

**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:

You mention the County's investment policies "to the extent that they do not conflict with this policy...". What happens if they do conflict?

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:

What does the BARS manual have to do with investing funds? I thought it was a guide for accounting and budgeting.

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:

I hope the Procedures Manual lists more than one person eligible to invest the City's money. Back-up needs to be provided for vacations, business travel, illness, etc.

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:

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:

I hope your Procedures Manual spells out "qualified public depositories."

Grammatical error – 7.4 ... Chapter 39.59 RCW and (is) are intended to provide ...

Paragraph 7.3 (BA's are not rated). Paragraph 7.2 Better would be: per RCW 43.84.080, obligation of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system.

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

Comments / Suggested Improvements:

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:

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

Comments / Suggested Improvements:

You might consider limiting the Average Maturity to less than 1 or 2 years. That doesn't mean that you would necessarily invest that long, but it gives you an option AND a limitation. As currently stated, you could probably invest 75% of your money in excess of one year.

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

Comments / Suggested Improvements:

Misstated, but acceptable. The day-to-day controls you talk about are in your Procedures Manual (I hope).

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

Comments / Suggested Improvements:

Does this mean that you get to pick (after the fact) the Benchmark that is most favorable for you? I don't think so. Pick one and live with it.

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

Comments / Suggested Improvements:

JUST a list of what you own to the Mayor on a monthly basis. That seems a little skimpy. You might include the rate-of-return for the just completed month.

How do you describe a day-after-day strategy of buy-and-hold?

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

Comments / Suggested Improvements:

If conditions change and the policy needs to be amended NOW, what do you do? You can't wait for the budget process.

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

Comments / Suggested Improvements:

You should probably mention that there is a Glossary in the Procedures Manual. If you include it in the policy, then you have to officially amend the policy if you make any changes to the Glossary.

Slightly dated ... i.e. FHLB does not regulate S&L's.

GENERAL COMMENTS:

You put a lot of thought into this. You should be proud of all the effort you put into it. Please consider responding to the comments that I have made. They don't make-or-break certification, but they would make for a better operating policy.