

# PENDING APPROVAL

## OKLAHOMA COUNTY BOARD OF COUNTY COMMISSIONERS AGENDA ITEM REQUEST SHEET

For The 6-9-10 Agenda  
(DATE)

DEPARTMENT: Treasurer REQUESTED BY: Forrest "Butch" Freeman

REQUISITION NO: \_\_\_\_\_ REQUISITION SHEET ATTACHED: \_\_\_\_\_ YES \_\_\_\_\_ N/A

NAME OF FUNDS: \_\_\_\_\_

FUND NUMBERS: \_\_\_\_\_

DOES THE AGENDA ITEM CONTAIN PRIVACY-PROTECTED OR SECURITY INFORMATION? \_\_\_\_\_ YES  NO

AGENDA ITEMS CONTAINING PRIVACY-PROTECTED OR SECURITY INFORMATION WILL NOT BE HYPERLINKED TO THE AGENDA

NUMBER OF ORIGINAL DOCUMENTS TO BE RETURNED TO YOUR DEPARTMENT: 1

AGENDA ITEM READS AS FOLLOWS: Discussion and possible action for approval of Resolution No. Oklahoma

County Employee Defined Benefit Retirement System Investment Policy and Guidelines for FY 2010-2011.

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APPROVED BY DA  
(If Applicable)

APPROVED BY Engineer  
(If Applicable)

APPROVED BY PURCHASING  
(If Applicable)

\_\_\_\_\_  
Asst. District Attorney

\_\_\_\_\_  
County Engineer

\_\_\_\_\_  
Purchasing Agent

Please initial that document has been reviewed for privacy-protected or security information.

DISTRICT ATTORNEY: \_\_\_\_\_ YES \_\_\_\_\_ N/A

COUNTY CLERK: \_\_\_\_\_ YES \_\_\_\_\_ N/A

Indicate any privacy-protected information that exists \_\_\_\_\_

(NOTE: THE CHAIRMAN/CHIEF DEPUTY MUST APPROVE ALL EMERGENCY REQUESTS FOR ANY ITEM SUBMITTED AFTER THE DEADLINE)

DATE OF REQUEST: \_\_\_\_\_

APPROVED BY: \_\_\_\_\_  
Chairman

**PENDING APPROVAL**

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**OKLAHOMA COUNTY**  
**Employee Defined Benefit**  
**Retirement System**

**Investment Policy**  
**FY 2010-2011**

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## EMPLOYEES RETIREMENT SYSTEM OF OKLAHOMA COUNTY INVESTMENT POLICY AND GUIDELINES

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## DEFINED BENEFIT RETIREMENT SYSTEM OF OKLAHOMA COUNTY

### INVESTMENT POLICY AND GUIDELINES

#### INTRODUCTION

Investment instruments that are legal for the Defined Benefit Retirement System of Oklahoma County, are described in Sections 952 and 953.1, Title 19 of the Oklahoma State Statutes. When making investment and money management decisions, the County Treasurer shall make all decisions in accordance with the above referenced Statutes and all other applicable Statutes.

The purpose and main objective of an investment is to assure the safety, liquidity and return on investments of the Retirement system. The bank balance and investments are maintained and monitored on a daily basis to insure safety, liquidity and yield. The County Treasurer's responsibility is to maintain accurate and timely records of all Retirement investments and bank balances.

The County Treasurer shall invest the Retirement funds under his control, with respect to his good judgment and good business practice. The Retirement funds that are in the custody of the County Treasurer, for any given fiscal year, and not immediately necessary for expenditure, shall remain in income-producing investment vehicles at all times. The Retirement fund of Oklahoma County utilizes a repurchase agreement as an investment option.

Before the County Treasurer may invest money in any financial institution, he must be furnished with a copy of the institution's charter, which states that the institution is insured by the Federal Deposit Insurance Corporation (FDIC). In 1989, a new law was enacted by Congress. This law transferred the responsibilities of the former Federal Savings and Loan Insurance Corporation (FSLIC) to FDIC. As a result, the FDIC now insure deposits in banks using the (Banks Insurance Fund), as well as Savings Associations using the (Savings Association Insurance Fund).

The institution's charter, along with a written request to become a depository institution with Oklahoma County, is presented to the Board of County Commissioners for approval. Also, the Board of County Commissioners approves a list of all financial institutions that the County wishes to invest monies on a fiscal year basis. County deposits and/or investments may be deposited at any depository institution in Oklahoma County, providing they meet all the requirements mentioned above.

The County Treasurer manages and maintains all of the investments for the Defined Benefit Retirement fund on a daily basis. The Board of County Commissioners will approve the County Treasurer along with other persons to maintain and invest the Retirement funds.

(Appendix A)

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According to Title 19, Section 952.1, of the Oklahoma State Statutes, the Retirement Board of Trustees Oklahoma County shall be composed of nine (9) members. The nine members are designated as follows:

1. Treasurer shall be the County Treasurer who shall be the treasurer of the board of trustees
2. Clerk shall be the County Clerk who shall be the clerk of the board of trustees
3. Chairman Shall be the Chairman of the Board of County Commissioners
4. Member Elected by the employees of Oklahoma County
5. Member Elected by the employees of Oklahoma County
6. Member Elected by the employees of Oklahoma County
7. Member Shall be a retiree elected by the employees of Oklahoma County
8. Member One member to be appointed by the Chairman of the Board of County Commissioners subject to the approval of a majority of the Board of County Commissioners.
9. Member One member to be appointed by the Chairman of the Board of County Commissioners subject to the approval of a majority of the Board of County Commissioners.

## DEFINED BENEFIT FUND

Every county has the authority to establish a retirement fund and system. The Retirement Fund of Oklahoma County presently consists of contributions paid by the County for the employees to the Treasurer (County Treasurer) of such fund.

The main purpose of the Retirement Fund of Oklahoma County is to establish a sound retirement system, whereby employees of Oklahoma County who have attained retirement age may be retired from active service, to enable the accumulation or reserves for themselves and their dependents, to provide for termination of employment, and to provide for retirement and death benefits for those employees remaining as participants of the Defined Benefit Retirement Plan.

Monies in the retirement fund shall be used solely for that fund. Cost and/or expenses incurred in connection with the retirement fund must be paid from the retirement fund. Such expenses may include actuarial consultants, investment managers, financial consultants, institutional custodian services, commission resulting for the purchase and sale of assets, and all other cost and expenses related to those services provided for the retirement fund.

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## DEFINED CONTRIBUTION PLAN

Effective July 1, 1991, all full time employees were given the option to remain in the existing retirement plan (Defined Benefit Plan) or to participate in the new plan (Defined Contribution Plan). This plan is described in Title 19, §956.2 of the Oklahoma State Statutes. The County deposit contributions on behalf of the employees. This plan is presently administrated by Invest Trust, N.A.

The major differences between the old (Defined Benefit Fund) and the new (Defined Contribution Fund), the new plan, retirement accounts are maintained in the individual name, each employee controls his/her investment strategy and the County has no actuarial liability after his/her retirement.

## STATUTORY GUIDELINES AND REQUIREMENTS

In accordance with the provisions of Title 19, Section 953.1 of the Oklahoma Statutes, the Treasurer must manage the retirement fund with respect to the guidelines and requirements described below:

- A. The Retirement Board shall discharge their duties with respect to the retirement system solely in the interest of the participants and beneficiaries and:
  1. For the exclusive purpose of:
    - a. Providing benefits to participants and their beneficiaries, and
    - b. Defraying reasonable expenses of administering the retirement system;
  2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
  3. By diversifying the investments of the retirement system so as to minimize the risk of losses, unless under the circumstances it is clearly prudent not to do so.
- B. The monies of the retirement system shall be invested only in assets eligible for the investment of funds of legal reserve life insurance companies in this state as provided for in Sections 1602 through 1611, 1613 through 1620, and 1622 through 1624 of Title 36 of the Oklahoma Statutes.
- C. The Retirement Board may procure insurance indemnifying the members of the Board from personal loss or accountability from liability resulting from a member's action or inaction as a member of the Board.

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- D. The Retirement Board may establish an investment committee. The investment committee shall consist of not more than five (5) members of the Board appointed by the chairman. The committee shall make recommendations to the full board of trustees on all matters of the assets of the retirement system with regards to establishing the investment fund managing guidelines, and planning future investment policies. The committee shall have no authority to act on behalf of the Board. Recommendations of the committee shall not have any effect as an action of the Board nor take effect without approval of the Board.
- E. The Retirement Board may retain qualified investment managers to provide for the investment of monies of the retirement system. The investment managers shall be chosen by the solicitation of proposals on a competitive bid system pursuant of standards set by the Board. Subject to the overall guidelines set by the Board, the investment managers have full discretion in the managing of those funds allocated to the investment manager. The monies allocated shall be actively managed by the investment managers, which may include selling investments, and realizing losses if such action is considered advantageous to longer term return maximization.
- F. Funds and revenues available for investment by investment managers or the Board shall be placed with a custodian selected by the Board. The custodian shall be a bank or trust company offering custodial services. The custodian shall be chosen by solicitation of a competitive bid system pursuant to standards set by the Board. In compliance with the investment policy and guidelines of the Board, the custodian bank or trust company shall be contractually responsible for insuring that all monies of the retirement system are invested in short-term interest bearing investment instruments at all times. If the custodian bank has not received direction from the Treasurer (County Treasurer) of the retirement system as to the investment of the monies of the retirement system in specific investment vehicles, the custodian bank shall be contractually responsible to the Retirement Board for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.
- G. Prior to August 1st of each year, the Board shall develop a written investment plan for the retirement system.
- H. After July 1 and before October 1 of each year, the Retirement Board shall publish an annual report in simple and easily understood language. This report shall be submitted to the Board of County Commissioners and to the members of the Retirement Board. The annual report shall cover the operation of the retirement fund during the past fiscal year. The annual report shall also include several measures of investment value:
- (1) Acquisition Cost
  - (2) Current Fair Market Value
  - (3) Rate Of Returns by Category of Investment
  - (4) Summary of the Results
  - (5) Total Assets
  - (6) Total Liabilities
  - (7) Contributions
  - (8) Any Other Information Deemed Necessary by the Board

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## LEGAL INVESTMENTS

Monies available shall only be invested in eligible investments for retirement funds. The County Treasurer shall have the authority to manage, maintain, and invest the retirement funds in any or all of the securities described in Title 19, Section 953.1 and Title 36, Section 1602 through 1611, 1613 through 1620, and 1622 through 1624 of the Oklahoma State Statutes: Banker's Acceptance shall not be purchased by the Retirement fund.

- A. Bonds, notes, warrants and other evidences of indebtedness which are direct obligations of the United States of America or for which the full faith and credit of the United States of America is pledged for the payment of principal and interest;
- B. Bonds and other evidences of indebtedness which are the direct obligations of or which are secured or guaranteed as to principal and interest by this state, or any state of the United States of America or the District of Columbia where there exists the power to levy taxes for the prompt payment of the principal and interest of such bonds or evidences of indebtedness, provided that no such bond or evidence of indebtedness shall be in default as to principal or interest at the time of such investment;
- C. Bonds or other evidences of indebtedness which are the direct obligations of any county, city, town, village, school district, sanitary district, park district or other political subdivision or municipal corporation of this state or of any other state of the United States of America or of the District of Columbia which shall not be in default in the payment of either principal or interest of any of its general obligations at the time of such investment;
- D. Bonds or other obligations which are payable from revenue or earning specifically pledged therefore of a public utility, state or municipally owned, either directly or through civil divisions, authority or public instrumentality of a state or municipality, provided that the laws of the state or municipality authorizing the issuance of such bonds or other obligations require that rate for service be fixed, maintained and collected at all times so as to produce sufficient revenue or earnings to pay all operating and maintenance charges and both principal and interest of such bonds or obligations, and provided further, that no such bond or other obligations shall be in default as to principal or interest at the time of investment;
- E. Bonds, equipment trust certificates, or other evidences of indebtedness issued by any solvent corporation, provided that any such bonds or evidence of indebtedness shall be rated at the time of purchase in any of the three highest classifications by at least one standard rating service recognized by the comptroller of the currency in determining the eligibility of securities for purchase by national banks;
- F. Shares or securities of any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the assets of such investment company or investment trust, other than cash on hand, shall be on hundred percent (100%) in bonds. This fund shall be non-fiscal and shall not be considered by the excise board in computing any levy of said county;

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- G. Certificates of deposits of banks when such certificates of deposit are secured by acceptable collateral as in the deposit of other public monies that are fully insured by Federal Deposit Insurance Corporation.
- H. Bonds secured by first mortgages; pass-through securities and insured participation certificates representing interests in first mortgages an insured mortgage pass-through certificates on one-to four-family residences located in this state. (i.e. FNMA, GNMA, FHLMC & SLMA)

## GENERAL INVESTMENT GUIDELINES

- A. All retirement investment decisions shall be made with respect to good judgment, care and prudence.
- B. All retirement investment decisions must be approved by the County Treasurer.
- C. All retirement investments are approved by the Board of Trustees.
- D. When funds are available, the utilization of competitive bidding is required.
- E. When a trade opportunity exists, the treasurer will determine if such an opportunity is advantageous.
- F. Securities must be held by an approved custodial bank.
- G. The purchase of corporate bonds or debentures must be of the rating service that is recognized by the comptroller of the currency.
- H. The purchase of commercial paper must be limited to those rated P1/A1 by Standard and Poors or Moody's.
- I. The County Treasurer shall report the activity of the retirement fund to the Retirement Board on a monthly basis.
- J. All institutions are notified the day prior to the maturity date.
- K. Never allow principal checks to be mailed. Arrangements are made with all institutions that a messenger is provided to deliver principal checks or to have the funds wired. Permission is given for a representative from the County Treasurer's office to pick up the principal check.

## Deposits

When making a deposit (interest payments, maturities, trades, etc.) To the retirement fund, three (3) copies of the deposit slip are needed. Copy one(1) is - necessary to accompany the original deposit slip to the bank for validation. Copy two (2) is necessary for the Treasurer's Bookkeeping Department and copy three (3) is left in the deposit book. Any and all other deposits (refunds, contributions, etc.) Are handled by the County Clerk's Office and copies are distributed in the same manner. All deposits to the Employees Retirement Fund must be made through the County Treasurer's Office.

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## Withdrawals

Any withdrawals (retirement payroll, retirement benefits, retirement investments, etc), are presented to the County Clerk for payment.

When making a withdrawal for retirement investments, a withdrawal request form must be completed and signed by an authorized representative for the Treasurer's Office and submitted to the County Clerk's Office for disbursement of funds. Other withdrawals must be approved by the Retirement Board and presented to the County Clerk's Office for payment.

## COLLATERAL

The State Treasurer serves as custodian of the pledges to secure retirement funds. The State Treasurer verifies and authorizes the collateral that is to be pledged. The collateral is pledged jointly to the State Treasurer for and on behalf of the depositor. All depository banks and savings institutions must be insured by the FDIC. High standards of safety and soundness must be met by the depository bank and savings institutions in order to receive deposit insurance from the insurance corporation.

Effective, July 1, 2000, Senate Bill 1390 was signed eliminating the State Treasurer from acting as the custodian for holding Collateral for local public funds.

Effective, July 1, 2001, the State Treasurer's office placed rules and regulations regarding the authorization for the Depositor's to transfer the Collateral for local public funds.

For the purpose of securing the uninsured funds deposited with a depository bank, the security is pledged and conveyed to the Treasurer as security for the funds as perfected interest in eligible securities owned by the Bank

Collateral is authorized and offered for the sole purpose of securing the uninsured funds within any depository bank.

Due to the current economic outlook, the risk of security for retirement funds has become a major concern. The list of acceptable collateral to secure public funds is provided below:

- U.S. Treasury Obligations
- General Obligation Bonds (State)
- General Obligation Bonds (City-County School District)
- Letter of Credit
- Surety Bond

U.S. Treasury Bills are short-term (1 year or less) bills issued by the Treasury of the United States with full faith and credit of the United States.

U.S. Treasury Notes and U.S. Treasury Bonds are long term (1 year or longer) certificates or bonds issued by the Treasury of the United States with full faith and credit of the United States. U.S. Treasury Zero-Coupons is three months to thirty years, issued by the U.S. Treasury with full faith and credit of the United States.

General Obligation Bonds are bonds issued by an agency of the State of Oklahoma with full faith and credit of the State of Oklahoma. General Obligation Bonds (state, county, city, and school district) are bonds issued by any county, city, and school districts in the State of Oklahoma. Generally all General Obligation Bonds are rated monthly and will have a one, two, or three rating, depending on the financial situation of each respective entity. To maintain proper coverage, the deposits in any one institution should be matched against the market value of

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the collateral, less the amount insured by the FDIC. However, should the market value fall below the amount of deposits in any one institution, then the deposit should be lowered accordingly.

Letter of Credit or "LOC" means a definite undertaking in writing by a federal agency or instrumentality and authenticated by an authorized signature, to a local public entity as beneficiary, at the request of a financial institution with local public entity funds on deposits, to honor the financial institution's duty to return such funds on demand or on a date certain for time deposits.

Surety Bond means a bond or insurance policy which guarantees the obligations of a financial institution holding local public entity funds on deposit, to make payment on such deposits or the local public entity when due.

Pledging collateral instruments:

When providing collateral instruments as security for public entity deposits the:

- A. The financial institution shall:
  1. Complete the original instrument Pledge Form
  2. Attach a copy of the Pledge Form
  3. Obtain the signature of the Duly Authorized Officers of the Pledgor Bank of the collateral Instruments Pledge Form
- B. The treasurer shall:
  1. Review the documents, and if approved, execute the Pledge Form and attach a copy of the collateral instrument, and retain original Pledge Form and collateral instrument.
  2. Forward one (1) copy of the Pledge Form to the pledgor bank
- C. The federal agency/instrumentality or insurance company issuing the collateral shall provide the treasurer with a monthly listing

Releasing collateral instruments:

The pledgor bank will only be allowed to release collateral instruments when there is no longer any of the public entity's funds on deposit or when the amount of the remaining collateral instruments and the fair market value of remaining collateral securities is equal to or greater than the required amounts.

When releasing collateral instruments:

- A. The pledgor bank shall complete the release portion on a copy of the original Pledge Form for the collateral instrument and forward it to the treasurer.
- B. The Treasurer shall
  1. Review document and if approved, execute the release the portion of the Pledge Form by signing and dating.
  2. Return one copy to the Pledge Form to pledgor bank.

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## GLOSSARY

ACCRUED INTEREST: the interest that has accumulated since the date of issuance or since the last coupon payment period, but not yet received.

BANK BALANCE: the amount of money that is actually in the bank at any given time.

BASIS PRICE: price expressed in yield to maturity, also known as the annual rate of return on an investment.

BID PRICE: the price that is offered to an owner to sell a particular security.

BLOCK: securities offered and sold in the form of units.

BOOK BALANCE: the amount of money that is actually on the County's books.

CASH SETTLEMENT: delivery and payment for securities on the day the transaction takes place.

CLEARING: the process by which credit is received from the collection of checks.

COLLECTED BALANCE: the amount of money that is actually in the bank and available for use.

COLLATERAL: securities pledged by a financial institution to secure public funds.

COUPON: the interest rate (or coupon) of a bond at the stated annual interest rate of the issue and is expressed as a percentage of its face value.

DISCOUNT: when the cost is below par amount, a reduction in the price of a security - the difference between selling price and the face value at maturity when sold below face value. A bond price below its par value is described as being priced at a discount.

FULL FAITH AND CREDIT: the unconditional guarantee of any agency of the United States Government.

INVESTMENT RATE: rate payable on borrowed monies.

INVESTMENT PORTFOLIO: collection of all securities, certificate of deposits, savings accounts, etc. held by the County for the purpose of making a profit.

LIQUIDITY: the ability to convert a security into cash within a reasonable time, with a minimum risk of principal.

MATURITY: date at which the principal becomes due and payable.

PAR AMOUNT: the face value of a security, shown on the face of the document -in a specific dollar amount, also the amount due at maturity.

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**PLEDGED SECURITIES:** securities owned by a financial institution, which are pledged as collateral for funds deposited by the county. Types of pledged assets are specified by law.

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**PORTFOLIO:** the collection of all securities for the purpose of trading, by Oklahoma County.

**PREMIUM:** the purchase of a security in which the price paid, exceeds the par value, or the amount by which a bond's market price exceeds its face value.

**PRINCIPAL AMOUNT:** the face or par value of an instrument that does not include any accrued interest. This is usually the amount paid for the security.

**REGULAR SETTLEMENT:** delivery and payment for securities the day after the transaction takes place.

**RECEIPT DATE:** the day the investment or transaction is handled.

**ROLL OVER:** reinvesting principal and accrued interest from a matured investment.

**QUOTE:** the offer to buy, or to sell a security at a particular time.

**SAFEKEEPING:** a service offered by financial institutions where investments are held in their vault for protection.

**SECURITIES:** investment instruments such as bills, bonds, notes, etc.

**SETTLEMENT DATE:** the day the investment or transaction is actually settled.

**SPREAD:** the difference between the amount paid when a security is bought and the amount received when a security is sold.

**TRADE DATE:** the day the transaction is agreed upon.

**TRADER:** an individual or a representative who buys and sells securities for the purpose of making profits.

**YIELD:** the yield on a note or bond is the rate of annual income return expressed as a percentage.