

**FREDERICK COUNTY, MARYLAND**  
**DIVISION OF FINANCE**  
**INVESTMENT POLICY**

Amended March 2014

**I. Policy**

It is the policy of Frederick County (“County”) to invest funds not needed for immediate expenditures (operating funds) in a manner that will provide the maximum safety of principal, while meeting the daily cash flow needs of the County. The manner in which they are invested will conform to all State of Maryland and Frederick County statutes governing the investment of public funds. The County may not borrow funds for the express purpose of reinvesting those funds.

**II. Scope**

This investment policy applies to all the financial assets and funds of the County for which the Director of Finance has custody. These funds are accounted for in the County’s Comprehensive Annual Financial Report and include:

- (a) General Fund
- (b) Special Revenue Funds
- (c) Capital Projects Fund
- (d) Enterprise Funds
- (e) Debt Service Fund
- (f) Internal Service Funds
- (g) Trust and Agency Funds
- (h) Other funds as provided by County law

This policy covers the investment of proceeds from bond issues. This policy also covers the financial assets of the Agricultural Land Preservation Funds, whereas investments may be for a term of up to twenty (20) years. This policy does not include the investment activities of the Frederick County Employee Retirement Plan and Retiree Benefit Trust, which are administered by separate trustees; and certain separate entities, which are considered to be component units of the County for financial reporting purposes. However, the Frederick County Public Library and the Frederick County Board of Education are required by Maryland law to comply with the County’s adopted investment policy.

**III. Objectives**

The primary objectives, in priority order, of investment activities shall be:

- A. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

**B. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may reasonably be anticipated. However, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

**C. Yield**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

**IV. Prudence**

The standard of prudence to be applied by investment officials shall be the "Prudent Person" rule, which states, "Investments shall be made with 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." The "Prudent Person" rule shall be applied in the context of managing the overall portfolio.

Investment officials acting in accordance with established procedures and the investment policy and exercising due diligence shall not be held personally responsible for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**V. Delegation of Authority**

Authority to manage the County's investment program is granted to the President of the Board of County Commissioners under the Local Government Article, Section 17-101, Annotated Code of Maryland, who, by this policy, has delegated the authority to manage the investment program to the Director of Finance. This Section is included as Attachment A of this policy.

Responsibility for the operation of the investment program has been delegated to the Director of Treasury (herein referred to as Investment Officer), who shall carry out the operation of the investment program consistent with this investment policy.

The Investment Officer shall develop and maintain administrative procedures for the operation of the investment program consistent with this investment policy. These procedures should include references to cash flow requirements, broker/dealer relationships, safekeeping, master repurchase agreements and collateral.

## **VI. Ethics and Conflicts of Interest**

The Investment Officer and employees involved in the investment process must not conduct personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial decisions. They shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County. The Investment Officer and employees shall comply with the code of ethics requirements as specified in the Frederick County Code, Section 1-7.1.

## **VII. Authorized Financial Dealers and Institutions**

The County shall establish and maintain a list of broker/dealers and financial institutions authorized to provide investment services. Approval will be based upon the following criteria:

### Securities Dealers

- A. Be listed as a Primary Government Securities Dealer reporting to the Government Securities Dealers Statistics Unit of the Federal Reserve Bank of New York; or
- B. Be a commercial banking organization that is subject to official supervision by federal bank supervisors; or
- C. Be a broker/dealer registered with the Securities and Exchange Commission (SEC). Firms must have adequate capital to fulfill their commitments under adverse market conditions.

Non-primary Government Securities Dealers must submit evidence of their capital position by annually submitting their SEC Financial and Operational Combined Uniform Single Report (FOCUS) as well as their annual audited financial report.

All approved Non-Primary Broker Dealers are required to complete the Frederick County Treasury Department's Request for Information (RFI). The RFI is included here as Attachment B of this policy. The RFI will provide written acknowledgement that they have received and will comply with the County's Investment Policy; agree to delivery vs. payment; identify authorized personnel; disclose any "material" litigation, arbitration or regulatory proceedings; and must be certified by a registered

principal of the firm. The approved broker list will be reviewed yearly, to determine which brokers will continue to be eligible to provide their services to the County.

Those firms intending to offer Repurchase Agreements (REPO) must additionally complete the County's Master Repurchase Agreement which is available from the Investment Officer.

#### Commercial Banks

Commercial banks must have a short-term rating of investment grade from at least one of the National Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC. All banks with which the Finance Division conducts business must provide the County, annually, their most recent audited financial statements.

### **VIII. Authorized Investments**

The County is authorized by the Local Government Article and the State Finance Procurement Article Section 6-222 to invest in specific types of securities. State Finance Procurement Article Section 6-222 is included as Attachment C of this policy. The Investment Officer may invest County funds in the following investments:

- A. U.S. Government Securities - These securities include obligations for which the United States has pledged its full faith and credit for the payment of principal and interest.
- B. U.S. Agency Securities - Obligations that a federal agency or a federal instrumentality issues in accordance with an Act of Congress.
- C. Repurchase Agreements - Entered into with financial institutions that sign master repurchase agreements and that maintain collateralization of at least 102% of the principal amount and comply with other safekeeping and collateral requirements.
- D. Certificates of Deposit and Time Deposits, including deposits to the Certificate of Deposit Account Registry Service (CDARS) - Banks and savings and loan associations must maintain collateralization that equals or exceeds the amount of the deposit not federally insured and comply with other safekeeping and collateral requirements.
- E. Bankers' Acceptances - Issued by a bank with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the SEC or the State Treasurer.

- F. Commercial Paper - Commercial paper issued by a company with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the SEC.
- G. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this paragraph.
- H. U.S. Treasury Strips, Zero Coupon Bonds or similar investment instruments – Agricultural Land Preservation Funds only.
- I. Pooled Investments - Any investment portfolio created under the Maryland Local Government Investment Pool, defined under the Local Government Article, Sections 17-301 through 17-309 of the Annotated Code of Maryland, that is administered by the State Treasurer. This Section is included as Attachment D of this policy.
- J. Money Market Mutual Funds – Money Market Mutual Funds registered with the SEC under the Investment Company Act of 1940, 15 U.S.C. Section 80(a-1), as amended, and operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. Section 270.2A-7, as amended, and that have received the highest possible rating from at least one nationally recognized statistical rating organization as designated by the SEC.

## **IX. Diversification**

Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities.

A.	<u>Diversification by Investment Type</u>	<u>Max. % of Portfolio*</u>
1.	U.S. Government Treasury Obligations	100%
2.	Local Government Investment Pool	100%
3.	U.S. Government Agencies	80%

4. Bankers' Acceptances	20%
5. Money Market Mutual Funds	50%
6. Repurchase Agreements	50%
7. Collateralized Certificates of Deposit and Time Deposits	25%
8. Commercial Paper	10%

\* at time of purchase

<u>B. Diversification by Institution</u>	<u>Max. % of Portfolio*</u>
1. U.S. Government Treasury Obligations	100%
2. Local Government Investment Pool	100%
3. U.S. Government Agency-By-Agency	25%
4. Bankers' Acceptances by Institution and Country	10%
5. Money Market Mutual Funds by Fund	25%
6. Commercial Banks (Certificates of Deposits)	20%

\* at time of purchase

#### C. Diversification of Maturities

In order to meet the objectives of the County's investment activities, as listed above in Section III of this policy, seventy five percent (75%) of the investments of the County must be on a short-term basis (a stated maximum maturity of up to 18 months). However, the balance of the portfolio and those funds attributed to bond proceeds may be invested in investments with longer maturities (a stated maximum maturity of up to three years) without jeopardizing adequate safety and liquidity standards of the portfolio and at the same time increasing the overall yield of the portfolio. These investments will be limited to U.S. Government and U.S. Agency Securities. Agricultural Land Preservation Funds only will be invested to coincide with the maturity dates on payments due on Agricultural Land Preservation settlements.

#### D. Diversification by Broker/Dealer

No more than 25% of the total investment portfolio will be invested through a single broker or dealer.

## **X. Investment Award**

Investments shall be awarded to the institution whose percentage yield produces the greatest interest income to the County and complies with safekeeping requirements and investment limitations. Investments can be awarded exclusively when the investment security is a new issue that can only be purchased from one source or can be purchased at the same yield from any source, while in compliance with the 25% diversification by broker/dealer.

## **XI. Performance Standards**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks have been established against which portfolio performance shall be compared on a regular basis. These benchmarks are the 3-Month Treasury Bill and the Maryland Local Government Investment Pool's Average Daily Rate. These benchmarks are reflective of the actual securities being purchased and risks undertaken and have a similar weighted average maturity as the County's portfolio.

## **XII. Collateralization**

A. Collateralization shall be maintained in excess of Federal insurance coverage for all County bank accounts, certificates of deposit and time deposits. Acceptable collateral is specified under Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland. This Section is included as Attachment E of this policy.

B. Collateralization is required for all repurchase agreements of at least 102% of the principal amount. Acceptable collateral shall consist of obligations of the United States, its agencies or instrumentalities as specified under Section VIII.

C. The collateral shall be held by an independent third party as specified under Section XIII.

## **XIII. Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, shall be executed on a delivery vs. payment (DVP) basis, except for local government pooled investments, certificates of deposit and time deposits. This is to ensure that securities are deposited in an eligible financial institution when funds are released.

An independent third party with whom the County has a current custodial agreement will always hold the collateral. The Custodian may not be a counterparty to the transaction, unless the Custodian is the County's primary bank and the securities purchased are from the bank and include the collateral from the bank. The collateral for repurchase agreements, certificates of deposit and time deposits are to be held in the County's name and account. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

The current Federal Reserve Bank for the County or other account as designated by the County, functioning under the rules in Operating Circular Nos. 16 and 19, may be used as a custodian for pledged collateral on time deposits and certificates of deposit.

#### **XIV. Internal Control**

The Director of Finance shall establish a system of internal controls, which shall be documented in writing. An audit of the internal controls of the investment operation (both procedural and operational) may be included in the annual financial audit conducted by an outside independent audit company.

#### **XV. Reporting**

The Investment Officer shall submit quarterly to the County Manager and the Director of Finance investment reports for management purposes that shall include the following:

- A. Detail information on all investments (type, par value, coupon, maturity date, cusip, etc.) held at the end of the reporting period.
- B. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of the securities at the end of the reporting period.
- C. Average weighted yield to maturity of portfolio on investments as compared to the yield on the established benchmarks for the same period.
- D. Percentage of the total portfolio that each type of investment represents.

Market prices, for the computation of market values, will be obtained from independent sources.

#### **XVI. Investment Policy Adoption**

The investment policy is approved by the Director of Finance and adopted by a

resolution and filed with the State Treasurer's Office. The Director of Finance may institute changes in these policies at any time, so long as the changes are in compliance with the Annotated Code of Maryland and the Frederick County Code of Ordinances. Any modifications made to this investment policy must be approved by resolution and a certified copy of the changed policy must be forwarded to the State Treasurer.

### Approvals



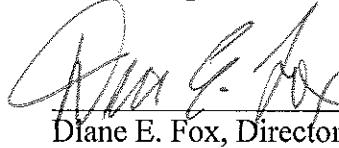
Jan H. Gardner  
Jan H. Gardner, County Executive

1/26/18  
Date



Lori L. Depies  
Lori L. Depies, Director of Finance

1/26/18  
Date



Diane E. Fox  
Diane E. Fox, Director of Treasury

1-26-18  
Date

## ATTACHMENT A

### Annotated Code of Maryland Article - Local Government

§17-101.

(a) In this section, "State financial institution" means an institution that:

- (1) has a branch in the State that takes deposits; and
- (2) is:
  - (i) a bank incorporated under the laws of any state or the United States;
  - (ii) a trust company or savings bank incorporated under the laws of the State; or
  - (iii) a savings and loan association incorporated under the laws of the State or the United States.

(b) This section applies to the following governmental entities:

- (1) the governing body of each county;
- (2) the governing body of each municipality;
- (3) each county board of education, including the Baltimore City Board of School Commissioners;
- (4) each road, drainage, improvement, construction, or soil conservation district or commission;
- (5) the Upper Potomac River Commission; and
- (6) any other political subdivision or body politic and corporate of the State.

(c) Subject to Subtitle 2 of this title and notwithstanding any provision of local law or ordinance, a governmental entity or its authorized agent:

- (1) in accordance with § 6-222 of the State Finance and Procurement Article may:
  - (i) invest and reinvest in obligations or repurchase agreements all unexpended money in any fund or account of which the governmental entity or its authorized agent has custody or control; and
  - (ii) sell, redeem, or exchange an investment or reinvestment made under this item; or
- (2) may deposit unexpended money in:
  - (i) an interest-bearing time deposit account or savings account at a federally insured bank or federally insured savings and loan association in the State; or
  - (ii) the Local Government Investment Pool established under § 17-302 of this title.

(d) Except as provided in subsections (e) and (f) of this section, a governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association under subsection (b)(2)(i) of this section only if the bank or savings and loan association gives as security for the deposit collateral of a type specified in § 6-202 of the State Finance and Procurement Article.

(e) A governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association without the security required under subsection (d) of this section if:

- (1) the money is initially deposited in a State financial institution chosen by the depositor;
- (2) the State financial institution arranges for the further deposit of the money into one or more certificates of deposit in an amount not exceeding the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, issued by one or more federally insured banks or federally insured savings and loan associations for the account of the depositor;
- (3) when the money is deposited and the certificates of deposit are issued, the State financial institution receives deposits from customers of other banks or savings and loan associations in an amount at least equal to the amount of money initially deposited by the depositor;
- (4) each certificate of deposit issued for the depositor's account is insured by the Federal Deposit Insurance Corporation for 100% of the principal of and accrued interest on the certificate of deposit; and
- (5) the State financial institution acts as custodian for the depositor with respect to the certificates of deposit issued for the depositor's account.

(f) A governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association without the security required under subsection (d) of this section if:

(1) the money is initially placed for deposit with a State financial institution chosen by the depositor to arrange for the redeposit of the money through a deposit placement program that meets the requirements under this subsection;

(2) on or after the date that the money of the governmental entity is received, the State financial institution:

(i) arranges for the redeposit of the money into one or more deposit accounts, each in an amount of not more than the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, in one or more federally insured banks or federally insured savings and loan associations for the account of the depositor; and

(ii) acts as custodian for the depositor with respect to the money deposited into the accounts;

(3) any money of a governmental entity deposited into a State financial institution in accordance with this subsection and held by that State financial institution at the close of a business day that is in excess of the amount insured by the Federal Deposit Insurance Corporation is secured in accordance with this title;

(4) the full amount of the money of the governmental entity redeposited by the State financial institution into deposit accounts in federally insured banks or federally insured savings and loan associations under this subsection is insured by the Federal Deposit Insurance Corporation; and

(5) on the same date that the money of the governmental entity is redeposited under this subsection, the State financial institution receives an amount of deposits from customers of other banks or savings and loans in accordance with the deposit placement program that is at least equal to the amount of the money of the governmental entity redeposited by the State financial institution.

(g) (1) The interest or income from an investment or deposit made under this section:

(i) shall be credited to the fund from which the investment or deposit was made; and

(ii) may be invested or deposited as provided in this section.

(2) Notwithstanding paragraph (1) of this subsection, if the money invested or deposited under this section is from a fund that contains the proceeds of the issuance of bonds or other obligations, the issuer may use the interest or income from the investment or deposit to repay the principal of or interest on the bonds or other obligations.

(h) A governmental entity or its authorized agent may withdraw or alter an investment or deposit made under this section:

- (1) to meet the requirements for which the money is held; or
- (2) for reinvestment in accordance with this section.

## ATTACHMENT B

### Frederick County, Maryland Broker/Dealer Request for Information

#### **Section I: Statement of Position and General Requirements**

The Frederick County Treasury Department (FCTD) invests consistent with the laws of the State of Maryland and the Frederick County Code of Ordinances. The FCTD manages an operational portfolio, which averaged over 400 million dollars during fiscal year 2013. The portfolio is comprised mainly of U.S. Treasury and Agency obligations in addition to selected money market instruments. The FCTD has adopted a written Investment Policy, which regulates the standards and procedures used in its cash management activities. A copy of the Investment Policy is attached as an Appendix to this document.

The FCTD maintains relationships with qualified members of the broker/dealer community who, in their opinion, understand the needs, constraints, and goals of Frederick County.

Broker/dealers will be notified of their approval by the FCTD in writing. No transactions will be conducted with an approved broker/dealer until all paperwork required by both parties has been executed. The FCTD solicits competitive bids and offers on the majority of its transactions. All securities will be delivered against payment to the third-party custodian designated by the FCTD. FCTD personnel will review and substantiate all information and references requested in this document; therefore, please answer all questions as thoroughly as possible.

#### **Section II: Request for General Information from Broker/Dealer Candidate**

**1. FIRM:**

**2. STREET & MAILING ADDRESS:**

**3. HEADQUARTERS STREET & MAILING ADDRESS:**

**4. CONTACT PERSONNEL:**

**a. NAME:**  
**TITLE:**  
**PHONE:**  
**EMAIL:**

**b. NAME:**  
**TITLE:**  
**PHONE:**  
**EMAIL:**

c. **NAME:**  
**TITLE:**  
**PHONE:**  
**EMAIL:**

5. **PERSONNEL BACKGROUND:** Please provide background information concerning account representatives listed in #4. Please include information on the individual's employment history as it relates to the securities industry, official licenses and certificates, the history and details of any disciplinary actions or complaints and the disposition of each, as well as the history of any arbitration or litigation, the nature of the case and status or disposition.

6. **COMPARABLE CLIENTS:** Please provide the following information regarding at least four comparable clients with whom any of the representatives listed in #4 has an established relationship. Comparable Public Sector Clients would be preferred.

1. **CLIENT NAME:**  
**ADDRESS:**  
  
**PERSON TO CONTACT:**  
**PHONE:**  
**LENGTH OF RELATIONSHIP:**
2. **CLIENT NAME:**  
**ADDRESS:**  
  
**PERSON TO CONTACT:**  
**PHONE:**  
**LENGTH OF RELATIONSHIP:**
3. **CLIENT NAME:**  
**ADDRESS:**  
  
**PERSON TO CONTACT:**  
**PHONE:**  
**LENGTH OF RELATIONSHIP:**
4. **CLIENT NAME:**  
**ADDRESS:**  
  
**PERSON TO CONTACT:**  
**PHONE:**  
**LENGTH OF RELATIONSHIP:**

7. **PLEASE LIST THE REGULATORY AGENCY(IES) THAT MONITOR YOUR FIRM AND WILL OVERSEE YOUR ACTIVITIES IN THE STATE OF MARYLAND.**

- 8. DO THE ASSIGNED PERSONNEL AND THE FIRM HAVE ALL THE REQUIRED LICENSES TO FUNCTION AS BROKER/DEALERS IN THE STATE OF MARYLAND?**
  
- 9. PRINCIPAL BANKING RELATIONSHIP:**  
**BANK NAME:**  
**ADDRESS:**  
**PERSON TO CONTACT:**  
**PHONE:**  
**LENGTH OF RELATIONSHIP:**
  
- 10. MATERIAL LITIGATION:** Has there been any material (required disclosure on your financial statements) litigation, arbitration or regulatory proceedings, either pending, adjudicated or settled, that your firm has been subject to within the last five years that involved issues concerning the suitability of the sale or purchase of securities to institutional clients or fraudulent or unfair practices related to the sale of securities to an institutional client? If so, please describe each matter briefly.
  
- 11. FINANCIALS:** Please provide certified audited financial statements for the last three years. In addition, please provide your most recent Focus Report.

### **Section III: Certification**

**I hereby certify that the above is true and correct to the best of my knowledge. I am a registered principal of the firm. Furthermore, I certify that all contact personnel will read and abide by the Investment Policy of Frederick County, Maryland.**

**Name of Firm:**

**Signature:**

**Printed Name & Title:**

**Date:**

### **Section IV: Attachments**

- 1. Frederick County Investment Policy**
- 2. Authorized Frederick County Personnel**

## ATTACHMENT C

### Annotated Code of Maryland Article – State Finance and Procurement Section 6-222 (a) and (b)

#### §6-222.

(a) The Treasurer may invest or reinvest unexpended or surplus money over which the Treasurer has custody in:

- (1) an obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
- (2) an obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;
- (3) a repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
- (4) bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission or the Treasurer;
- (5) with respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this item;
- (6) commercial paper that has received the highest letter and numerical rating by at least two nationally recognized statistical rating organizations as designated by the United States Securities and Exchange Commission, provided that such commercial paper may not exceed 10% of the total investments made by the Treasurer under this subsection;
- (7) money market mutual funds that:
  - (i) are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended;
  - (ii) are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended; and
  - (iii) have received the highest possible rating from at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission; and
- (8) any investment portfolio created under the Maryland Local Government Investment Pool defined under §§ 17-301 through 17-309 of the Local Government Article of the Code that is administered by the Office of the State Treasurer.

(b) The Treasurer may sell, redeem, or exchange an investment or reinvestment made under this section in accordance with the limitations of this section.

**ATTACHMENT D**  
**Annotated Code of Maryland**  
**Article – Local Government**  
**Local Government Investment Pool**

**§17-301.**

- (a) In this part the following words have the meanings indicated.
- (b) "Authorized participant" means:
  - (1) the governing body of each county or municipality;
  - (2) a county board of education;
  - (3) the governing body of each road, drainage, improvement, construction, or soil conservation district or commission in the State;
  - (4) the Upper Potomac River Commission;
  - (5) any other political subdivision or body politic and corporate of the State;
  - (6) a local government insurance pool formed under Title 19, Subtitle 6 of the Insurance Article; or
  - (7) on approval of the State Treasurer, a unit of State government or an entity created by the State if the funds of the unit or entity are not State money over which the Treasurer has investment authority.
- (c) "Pool" means the Local Government Investment Pool.

**§17-302.**

There is a Local Government Investment Pool.

**§17-303.**

The Pool consists of:

- (1) money of authorized participants that is deposited in the Pool; and
- (2) money of the State that is deposited in the Pool by the State Treasurer.

**§17-304.**

- (a) The State Treasurer shall administer the Pool on behalf of:
  - (1) authorized participants; and
  - (2) to the extent that State money is included in the Pool, the State.
- (b) The State Treasurer shall develop procedures necessary to administer the Pool efficiently, including:
  - (1) specification of the minimum and maximum amounts that may be deposited by any authorized participant in the Pool and minimum periods of time for which deposits must be retained in the Pool;
  - (2) payment of administrative expenses from the earnings of the Pool; and
  - (3) distribution of earnings in excess of expenses or allocation of losses to authorized participants in a manner that equitably reflects the amount and duration of each authorized participant's investments in the Pool.

**§17-305.**

- (a) The State Treasurer shall establish investment policies for the Pool.
- (b) Subject to the objectives and requirements of this part, the State Treasurer shall establish procedures for:
  - (1) the investment and reinvestment of money in the Pool; and
  - (2) the acquisition, retention, management, and disposition of investments of the Pool.
- (c) (1) The State Treasurer shall invest money in the Pool in accordance with §§ 6-222 and 6-223 of the State Finance and Procurement Article.
  - (2) Notwithstanding any other law, the State Treasurer may:
    - (i) invest and reinvest money in the Pool in bankers' acceptances guaranteed by banks; and
    - (ii) sell, redeem, or exchange an investment or reinvestment made under this paragraph.
- (d) Except as otherwise provided in this part, the State Treasurer shall retain custody of all instruments of title to all investments of the Pool.

(e) (1) The State Treasurer may deposit with one or more fiscal agents or banks any instruments of title to investments of the Pool that the State Treasurer considers advisable.

(2) A fiscal agent or bank shall hold any instruments of title deposited with the agent or bank for collection of:

- (i) the principal of and interest or other income from the investments; or
- (ii) the proceeds of sale of the investments.

(f) The State Treasurer shall collect the principal of and interest or other income from investments of the Pool, the instruments of title to which are in the State Treasurer's custody, when due and payable.

§17-306.

(a) The State Treasurer may:

- (1) contract with a qualified Maryland fiscal agent; and
- (2) compensate the fiscal agent for services rendered.

(b) The fiscal agent may perform administrative and investment services that the State Treasurer performs under this part.

§17-307.

Except for State money, money deposited in the Pool is not money of the State.

§17-308.

(a) The governing authority of an authorized participant may direct its financial officer to remit to the State Treasurer for investment in the Pool money that:

- (1) is available for investment; and
- (2) is not required, by law or a covenant or agreement with bondholders or others, to be segregated and invested in a different manner.

(b) The governing authority of an authorized participant having money intended for other postemployment benefits that are available for investment, as authorized under § 17-102 of this title, may direct its financial officer to remit that money to the State Treasurer for investment in the Pool.

(c) (1) If the governing authority of an authorized participant determines that it is in the best interest of the authorized participant to deposit money in the Pool, the governing authority shall:

- (i) adopt a resolution or ordinance authorizing the deposit; and
- (ii) file a certified copy of the resolution or ordinance with the State Treasurer accompanied by a statement of the approximate cash flow requirements of the authorized participant for the invested money.

(2) The resolution or ordinance shall indicate the official of the authorized participant who is responsible for depositing money in and withdrawing money from the Pool.

(d) Each subsequent deposit of money into the Pool shall be accompanied by a statement of:

- (1) the intended duration of the investment; or
- (2) the anticipated date of withdrawal of the money from the Pool.

§17-309.

(a) The State Treasurer shall maintain a separate account designated by name or number for each authorized participant in the Pool, including the State, to record the individual transactions and totals of all investments of each authorized participant.

(b) At least monthly, the State Treasurer shall credit accumulated income to each authorized participant's account.

(c) (1) The State Treasurer shall provide to each authorized participant a monthly report of the changes in investments made during the preceding month.

(2) On request, the State Treasurer shall provide a detailed report of any transaction relating to an investment of an authorized participant.

(d) On request, the State Treasurer shall pay from the Pool the principal and credited income of an account maintained for an authorized participant if the request conforms to the terms of the deposit.

(e) (1) The State Treasurer may not make a payment from an account of an authorized participant in an amount that exceeds the total amount of money in the account.

(2) The payee shall refund any excess amount paid.

## ATTACHMENT E

### Annotated Code of Maryland Article - State Finance and Procurement

§6-202.

Collateral that may be used under this subtitle shall be:

- (1) an obligation of the United States or any of its agencies;
- (2) an obligation guaranteed by the United States or by any of its agencies;
- (3) an obligation insured by the United States;
- (4) an obligation of the State or any of its units or instrumentalities;
- (5) an obligation of a county of the State or any of its agencies;
- (6) an obligation of a municipal corporation in the State or any of its agencies;
- (7) an obligation of any other governmental authority in the State;
- (8) an obligation of the Inter-America Development Bank;
- (9) an obligation of the World Bank;
- (10) an obligation of the following government-sponsored enterprises:
  - (i) the Federal Home Loan Banks;
  - (ii) the Federal Home Loan Mortgage Corporation;
  - (iii) the Federal National Mortgage Association;
  - (iv) the Farm Credit System;
  - (v) the Federal Agricultural Mortgage Corporation; and
  - (vi) the Student Loan Marketing Association;
- (11) a surety bond if:
  - (i) subject to the terms and conditions of the bond, it is irrevocable and absolute;
  - (ii) the surety bond is issued by an insurance company authorized to do business in this State;
  - (iii) the issuer of the surety bonds does not provide surety bonds for any one financial institution in an amount that exceeds 10% of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance; and
  - (iv) the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the Treasurer;
- (12) an obligation or security of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., if:
  - (i) the portfolio of the open-end or closed-end management type investment company or investment trust is limited to direct obligations of the United States government and to repurchase agreements fully collateralized by United States government obligations; and
  - (ii) the open-end or closed-end management type investment company or investment trust takes delivery of that collateral, either directly or through an authorized custodian; or
- (13) a letter of credit issued by a Federal Home Loan Bank if the letter of credit meets the conditions under the guidelines issued by the State Treasurer's office.