tennessee statutes will be periodically (at least annually) reviewed by the investment staff. Any modifications to the policy must first be approved by the Shelby County Trustee.

## **XIII. Related Documents/Forms:**

[Broker Account Authorization Form](#)  
[Broker Dealer Request for Information Form](#)  
[Ethics Disclosure Form Regarding Family Members & Personal Transactions](#)  
[Annual Financial Disclosure Report](#)  
[Ethics Policy](#)  
[Ethics Disclosure Form](#)  
See Attachments

## **XIV. References:**

State of Tennessee Treasury Department, Statement of Investment Policy as of December 14, 2004.  
[Report on State Pooled Investment Fund as of June 2010](#)  
[Shelby County Government Code of Ordinances Part II Code of Ordinances-Chapter 12.5 Ethics-Article II Code of Ethics.](#)  
[TCA § 5-8-301](#)