

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

Name of Entity Reviewed:

Date:

Name of Reviewer:

Overall Rating:  Approved  Not Approved

**NOTE: COMMENTS BELOW ARE A SUMMARY OF REVIEWER COMMENTS FOR THE FIRST SUBMISSION OF THE CITY'S INVESTMENT POLICY. CITY OF DUVALL ADDRESSED THESE ISSUES AND LATER SUBMITTED THE POLICY THAT RECEIVED CERTIFICATION.**

**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:**

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:**

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:**

Commercial paper should be in compliance with SIB.

Why limit CDs to \$100,000 when you have PDPC. Also you might want to watch the futures issues closely.

Comments:

- 1) Why FDIC ins. noted, if using PDPC approved entity.
- 2) "Futures" are not legal investments.
- 3) Options are probably not legal as well. The "short selling" of such as a hedging strategy is dubious at best, and decidedly speculative, i.e. INAPPROPRIATE!!
- 4) U.S. Federal Agency's, e.g. FNMA, FHLB, et al, are not included as "suitable." Is this an oversight?
- 5) BA's any and all banks acceptable?

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:**

I wonder if this is difficult to do with the CDs?

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

**Comments / Suggested Improvements:**

Should also diversify by maturity.

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

**Comments / Suggested Improvements:**

Am I to conclude from their maximum security statement that they can't predict what to do with the 5.146m in the state pool on a day to day basis?

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

**Comments / Suggested Improvements:**

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

**Comments / Suggested Improvements:**

They may want to state the institution they are using for the 90 CD rate or if they are using an average.

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:**

This would be nice, but not necessary.