

**WMTA Review Committee
Investment Policy Checklist
"Summary of Comments"**

Name of Entity Reviewed:

Date:

Name of Reviewer:

Overall Rating: Approved Not Approved

Below is a summary of the three reviewers' comments on the investment policy for the entity listed above. All comments are transcribed exactly as the reviewers wrote them on their review checklist.

1. Policy Statement: The investment policy should be concise and should concern itself only with policy matters. Procedural matters should be contained in desk manuals.

Comments / Suggested Improvements:

2. Scope: Identify all funds covered by the Investment Policy. (Does the policy include pension funds, reserve funds, special funds, etc)?

Comments / Suggested Improvements:

3. Prudent Person Standard: The "prudent person" rule should be incorporated into the investment policy.

Comments / Suggested Improvements:

4. Investment Objectives: The policy must address the entity's objectives regarding safety of capital, liquidity, and yield.

Comments / Suggested Improvements:

Under credit risk policy states that investments are limited to the safest types of securities. May want to consider defining what are considered the safest types otherwise its up to interpretation. Under liquidity, policy states that the portfolio also may be placed in money market mutual funds(I seem to recall that only certain types of funds can be invested in money market mutual funds. If so, that should be included in the document). May want to consider a percentage amount. I like the definition on provided on yield as to when or why a security can be sold before its maturity. Good job!

5. Delegation of Authority: A list of who is authorized to initiate investment transactions should be included. Identify types of transactions that require special authorization.

Comments / Suggested Improvements:

Do investment transactions over a certain amount or maturity require special attention?

6. Ethics and Conflicts of Interest: The policy may discuss the issue of officers and employees partaking in personal activities that may impair their ability to make impartial investment decisions.

Comments / Suggested Improvements:

7. Authorized Financial Dealers and Institutions: The policy should address the method of selection of a primary bank, eligible depositories, brokers, and dealers. Does the entity maintain an approved dealer list?

Comments / Suggested Improvements:

Very nice!

Although this section defines who may receive the cities funds it doesn't identify how their primary bank is chosen. It may be stated in a different city code but reference should be made to that method.

8. Authorized Investments: The policy statement should specifically identify the types of investments authorized. If repurchase agreements are used, the policy must indicate that a master repurchase agreement is required.

Comments / Suggested Improvements:

9. Collateralization: If repurchase agreements are authorized, the policy should discuss safekeeping of collateral and collateralization at 102%.

Comments / Suggested Improvements:

The 102% should be clearly stated in the policy, In 8.6 you talk about GFOA-Appendix 3; however, this appendix is not attached to see.

Policy does not address percentage of collateralization for repurchase agreements.

10. Safekeeping and Custody: The policy must address, safekeeping and custody arrangements with banks, brokers, dealers and third party custodians, including delivery versus payment (DVP).

Comments / Suggested Improvements:

11. Diversification: The issue of diversification of investments in various types of securities should be addressed.

Comments / Suggested Improvements:

If they are spelling out each security, then they might want to include a maximum percent for CD's because penalties for early withdrawal are stiff.

12. Maximum Maturity: The maximum and average maturity of investments carried in the portfolio should be defined.

Comments / Suggested Improvements:

In section 11.5, are there any limitations? I.e. maturity?

13. Internal Controls: Periodic independent review of investment operations should be mandated.

Comments / Suggested Improvements:

Shows up in Appendix C. OK!

Plus State Auditor annual review.

14. Performance Standards: It may be advisable to establish benchmark comparisons so that the portfolio can be evaluated.

Comments / Suggested Improvements:

How will the market-average rate of return be determined? Need to include a more specific measure.

15. Reporting: Reports are a good way for the entity's governing body to monitor investment activity.

Comments / Suggested Improvements:

16. Adoption of Policy: In order to be effective, the investment policy should be formally adopted by the entity.

Comments / Suggested Improvements:

17. Glossary: A glossary of terms used in the investment policy should be part of the policy.

Comments / Suggested Improvements:

General Comment:

Very well done. Congratulations!