

1. Resolution to amend City Commission Policy 400-01 titled "Statement of Investment Policies, Procedures, and Objectives"



Item Number: 1

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: June 10, 2025

TO: Mark Washington, City Manager

COMMITTEE: Fiscal Committee

LIAISON: Molly Clarin, Chief Financial Officer

FROM: John M. Globensky, City Treasurer
Levi Boldt, Investment Officer

SUBJECT: **Resolution to amend City Commission Policy 400-01 titled
“Statement of Investment Policies, Procedures, and Objectives”**

Michigan Public Act 20 of 1943 (MCL 129.91 to 129.97a) requires that the City Commission adopt and maintain an investment policy which meets certain minimum requirements. City Commission Policy 400-01, Statement of Investment Policies, Procedures, and Objectives (Investment Policy or Policy), administered by the City Treasurer, has long served this purpose. The Treasurer’s Office views mere legal compliance as a starting point, not an end goal. To that end, we regularly review the City’s Investment Policy to stay abreast of current best practices and support City priorities.

The Treasurer’s Office sought feedback on the current Policy with peer governments, as well as financial institutions with which the City Treasurer is authorized to do business. Importantly, two organizations certify local government investment policies meet certain requirements: the Government Investment Officers Association (GIOA) and the Association of Public Treasurers of the United States and Canada (APT).

The City Treasurer’s Office intends to submit this Investment Policy for certification with both organizations. Because our existing Investment Policy only considered APT certification requirements when it was written, a number of changes were necessary to meet both sets of standards.

Our Investment Policy last underwent a complete re-write in 2015 and was certified by APT at the time. Since then, the Policy has been amended seven times. Most changes have been relatively minor; the core of the policy has remained intact since 2015.

During the policy review process, feedback received was clear and consistent: our existing Policy is too long and complex. It imposes requirements on the investment

program that are better documented via a written procedures manual rather than the level of formal policy.

Due to the need to simplify and fulfill two different sets of certification criteria, the Treasurer's Office decided to re-write the policy from scratch rather than continue trimming around the edges. Not including the glossary, our current Policy is 6,494 words. The proposed changes cut that down to 5,106 words. While gross word count alone is not the sum total of policy complexity, a 21% reduction in length does demonstrate the value we place on received feedback.

Major changes to the Policy include:

- Creating an Investment Committee intended to provide guidance with respect to investment strategy and operations;
- Adjusting maximum allocation limits for various investment options to better reflect current systemic risk profiles;
- Reducing the maximum allowable maturity of the portfolio from a weighted average life of seven years to a weighted average final maturity of five years;
- Placing a new emphasis on collateralization of deposited monies;
- Requiring continuing education, training, and certification of City staff involved in the investment process.

This Investment Policy retains the goals of preservation of principal, providing sufficient liquidity to support reasonably anticipated expenditures, and obtaining a competitive market yield. By simplifying investment program operational requirements, this policy presents a step forward in the City's investment program.


Your FISCAL COMMITTEE recommends the adoption of the following resolution to amend City Commission Policy 400-01 titled "Statement of Investment Policies, Procedures, and Objectives".

WHEREAS, City staff recommends the proposed revision of City Commission Policy 400-01 to simplify investment program operations consistent with current best practices; therefore

RESOLVED, that the attached City Commission Policy 400-01 "Statement of Investment Policies, Procedures, and Objectives" is adopted as amended.

CORRECT IN FORM

CITY ATTORNEY

GRAND RAPIDS  MICHIGAN	NUMBER:	400-01	HISTORY	
	DATE:	06/10/2025	FILE #	DATE
	FILE NUMBER:		52034	09/26/1989
	DEPARTMENT:	Treasurer	58222	10/05/1993
			66609	11/09/1999
			77590	09/16/2008
			84989	09/22/2015
			86656	04/11/2017
			88104	09/11/2018
			88336	11/27/2018
			88914	06/11/2019
			88974	07/09/2019
			90167	08/25/2020
			91055	09/14/2021

SUBJECT: Statement of Investment Policies, Procedures, and Objectives

PURPOSE: The purpose of this Statement of Investment Policies, Procedures, and Objectives (the Policy) is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, safekeeping, and custodial procedures necessary for the prudent management of City Funds.

POLICY:

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

TABLE OF CONTENTS

I.	POLICY	2
II.	GOVERNING AUTHORITY	2
III.	SCOPE	2
IV.	DELEGATION OF AUTHORITY AND RESPONSIBILITY	3
V.	INVESTMENT COMMITTEE	3
VI.	WRITTEN PROCEDURES	3
VII.	PRUDENCE AND STANDARD OF CARE	4
VIII.	ETHICS AND CONFLICTS OF INTEREST	4
IX.	OBJECTIVES	4
X.	POOLING OF CASH AND INVESTMENTS	5
XI.	SAFEKEEPING AND CUSTODY	5
XII.	AUTHORIZED FINANCIAL INSTITUTIONS	5
XIII.	AUTHORIZED AND SUITABLE INVESTMENTS	7
XIV.	RATINGS DOWNGRADE	11
XV.	COMPETITIVE TRANSACTIONS	11
XVI.	MAXIMUM MATURITIES	11
XVII.	DIVERSIFICATION	11
XVIII.	COLLATERAL	11

XIX.	INTERNAL CONTROLS AND ACCOUNTING	12
XX.	REPORTING	12
XXI.	INDEPENDENT REVIEW.....	13
XXII.	PERFORMANCE STANDARDS.....	13
XXIII.	BUSINESS CONTINUITY	13
XXIV.	EMPLOYEE TRAINING, EDUCATION, AND CERTIFICATION.....	13
XXV.	INVESTMENT POLICY ADOPTION	14
XXVI.	SAVINGS CLAUSE	14
XXVII.	GLOSSARY	15
	APPENDIX A	29

I. Policy

It is the policy of the City of Grand Rapids ("City") to prudently manage its investment portfolio in a manner which will ensure the preservation of principal while providing the best investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all applicable law, including state statutes and local ordinances governing the investment of public funds.

Funds of the City of Grand Rapids shall be invested in accordance with State of Michigan Public Act 20 of 1943, as amended (Investment of Surplus Funds of Political Subdivisions), being Sections 129.91 through 129.93 of the Michigan Compiled Laws, Public Act 367 of 1982, as amended (Surplus Funds Investment Pool Act), being Sections 129.111 through 129.118 of the Michigan Compiled Laws; and in accordance with the objectives and procedures set forth in the policies and any written administrative procedures. Funds for the perpetual care and maintenance of City Cemeteries shall be invested in accordance with State of Michigan Public Act 215 of 1937, as amended (Cemetery of Burial Grounds), being Sections 128.1 through 128.4 of the Michigan Compiled Laws.

II. Governing Authority

The governing body of the City of Grand Rapids is a City Commission of seven members, one member of which is Mayor. Two City Commissioners are elected from each of three wards; the Mayor is elected by the City at large. This Policy has been adopted by Resolution of the City Commission of the City of Grand Rapids and replaces all previous Investment Policies or Resolutions pertaining to the City's cash and investment management program. This Policy shall remain in effect until the City Commission approves a subsequent revision. This Statement of Investment Policies, Procedures and Objectives conforms to the customary standards of prudent investment management

III. Scope

The investment policy applies to all financial assets held by the City of Grand Rapids, except pension funds, deferred compensation funds, and special purpose funds for which investment authority has been explicitly granted elsewhere by the City Commission.

IV. Delegation of Authority and Responsibility

The City Treasurer's authority to manage the City's investment program is derived from Title VI Section 5 (Compiler's Paragraph 91) of the City Charter, Section 1.801 et. seq. of the ordinance code, and this City's Statement of Investment Policies, Procedures and Objectives.

The City Treasurer, and his/her designees, bears the responsibility to conduct business with financial institutions and broker/dealers, to arrange for the custody of securities, and to execute such documents as may be necessary to carry out these responsibilities in compliance with this policy. The City Treasurer shall manage the investment program according to the provisions of the City's banking agreements and contracts, investment authorization statements, and other documents required which have been authorized by the City Commission, Fiscal Committee, and approved as to form by the City Attorney. The City Treasurer, and his/her designees, are also responsible for furnishing authentic, timely instructions to the safekeeping bank(s) concerning settlement of investment transactions, and verifying accuracy of completed transactions.

The City Commission may enter into an agreement with an investment advisor for discretionary investment management services, and the investment advisor will operate under the direction of the City Treasurer, and his/her designees.

V. Investment Committee

An ad hoc Investment Committee shall, at the direction of the City Treasurer, be composed of City financial staff to learn more about investment structure, discuss economic conditions, and overall portfolio strategy. The Investment Committee will strive to meet at least quarterly. Any member of the Investment Committee may request a meeting at any time in response to economic or market developments, or other such urgent needs as may arise from time to time. Such meeting shall convene within 7 days of such request. This is an internal ad hoc advisory committee to support the Treasurer's authority to manage the City's investment program and therefore is not subject to the Open Meetings Act.

VI. Written Procedures

The City Treasurer shall establish a written Investment Procedures Manual for the operation of the investment program consistent with this policy. The procedures shall include reference to: explicit delegation of authority to persons responsible for investment transactions, safekeeping, repurchase agreements, wire transfer agreements, banking service contracts, collateral/depository agreements, trade settlement, due diligence procedures for evaluation of Authorized Financial Institutions, competitive bidding, compliance monitoring, internal controls, and risk mitigation strategies.

Procedures shall pay particular attention to due diligence of funds or investment pools wherein City monies are commingled with that of other investors. Due diligence will address the eligible underlying investments of the pool or fund, the written statement of investment policy of the pool or fund, a description of interest calculations and how it is distributed, a description of the treatment of capital gains and/or losses, the safeguarding of the underlying investments of the

pool or fund, pricing and audit of the pool or fund, investor eligibility criteria of the pool or fund, any potential restrictions on withdrawals from the pool or fund, fees assessed by the pool or fund.

No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the City Treasurer.

VII. Prudence and Standard of Care

The City Treasurer has a fiduciary duty to ensure that the City's funds are maintained, invested and accounted for with care, diligence, fidelity and sound business judgment in accordance with this Investment Policy. 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 City Treasurer, and his/her designees, acting in accordance with State Laws and local ordinances, this Policy, a written Investment Procedures Manual as may be established, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner to the City Commission Fiscal Committee, and appropriate action is taken to control adverse developments.

VIII. Ethics and Conflicts of Interest

City officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The City Treasurer shall disclose to the City Commission Fiscal Committee any material financial interests in financial institutions that conduct investment-related business with the City and shall further disclose any material financial or investment positions that could be related to the performance of the City's portfolio, particularly with regard to the timing of purchases and sales.

In implementing this Policy, the City Treasurer, as an appointed official, shall also be bound by City Commission Policy 100-06 Conflicts of Interest & Ethical Standards of Conduct Policy. City employees involved in administration of this Policy, through the Investment Committee or otherwise, shall also comply with City Manager Administrative Policy 23-02 City of Grand Rapids Employee Code of Conduct.

IX. Objectives

The primary objectives, in priority order, of the City's investment activities shall be:

A. Safety

Safety of principal is the foremost objective of the City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City recognizes that completely risk-free investments do not actually exist in reality, and that the portfolio simultaneously faces a variety of different risks. Therefore, achieving a balance of risks through diversification of security types, sectors, issuers, and maturities is necessary to reduce the total risk to the portfolio as a whole.

B. Liquidity

The investment portfolio shall be structured to timely meet expected cash outflow needs and associated obligations which might be reasonably anticipated.

C. Yield

The investment portfolio shall be designed to earn a market rate of investment income in relation to prevailing budgetary and economic cycles, commensurate with investment risk constraints and cash flow characteristics of the portfolio.

X. Pooling of Cash and Investments

Except for cash in certain restricted and special accounts, the City Treasurer, and his/her designees, may pool the cash of various funds into one investment portfolio to maximize investment earnings. Investment income, gains, and losses shall be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles. Investment income is allocated on an average daily balance method by fund over the life of the investment.

XI. Safekeeping and Custody

Securities purchased by the City, including collateral for repurchase agreements, shall be delivered against payment (delivery vs. payment). All securities shall be held in a custodial safekeeping account with a third-party custodial bank(s) designated by the City Treasurer. Title to all securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices. A written custody agreement between the bank and the City is required before execution of any transactions. The custodial bank shall furnish the City Treasurer a written statement acknowledging that the securities are held in the name of the City of Grand Rapids.

XII. Authorized Financial Institutions

The City Treasurer, and his/her designees, may physically possess securities, which must be registered in the name of the City of Grand Rapids, or may make an agreement, in writing, with any qualified bank, custodian, or trust to hold those securities for, and in the name of the City of Grand Rapids.

The City Treasurer, and his/her designees, shall maintain a listing of Financial Institutions authorized to provide investment services to the City. "Financial institution" may include depository institutions, securities broker/dealer firms, and investment advisors.

The City Treasurer, and his/her designees, shall conduct initial and annual due diligence as to the financial condition, registration, rating, character, and Community Reinvestment Act rating (if applicable) of authorized Financial Institutions. Specific criteria for evaluation shall be detailed in the Investment Procedures Manual maintained by the City Treasurer.

All Financial Institutions must have filed with the City an "Acknowledgement of Receipt of the Statement of Investment Policies, Procedures and Objectives of the City of Grand Rapids and Agreement to Comply" (Appendix A).

A. Authorized Depositories

No public time deposit shall be made except in a qualified public depository as established by federal or state law, and authorized to receive City deposits by City Commission resolution. Depositories may include a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States under the laws of this state, any other state, or the United States. Depository institutions must have a branch or office located within the State of Michigan to be eligible to receive City deposits.

B. Authorized Broker/Dealers

All securities transactions initiated on behalf of the City shall be executed through securities broker/dealers registered to do business in the State of Michigan. Broker/dealers must either be primary dealers, regional dealers, or regional dealers that clear transactions through a dealer which qualifies under Securities and Exchange Commission Rule 15C3 15C3-1 (uniform net capital rule). The City list will also be maintained for approved or security broker/dealers selected by credit worthiness that are authorized to provide investment services in Michigan. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

C. Authorized Investment Managers

The City may enter into an agreement with an investment advisor for discretionary investment management or non-discretionary investment advisory services. The investment advisor will operate under the direction of the City Treasurer. The investment advisor shall be a state or nationally chartered bank, insurance company licensed to do business in the State of Michigan, or a Registered Investment Advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

The Registered Investment Advisor shall submit on an annual basis to the City Treasurer ADV Part 1 and form ADV Part 2 2A.

An Investment Manager authorized to exercise discretionary authority to purchase or sell securities for the City may use its own list of approved broker/dealers. The investment advisor shall submit the list of approved securities broker / dealers to the [designated on an annual basis. The City Treasurer may restrict the use of a broker/dealer which may be deemed unsuitable.

XIII. Authorized and Suitable Investments

Investments for the City shall be made in accordance with the Michigan Investment of Surplus Funds of Political Subdivisions Act (1943 P.A. 20 as amended, MCL 129.91 et seq.), and the Surplus Funds Investment Pool Act (P.A. 367 of 1982 as amended, MCL 129.111 et seq.).

The City has further restricted the types of securities and transactions eligible for investment. No investment of City monies shall be made in any vehicle other than those listed below

A. Obligations of the United States.

Treasury bills, notes, bonds, State and Local Government Series (SLGS) securities, Separate Trading of Registered Interest and Principal of Securities (STRIPS), and Treasury Inflation-Protected Securities (TIPS). The maximum allowable allocation to U.S. Treasury obligations is 100% of the portfolio.

B. Obligations of federal agencies and instrumentalities.

This includes debentures, notes, mortgage pass-throughs, Collateralized Mortgage Obligations (CMO's), Real Estate Mortgage Investment Conduits, and other debt securities of Government-Sponsored Enterprises (GSE's).

1. Obligations of certain GSE's explicitly backed by the full faith and credit of the United States.

These include, but are not necessarily limited to, obligations of Government National Mortgage Association (GNMA), Private Export Funding Corporation (PEFCO), and Small Business Administration (SBA). The maximum allowable allocation to such securities is 100% of the portfolio.

2. Obligations of GSE's not explicitly back by the full faith and credit of the United States.

These include, but are not necessarily limited to, Federal Agricultural Mortgage Corporation (FAMC), Federal Farm Credit Bank (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Tennessee Valley Authority (TVA). The maximum allowable allocation to such securities is 65% of the portfolio. The maximum allowable allocation to obligations of any one such GSE is 35% of the portfolio.

C. Repurchase Agreements

Agreements with a termination date of 90 days or less collateralized by obligations of the United States, or agencies or instrumentalities of the United States, with maturities not exceeding ten (10) years. For this section only, the term "collateral" shall mean "purchased securities" under the terms of the City's approved Master Repurchase Agreement.

The City must enter into a Master Repurchase Agreement (i.e., SIFMA Master Repurchase Agreement, PSA Master Repurchase Agreement) with a bank or securities broker/dealer prior to committing to any repurchase agreement.

Master Repurchase Agreements shall be entered into only with primary dealers reporting to the Federal Reserve Bank of New York, or with firms that have a primary dealer within their holding company structure.

The collateral shall have a market value plus accrued interest of 102% of the dollar value of the repurchase transaction. If collateralized value drops below 101%, it will immediately be restored to 102%. Collateral shall be held by the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked to the market daily.

The maximum allowable allocation to repurchase agreements is 35% of the total portfolio.

D. Deposits

The maximum allowable allocation to insured deposits is 100% of the total portfolio. The maximum allowable allocation to uninsured but collateralized deposits is 70% of the total portfolio. The maximum allowable allocation to uninsured and uncollateralized deposits is 25% of the total portfolio. The maximum allowable allocation to uncollateralized deposits at any one depository institution is 15% of the total portfolio. Deposit accounts must comply with MCL 129.91 sections (2), (5), (6), (7), or (8).

1. Demand Deposits

Savings accounts at authorized depository institutions which allow for withdrawal of deposited monies on demand without penalty, other than for an excessive number of withdrawals within a period of time.

2. Certificate of Deposit / Time Deposit

Time deposit accounts at authorized depository institutions. Certificates of deposit must have a maturity date not more than 3 years after the date of settlement.

E. Municipal Securities.

Obligations of the State of Michigan or any of its political subdivisions that are rated as investment grade by at least one nationally recognized statistical rating organization (NRSRO). The maximum allowable allocation to municipal securities is 50% of the portfolio. The maximum allowable allocation to securities issued by the State of Michigan is 50% of the portfolio. The maximum allowable allocation to municipal securities issued by any one issuer other than the State of Michigan is 5% of the total portfolio.

F. Commercial Paper

Commercial paper with an original maturity of 270 days or less from the date of settlement. The maximum allowable allocation to commercial paper is 25% of the City's total portfolio. The maximum allowable allocation to commercial paper issued by any one issuer is 5% of the total portfolio.

Investments in commercial paper are restricted to those which, at the time of purchase:

1. Are rated within the highest classification established by at least two nationally recognized statistical rating organizations, or
2. Are rated within the highest classification established by at least one nationally recognized statistical rating organization, and are rated within the two highest classifications established by at least one other nationally recognized statistical rating organization, and long-term debt by issued by the same issuer or a corporate affiliate is rated A or better (or the equivalent thereof) by at least one nationally recognized statistical rating organization.

G. Eligible Bankers Acceptances

Maturities must not exceed 180 days from the date of trade settlement, rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F1 by Fitch at the time of purchase, issued by a state or nationally chartered bank which has combined capital and surplus of at least \$250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated, at the time of purchase, A+ by Standard and Poor's, A1 by Moody's, or A+ by Fitch. Not more than 25% of the City's total portfolio may be invested in eligible bankers acceptances with no more than 5% held in any one issuer at the time of purchase. The maximum allowable allocation to bankers acceptances is 25% of the City's total portfolio.

The maximum allowable allocation to bankers acceptances issued by any one issuer is 5% of the total portfolio

H. Mutual Funds

Open-ended investment companies registered under the Investment Company Act of 1940 which are "no-load" (i.e., no commission or fee shall be charged on purchases or redemption of shares, and which carry no 12b-1 fees).

1. Money Market Mutual Funds

Investments in money market mutual funds composed of investment vehicles that are legal for direct investment by local governments in Michigan; have a constant net asset value per share of \$1.00; and have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940. The maximum allowable allocation to money market mutual funds is 50% of the City's total portfolio.

2. Diversified Mutual Funds

This subsection applies to funds for the perpetual care and maintenance of City cemeteries only. Open-end investment companies which comply with Section 5(b)(1) of the Investment Company Act of 1940. Mutual Funds in this subsection must be rated in the top two tiers by a nationally recognized mutual fund rating agency, (i.e. Morningstar, Lipper, or similar)

Not more than 60% of perpetual care and maintenance fund balance may be invested in equities. Not more than 40% of the equity position may be invested in any one sub-asset class (determined by market capitalization and industry).

I. Investment Pools

Organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118 that are "no-load"; have a constant net asset value per share of \$1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; and are rated either AAA by Standard and Poor's, AAA by Moody's or AAA/V1+ by Fitch. The maximum allowable allocation to Investment Pools is 25% of the City's total portfolio.

J. Joint Inter-local Investment Ventures

Organized under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512 that are "no-load"; have a constant net asset value per share of \$1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities and are rated either AAA by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch. The maximum allowable allocation to Joint Inter-Local Investment Ventures is 25% of the City's total portfolio.

K. Local Government Investment Pools

Organized under Section 4 of Public Act 121 of 1985, as amended (Local Government Investment Pool Act), being MCL 129.141 to 129.150. The maximum allowable allocation to Local Government Investment Pools is 25% of the City's total portfolio.

XIV. Ratings Downgrade

Securities that have been downgraded to a level that is below the minimum ratings described herein shall be immediately reported to the City's Fiscal Committee. Such securities may be held to maturity or sold at the City Treasurer's discretion.

XV. Competitive Transactions

Each investment transaction outside of the Investment Manager/s scope of work shall be competitively transacted with authorized financial institutions.

The Treasurer's Office will attempt to competitively bid all investments outside of an Authorized Investment Manager/s scope of work. The Treasurer's Office may establish risk-return parameters to break tie bids and award bids to other than the high bid in recognition of the desire to ensure portfolio diversification and protection of principal.

Broker/dealer firms may offer securities for purchase via negotiated primary offerings. Occasionally, multiple authorized firms are members of the same underwriting syndicate for such offerings. The Treasurer's office shall endeavor to equitably distribute trading activity between such broker/dealer firms.

XVI. Maximum Maturities

To the extent possible, the City Treasurer shall match expected cash flow from investments with anticipated cash flow needs. In accord with the primary portfolio objectives of safety and liquidity, the weighted average maturity of the total portfolio shall not exceed five years.

XVII. Diversification

It is the policy of the City of Grand Rapids to maintain a diversified investment portfolio. Assets will be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific issuer, maturity, or class of security.

XVIII. Collateral

The State of Michigan does not require local government collateralization of deposits. Collateralization of public deposits through the pledging of appropriate securities or other

instruments (i.e. surety bonds or letters of credit) by depositories is nonetheless an important safeguard for such deposits.

Acceptable collateralization of deposits can include assets, securities, bonds, and irrevocable letters of credit from a federal agency or instrumentality. Deposits will be considered collateralized under this policy at 100% of market value plus accrued interest. Collateral shall be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted. Substitutions of collateral should meet the requirements of the collateral agreement, be approved by the City Treasurer in writing prior to release, and the collateral should not be released until the replacement collateral has been received. The City Treasurer shall take all possible actions to ensure that their security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution.

XIX. Internal Controls and Accounting

The City Treasurer shall establish a system of internal controls over investments. Such internal controls are designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

The City maintains its records on the basis of funds, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the City in accordance with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board.

XX. Reporting

The City Treasurer shall submit a quarterly management report to the City Commission Fiscal Committee that provides an analysis of the investment program. The management report should include comments on the fixed income markets and economic conditions, portfolio allocations to various authorized investment types, possible changes in the portfolio structure going forward, and thoughts on investment strategies. The report should include the description, a listing of original cost, market value, and maturity date (if applicable) of each security held in the portfolio.

The City Treasurer shall also maintain records, subject to audit, of all investment transactions including the names of all obligors, descriptions of all securities purchased and sold (including dates of issue, acquisition and maturity, coupon, price, yield, and gain or loss on ultimate disposition), name of the broker/dealer involved in each transaction, custodian of each security, and the sale or maturity of each security.

XXI. Independent Review

The portfolio shall be reviewed annually by a third party firm independent of the City Treasurer and investment service provider(s) for material compliance with this Policy.

The investment reviewer shall be selected based upon their knowledge, skill, training, and experience to determine material compliance with this Investment Policy. Eligible reviewers may include, but are not limited to, Investment Advisers registered with either the State of Michigan or the Securities and Exchange Commission under the Investment Advisers Act of 1940, a certified public accountant, or a holder of the Chartered Financial Analyst (CFA) or Certified Investment Management Analyst (CIMA) designations.

XXII. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the City.

Given this objective, benchmark(s) selected for investment consideration shall reflect the prominent and persistent characteristics of the portfolio over time. The benchmark(s) may be adjusted periodically as material changes take place with respect to asset allocation and/or weighted average maturity.

XXIII. Business Continuity

The City has developed a Business Continuity Plan (Plan) describing its anticipated response to a range of events that could significantly disrupt its business. Because the timing and impact of disasters, emergencies and other events is unpredictable, flexibility is necessary when responding to actual disruptions as they occur. With that in mind, the goal of the Plan is to prevent lapses in operations or resume operations as quickly and smoothly as possible.

The Plan for responding to a significant business disruption addresses safeguarding of employees' lives and City property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the City's books and records, and allowing the continued ability to manage the investment program and transact business.

XXIV. Employee Training, Education, and Certification

The City strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the City will provide opportunities and funding for the personnel involved in the investment function to complete continuing education programs or other training in cash and investment management sufficient to maintain their skills and certifications, with the goal of remaining up-to-date on best practices and new regulations.

The City Treasurer, or his/her designee(s) responsible for investment program, shall maintain at least one of the following designations or certifications:

- A. Certified Public Funds Investment Manager (CPFIM)** by the Association of Public Treasurers of the United States and Canada (APT US&C),
- B. Advanced Certified Public Funds Investment manager (ACPFIM)** by the Association of Public Treasurers of the United States and Canada (APT US&C),
- C. Chartered Financial Analyst (CFA)** by the CFA Institute,
- D. Certified Financial Planner (CFP®)** by the Certified Financial Planner Board of Standards (CFP Board),
- E. Chartered Financial Consultant (ChFC)** by the American College of Financial Services (ACFS),
- F. Accredited Asset Management Specialist (AAMS)** by the College for Financial Planning,
- G. Certified Investment Management Analyst (CIMA)** by the Investments and Wealth Institute (IAWI),
- H. Certified Fixed Income Practitioner (CFIP)** by the Fixed Income Academy (FIA),
- I. Certified Government Investment Professional (CGIP)** by the Government Investment Officers Association (GIOA),
- J. Certified Treasury Professional (CTP)** by the Association for Financial Professionals (AFP)

XXV. Investment Policy Adoption

The City of Grand Rapids Statement of Investment Policies, Procedures, and Objectives shall be adopted by resolution of the City Commission. This Policy shall be reviewed annually by the City Treasurer. Any modifications made to this Policy must be approved by City Commission.

XXVI. Savings Clause

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this Policy, such restrictions shall be deemed to be immediately incorporated in this Policy. If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this Policy only after written notification to and approval by the City Commission.

XXVII. Glossary

To facilitate a thorough understanding of this Policy, a glossary of related investment terminology has been incorporated herein.

144A: A Section of the Securities and Exchange Commission (SEC) rules which restricts trades of privately placed securities so that these investments can be traded among qualified institutional buyers.

Accretion: The increase in the value of a discounted instrument as time passes and as the maturity date gets closer. The value of the instrument will accrete (grow) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.

Accrued Interest: The interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

Agency: A debt security issued by an agency or instrumentality of the United States, or federal agency. Agencies are backed by each particular agency or instrumentality of the United States with a market perception that there is an implicit government guarantee.

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal. The decrease in the value of a premium instrument as time passes and as the maturity date gets closer. The value of the instrument will amortize (decrease) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.

Amortized Cost: The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called "Book Value").

Annual Comprehensive Financial Report (ACFR): The official annual report for a governmental entity. It is prepared in conformance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (GASB). It contains three sections: Introductory, Financial and Statistical. The introductory section furnishes general information on the entity's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. It discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of the City. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic conditions.

Ask: The indicated price at which an owner is will to sell a security or commodity.

Asset-Backed Security: A security backed by notes or receivables against assets other than real estate. Examples are autos, credit cards, and equipment.

Bankers' Acceptances: A short-term credit instrument created by a non-financial firm and guaranteed by a bank as to payment. Acceptances are traded at discounts from face value in the secondary market on the basis of the credit quality of the guaranteeing banks.

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield. As an example, the difference between a security yielding 2.00% and 2.25% is 25 basis points.

Benchmark: A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent a close correlation to the persistent and prominent characteristics of a portfolio such as duration, investment type, and asset allocation.

Bid: The indicated price at which a buyer is willing to purchase a security or commodity.

Bond: A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

Book or Effective Return: The sum of all investment income plus realized gains and losses.

Book Value: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker: Facilitates security trades on behalf of investors by bringing buyers and sellers together for a commission. (see Dealer)

Bullet: A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

Call: A provision of a bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions. May also refer to the exercise of such provision.

Call Price: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk: The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale / Cash Purchase: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Certificate of Deposit: A time deposit issued by financial institution which will pay interest, periodically or at maturity, and principal when it reaches maturity. Evidenced by a certificate. Large-denomination CD's are typically negotiable.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Collateralization: Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper: Unsecured short-term promissory notes issued by corporations, with maturities typically ranging from 1 to 270 days, and usually transacts at a discount with no coupon payments.

Convexity: A measure of how much a fixed-income instrument's duration changes when interest rates change. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Bond: A debt obligation issued by a corporation.

Coupon: The interest paid by bond issuers to bondholders. Originally referred to a physical certificate attached to a bond evidencing interest due on a payment date.

Coupon rate: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Quality: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk: The risk to an investor that an issuer will default on the timely payment of interest and/or principal on a security.

Current Yield / Current Return: A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP: A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit. CUSIPs are correlated to an alphabetical listing of the issuer's name.

Day Count Convention: A day-count convention is the system used to calculate the amount of accrued interest or the present value when the next coupon payment is less than a full coupon period away. Each bond market and financial instrument has its own day-count convention, which varies depending on the type of instrument, whether the interest rate is fixed or floating, and the country of issuance. Among the most common conventions are 30/360 or 365, actual/360 or 365, and actual/actual.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account. (see Broker).

Debenture: A bond secured only by the general credit of the issuer and not by physical assets or collateral of the company.

Delivery (Settlement): There are typically four types of delivery or settlement of securities: cash, which is the same day as the transaction occurred; regular, which trade day plus one; corporate, which is trade day plus two; and forward, which typically occurs three to thirty days after the trade date.

Delivery Versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Derivative:

- A. Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or
- B. Financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Rate: The interest rate member banks pay the Federal Reserve when the banks use securities as collateral.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

Diversification: A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates. There are three primary types of duration: Macaulay Duration, Modified Duration, and Effective Duration.

- A. **Macaulay Duration** was developed in 1938 by Frederic Macaulay, this form of duration measures the number of years required to recover the true cost of a bond, considering the present value of all coupon and principal payments received in the future. Thus, it is the only type of duration quoted in “years.” Interest rates are assumed to be continuously compounded.
- B. **Modified Duration** expands or modifies Macaulay duration to measure the responsiveness of a bond’s price to interest rate changes. It is defined as the percentage change in price for a 100 basis point change in interest rates. The formula assumes that the cash flows of the bond do not change as interest rates change (which is not the case for most callable bonds).
- C. **Effective Duration** (“Option-Adjusted Duration”) further refines the modified duration calculation and is particularly useful when a portfolio contains callable securities. Effective duration requires the use of a complex model for pricing bonds that adjusts the price of the bond to reflect changes in the value of the bond’s “embedded options” (e.g., call options or a sinking fund schedule) based on the probability that the option will be exercised. Effective duration incorporates a bond’s yield, coupon, final maturity and call features into one number that indicates how price-sensitive a bond or portfolio is to changes in interest rates.

Earnings Apportionment: The distribution of investment income to investment pool participants.

Environmental, Social, and Governance (ESG): ESG criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Fair Value: The amount at which an investment could be exchanged in a current transaction between willing and informed parties, other than in a forced or liquidation sale.

Federal Agricultural Mortgage Corporation (FAMC / "Farmer Mac"): Farmer Mac is a stockholder-owned, federally chartered corporation with the mission of providing a secondary market for a variety of loans made to borrowers in rural America. Farmer Mac was established under federal legislation in 1988. Farmer Mac is an instrumentality of the United States and government-sponsored enterprise ("GSE") by virtue of the status conferred by its charter. Farmer Mac is part of the Farm Credit System but is separate from the Federal Farm Credit Banks and Funding Corporation. It is based primarily in Washington, D.C., and also has offices in Iowa, Idaho, and California.

Federal Deposit Insurance Corporation (FDIC): A federal agency which preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure. The FDIC receives no Congressional appropriations - it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. The FDIC insures trillions of dollars of deposits in U.S. banks and thrifts - deposits in virtually every bank and thrift in the country.

Federal Funds ("Fed Funds"): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate: The rate of interest at which Fed Funds are traded. The Federal Reserve through open-market operations currently pegs this rate.

Federal Farm Credit Bank (FFCB / "Farm Credit"): The Federal Farm Credit Banks Funding Corporation is responsible for issuing and marketing debt securities on behalf of the four Banks of the Farm Credit System: AgFirst FCB, Agribank FCB, FCB of Texas. And CoBank, ACB. These four Banks (located in South Carolina, Minnesota, Texas, and Colorado) are a leading provider of loans, leases and services to rural communities and U.S. agriculture. The Farm Credit System is a government-sponsored enterprise, created in 1916 and dedicated to assuring a steady source of financing to qualified borrowers.

Federal Home Loan Banks (FHLB): 11 U.S. government-sponsored wholesale banks that provide reliable liquidity and provide correspondent banking services to member financial

institutions to support housing finance and community investment. The mission of the FHLB's is to liquefy the housing related assets of its members who must purchase stock in their district Bank. With their members, the FHLB represents the largest collective source of home mortgage and community credit in the United States.

Federal Home Loan Mortgage Corporation (FHLMC / "Freddie Mac"): Freddie Mac was created by Congress in 1970 to expand the secondary market for mortgages in the US. Along with the Federal National Mortgage Association, buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases.

Federal National Mortgage Association (FNMA / "Fannie Mae"): Fannie Mae was chartered under the Federal National Mortgage Association Act in Congress in 1938 to provide supplemental liquidity to the mortgage market. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporations purchased include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes default risk of underlying mortgages, and guarantees that all security holders will receive timely payment of principal and interest thereof.

Federal Reserve: The central bank of the United States created by Congress and consisting of a seven-member Commission of Governors in Washington, D.C., 12 regional banks and about 7,500 commercial banks that are members of the system.

Federal Open Market Committee (FOMC): The Federal Reserve body that determines the direction of monetary policy. Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee meets several times per year to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve Board (FRB): The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Financial Industry Regulatory Authority (FINRA): FINRA is a private corporation, authorized by Congress, that acts as a self-regulatory organization. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation, enforcement, and arbitration operations of the New York Stock Exchange. FINRA also provides BrokerCheck, which is a service to obtain information regarding brokers, brokerage firms, and investment advisors.

Fitch: A nationally recognized statistical ratings organization that as one of its services, analyzes and rates securities. Fitch Ratings is one of the "Big Three" credit rating agencies, along with Moody's and S&P.

Floating Rate Securities ("Floater"): A bond whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising interest rates, but pay lower yields than fixed rate notes.

Futures: Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Here, the buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Generally Accepted Accounting Principles (GAAP): GAAP refer to a common set of accepted accounting principles, standards, and procedures that companies and their accountants must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Governmental Account Standards Board (GASB): GASB is a non-profit entity that was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.

Government National Mortgage Association (GNMA / "Ginnie Mae"): Ginnie Mae is a U.S. government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities issued by approved GNMA lenders. Mortgages are pooled into securities often referred to as "pass-throughs", influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. That assurance allows the mortgage lenders to obtain a better price for these offerings in the capital markets. Those improved proceeds, in turn, allow the lenders to make additional mortgage loans, and at lower costs to finance.

Government Sponsored Enterprises (GSE): Federally-chartered agency or instrumentality of the United States government.

Interest Rate: See "Coupon Rate."

Interest Rate Risk: The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. Duration is a measure of interest rate risk.

Interest Rate Swap: An interest rate swap is a forward contract in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would have been possible without the swap.

Inverse Floater: An inverse floater is a bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes.

Inverted Yield Curve: A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of (or anticipation of)

high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940: Federal legislation, which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment-Grade Obligations: Obligations that are rated BBB (or equivalent thereof) or higher by a rating agency

Leverage: The use of financial leverage to control a greater amount of assets (by borrowing money) will cause the returns on the owner's cash investment to be amplified.

Liquidity: Asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Government Investment Pool (LGIP): An investment by local governments in which their money is pooled as a method for managing local funds.

Make Whole Call: A make whole call provision is a type of call provision on a bond allowing the issuer to pay off remaining debt early. The issuer typically has to make a lump sum payment to the investor derived from a formula based on the net present value (NPV) of future coupon payments that will not be paid incrementally because of the call combined with the principal payment the investor would have received at maturity.

Mark-to-Market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk: The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement (MRA): A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

Maturity: The date on which payment of a financial obligation is due and payable. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

Medium Term Notes: Debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

Monetary Policy: The way in which the money supply is managed by the Federal Reserve Board. The FRB manipulates the money supply either through open market transactions,

member bank reserve requirements, or through changing the Fed Funds Rate or the Discount Rate.

Money Market: Typically refers to short-term debt instruments (bills, commercial paper, discount notes, etc.).

Money Market Fund: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos, and federal funds).

Moody's Investors Service: A company that as one of its services, analyzes and rates securities (similar to Fitch and Standard and Poor's).

Mortgage-Backed Security: A security that is backed by a pool of mortgages. Generally, the security is issued or guaranteed by the United States or its agencies or instrumentalities, but also may be issued by financial institutions such as banks.

Municipal Bond: A municipal bond is a debt security issued by a local government, such as county, state, city, special improvement district, to finance its capital expenditures, including the construction of highways, bridges or schools. Municipal bonds can issue taxable or tax-exempt from federal, state, and local taxes.

Mutual Fund: A mutual fund is a professionally managed, open-ended investment funds that pools money from many investors to purchase securities. These investors may be retail or institutional in nature. As pooled investments, mutual funds have advantages and disadvantages compared to direct investing in individual securities.

National Credit Union Administration (NCUA): A federal agency responsible for regulating federal credit unions, insuring deposits up to \$250,000 per depositor, and protecting members of credit unions. An independent agency of the federal government, the NCUA was created in 1934. No depositor has lost a single cent of insured funds as a result of a failure. The NCUA receives no Congressional appropriations - it is funded by premiums that credit unions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. See also: FDIC

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The most recognized NRSROs are Fitch, Moody's, and Standard and Poor's.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Normal Yield Curve: A chart formation that illustrates short-term securities having lower yields than long-term securities.

Offer: An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price." See also: bid.

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to

influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Option Adjusted Spread (OAS): Option-adjusted spread is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options. OAS is hence model-dependent.

Overnight Indexed Swap (OIS): OIS is an interest rate swap where the periodic floating payment is generally based on a return calculated from a daily compound interest investment. ... The LIBOR–OIS spread is the difference between LIBOR and the OIS rates.

PAR: Face value or principal value of a bond, typically \$1,000 per bond.

Pass-Through Securities: A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Portfolio: Collection of securities held by an investor.

Premium: The amount by which the price paid for a security exceeds the security's par value.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers and banks, and a few unregulated firms.

Primary market: A market made for the initial issuance, distribution, and purchase of newly issued securities. See also: Primary market

Prime Rate: A preferred interest rate charged by commercial banks to their most creditworthy customers. Many consumer interest rates are keyed to this rate.

Principal: The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Private Placements: Securities that do not have to be registered with the Securities and Exchange Commission (SEC) because they are offered to a limited number of sophisticated investors.

Prospectus: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would

be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Range Notes: Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

Rate of Return (ROR): The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

Real Adjustment: When a specific metric or economic indicator is adjusted for inflation.

Regional Dealer: Non-Primary broker-dealers and banks, which transact in the fixed-income markets.

Regular Settlement: Securities settlement that calls for delivery and payment on the next business day following the trade day for government securities and the second business day following the trade date for corporate and municipal securities. Money market funds and money market instruments are settled on a same day basis.

Reinvestment Risk: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (RP / “Repo”): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate them for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

Reverse Repurchase Agreement (“Reverse Repo”): An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date. The security “seller” in effect lends the “buyer” money for the period of the agreement, and the terms of the agreement are structured to compensate them for this.

Safekeeping: The holding of assets (e.g., securities) by a financial institution for a fee.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution. See also: Primary market

Securities and Exchange Commission (SEC): The government agency that regulates and supervises the securities industry. The commission administers federal law, formulates and enforces rules to protect against malpractice, and seeks to ensure that companies provide the

fullest possible disclosure to investors. All of the national exchanges and virtually all institutions in the securities industry fall under its jurisdiction.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

Securities Lending: Securities lending is when entities transfer or “loan” their securities to broker-dealers in return for cash collateral and simultaneously agree to return the collateral in exchange for the same securities in the future. Entities then invest the cash received as collateral in allowable investments, such as commercial paper, at a rate that exceeds the “rebate” or loan rate paid to the broker-dealer for the cash collateral. These transactions are structured to result in earning an incremental income on a portion of the investment portfolio. The amount of securities loaned from the portfolio and the income generated is dependent upon market conditions.

Security Swap: Selling one asset and buying another.

Securities Industry and Financial Markets Association (SIFMA): SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. SIFMA was formed in 2006, from the merger of the Bond Market Association and the Securities Industry Association. SIFMA also provides a recommended holiday schedule for the U.S. financial markets.

Standard and Poor’s (S&P): A company that as one of its services, analyzes and rates securities (similar to Moody’s Investors Service).

Stated Final Maturity: The date when the final principal amount of a note, draft, or other debt instrument becomes due and is repaid to the investor.

Straight Line Amortization: A common method of calculating accretion or amortization of a discount or premium security to par or 100 from the purchase date to the maturity date. It is calculated by dividing the discount/premium amount by the number of days to maturity, without regard to a security’s day count convention.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Structured Overnight Financing Rate (SOFR): SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate plus bilateral Treasury repurchase agreement (“repo”) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered “specials”.

The SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from the Bank of New York Mellon as well as GCF Repo transaction data and data on bilateral Treasury repo transactions cleared through FICC’s DVP service, which are obtained from DTCC Solutions LLC, an affiliate of the Depository Trust & Clearing Corporation. Each

business day, the New York Fed publishes the SOFR on the New York Fed website at approximately 8:00 A.M.

Total Return: The sum of all investment income plus realized and unrealized gain and losses.

Trade Reporting and Compliance Engine (TRACE): TRACE is the FINRA-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities. All broker-dealers who are FINRA member firms have an obligation to report transactions in corporate bonds to TRACE under an SEC-approved set of rules.

Treasury Bills: Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes: Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds: Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule: Securities and Exchange Commission Rule 15(C)3-1 that requires member firms as well as nonmember broker-dealers in securities to maintain a maximum ratio of indebtedness to liquid capital of 15 to 1. Indebtedness covers all money owed to a firm, including margin loans, and commitments to purchase securities. (This is one reason new issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash. Also called net capital rule and net capital ratio.

Volatility: A degree of fluctuation in the price and valuation of securities.

Volatility Risk Rating: A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns to those that are highly sensitive with currently identifiable market volatility risk.

Warrant: In finance, a warrant is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date.

Warrants and options are similar in that the two contractual financial instruments allow the holder special rights to buy securities. In accounting, a warrant sometimes similar to a check or an instrument to present for payment.

Weighted Average Life (WAL): The average number of years that each dollar of unpaid principal due on loan, asset-backed security, or mortgage-backed security remains outstanding. WAL delineates how many years it will take to pay half of the outstanding principal.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio, weighted by the individual securities.

When Issued: A transaction that is made conditionally because a security has been authorized but not yet issued. Treasury securities, stock splits, and new issues of stocks and bonds are traded on a when-issued basis.

Yield: The rate of annual income return on an investment. There are a number of methods to calculate yield

- A. **Nominal Yield (“Face Yield”):** the annual income an investor receives from a security divided by its PAR value. This is the yield stated in the security’s prospectus. See also: coupon rate.
- B. **Current Yield (“Running Yield” / “Simple Yield”):** the annual income an investor receives from a security divided by its current market price. Does not consider premiums and discounts paid at purchase or optionality.
- C. **Yield to Maturity (YTM):** the yield an investor can expect on a security if bought at the current market price and held to maturity.
- D. **Yield to Call (YTC):** the yield an investor can expect on a security if bought at the current market price and called by the issuer at the next possible call date.
- E. **Yield to Worst (YTW):** The lower of yield to maturity and yield to call. This is the minimum yield an investor can expect without the issuer defaulting.
- F. **Purchase Yield:** the yield at the time of initial acquisition.
- G. **Book Yield:** the future annual income of a security divided by purchase price adjusted for the accretion of discounts or amortization of premiums
- H. **SEC Yield:** A standard measure for yield calculation. Allows a more fair comparison of bond funds, as the calculation takes fees into consideration.

Appendix A

Acknowledgement of Receipt of the Statement of Investment Policies, Procedures and Objectives of the City of Grand Rapids and Agreement to Comply

Per Section 129.6 of Michigan's Public Act 20 of 1943, before executing an investment transaction on behalf of the City of Grand Rapids, a financial intermediary, broker, or dealer shall be provided with a copy of the City's investment policy and shall do both of the following:

- A. Acknowledge receipt of the investment policy, and**
- B. Agree to comply with the terms of the investment policy regarding the buying or selling of securities.**

Per Section 129.6 of Michigan's Public Act 20 of 1943, I certify that I have received the investment policy of the City of Grand Rapids dated May 13, 2025, as amended. Furthermore, I agree to comply with the terms of the investment policy regarding the buying and selling of securities.

Financial Institution Name	_____
Representative Name	_____
Representative Title	_____
Signature	_____
Date	_____

SUBJECT: Statement of Investment Policies, Procedures, and Objectives—

PURPOSE: —The purpose of this Statement of Investment Policy Policies, Procedures, and Objectives (the Policy) is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, safekeeping, and custodial procedures necessary for the prudent management of City Funds.—

POLICY:—

STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES

TABLE OF CONTENTS

I. POLICY	2
II. GOVERNING AUTHORITY	2
III. SCOPE	2
IV. DELEGATION OF AUTHORITY AND RESPONSIBILITY	3
V. INVESTMENT COMMITTEE	3
VI. WRITTEN PROCEDURES	3
VII. PRUDENCE AND STANDARD OF CARE	4
VIII. ETHICS AND CONFLICTS OF INTEREST	4
IX. OBJECTIVES	4
X. POOLING OF CASH AND INVESTMENTS	5
XI. SAFEKEEPING AND CUSTODY	5
XII. AUTHORIZED FINANCIAL INSTITUTIONS	5
XIII. AUTHORIZED AND SUITABLE INVESTMENTS	7
XIV. RATINGS DOWNGRADE	11
XV. COMPETITIVE TRANSACTIONS	11
XVI. MAXIMUM MATURITIES	11
XVII. DIVERSIFICATION	11
XVIII. COLLATERAL	11
XIX. INTERNAL CONTROLS AND ACCOUNTING	12
XX. REPORTING	12
XXI. INDEPENDENT REVIEW	13
XXII. PERFORMANCE STANDARDS	13
XXIII. BUSINESS CONTINUITY	13
XXIV. EMPLOYEE TRAINING, EDUCATION, AND CERTIFICATION	13
XXV. INVESTMENT POLICY ADOPTION	14
XXVI. SAVINGS CLAUSE	14
XXVII. GLOSSARY	15
APPENDIX A	29

I. Policy

It is the policy of the City of Grand Rapids ("City") to prudently manage its investment portfolio in a manner which will ensure the preservation of principal while providing the best investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all applicable law, including state statutes and local ordinances governing the investment of public funds.

Funds of the City of Grand Rapids shall be invested in accordance with State of Michigan Public Act 20 of 1943, as amended by Act 196 (Investment of 1997; Surplus Funds of Political Subdivisions), being Sections 129.91 through 129.93 of the Michigan Compiled Laws, Public Act No. 367 of 1982, as amended (Surplus Funds Investment Pool Act), being Sections 129.111 through 129.118 of the Public Acts of 1982 Michigan Compiled Laws; and in accordance with the objectives and procedures set forth in the policies and any written administrative procedures. Funds for the perpetual care and maintenance of City Cemeteries shall be invested in accordance with State of Michigan Public Act 422215 of 2014; 1937, as amended (Cemetery of Burial Grounds), being Sections 128.3 and 128.4 of the Michigan Compiled Laws. 1 through

This Statement 128.4 of the Michigan Compiled Laws.

II. Governing Authority

The Investment Policies, Procedures and Objectives ("Statement") is issued by the City Commission (Commission) governing body of the City of Grand Rapids, Michigan. is a City Commission of seven members, one member of which is Mayor. Two City Commissioners are elected from each of three wards; the Mayor is elected by the City at large. The purpose of this Investment Policy (the Policy) is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, safekeeping and custodial procedures necessary for the prudent management of City Funds.

This Policy has been adopted by Resolution of the City Commission of the City of Grand Rapids and replaces all previous Investment Policies or Resolutions pertaining to the City's cash and investment management program. This Policy shall remain in effect until the City Commission approves a subsequent revision. This Statement of Investment Policies, Procedures and Objectives conforms to the customary standards of prudent investment management

I. Policy

It is the policy of the City of Grand Rapids (the City) to prudently manage its investment portfolio in a manner which will ensure the preservation of principal while providing the best investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state statutes and local ordinances governing the investment of public funds.

III. Scope

The investment policy applies to all financial assets held by the City of Grand Rapids, except pension funds, deferred compensation funds, and special purpose funds for which investment authority has been explicitly granted elsewhere by the City Commission.

I. ~~Standard of Care~~

~~The City Treasurer and external Investment Manager/s have a fiduciary duty to ensure that the City's funds are maintained, invested and accounted for with care, diligence, fidelity and sound business judgment in accordance with this Investment Policy.~~

III.IV. Delegation of Authority and Responsibility

1.—The City Commission / Fiscal Committee

~~Authority~~Treasurer's authority to manage the City's investment program is ~~detailed in~~derived from Title VI ~~section~~Section 5 (Compiler's Paragraph 91) of the City Charter, ~~and~~ Section 1.801 et. seq. of the ordinance code, and this City's Statement of Investment Policies, Procedures and Objectives.

~~The City Treasurer~~ The City Treasurer and his/her designees, and his/her designees, bears the responsibility to conduct business with financial institutions and broker/dealers, to arrange for the custody of securities, and to execute such documents as may be necessary to carry out these responsibilities in compliance with this policy. The City Treasurer shall manage the investment program according to the provisions of the City's banking agreements and contracts, investment authorization statements, and other documents required which have been authorized by the City Commission, Fiscal Committee, and approved as to form by the City Attorney. The City Treasurer, and his/her designees, are also responsible for furnishing authentic, timely instructions to the safekeeping bank(s) concerning settlement of investment transactions, and verifying accuracy of completed transactions.

2.—City Treasurer

The City Commission may enter into an agreement with an investment advisor for discretionary investment management services, and the investment advisor will operate under the direction of the City Treasurer is responsible for the entire program including individual funds managed by contractual, and his/her designees.

V. Investment Manager/s and the assets not managed by the Committee

An ad hoc Investment Manager/s, daily management responsibility for Committee shall, at the investment program is vested in direction of the City Treasurer, be composed of City financial staff to learn more about investment structure, discuss economic conditions, and overall portfolio strategy. The Investment Committee will strive to meet at least quarterly. Any member of the Investment Committee may request a meeting at any time in response to economic or market developments, or other such urgent needs as may arise from time to time. Such meeting shall convene within 7 days of such request. This is an internal ad hoc advisory committee to support the Treasurer's authority to manage the City's investment program and therefore is not subject to the guidelines approved by the City Commission. The Open Meetings Act.

VI. Written Procedures

The City Treasurer shall establish procedures a written Investment Procedures Manual for the operation of the Investment Program investment program consistent with this Investment Policy.

~~Such~~policy. The procedures ~~must~~shall include reference to: explicit delegation of authority to persons responsible for investment transactions-, safekeeping, repurchase agreements, wire transfer agreements, banking service contracts, collateral/depository agreements, trade settlement, due diligence procedures for evaluation of Authorized Financial Institutions, competitive bidding, compliance monitoring, internal controls, and risk mitigation strategies.

Procedures shall pay particular attention to due diligence of funds or investment pools wherein City monies are commingled with that of other investors. Due diligence will address the eligible underlying investments of the pool or fund, the written statement of investment policy of the pool or fund, a description of interest calculations and how it is distributed, a description of the treatment of capital gains and/or losses, the safeguarding of the underlying investments of the

pool or fund, pricing and audit of the pool or fund, investor eligibility criteria of the pool or fund, any potential restrictions on withdrawals from the pool or fund, fees assessed by the pool or fund.

No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the City Treasurer. ~~Such procedures should also include reference to segregation of duties, custody and accounting controls. The City Treasurer shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officials and/or authorized Investment Managers.~~

~~3. Vendors~~

VII. Prudence and Standard of Care

The City ~~may engage providers of various investment services to implement and manage the portfolio:~~

~~a. Investment Manager(s)~~

~~The City may utilize the services of external authorized Investment Manager(s). The Investment Manager(s) are authorized to manage a portion of the City's assets on a discretionary basis within the Investment Policy guidelines and Michigan State statutes.~~

~~b. Investment Advisor~~

~~From time to time, the City of Grand Rapids may retain an independent investment consultant to assist the City Treasurer in the implementation of the Investment Policy as conditions warrant. Specific tasks for the investment advisor may include:~~

~~i. Assisting in development and periodic revisions to the Investment Policy;~~

~~ii. Preparing and presenting quarterly reports to the Fiscal Committee has a fiduciary duty to ensure that evaluate investment performance, including the calculation of investment results and analysis of the performance of each investment manager relative to the agreed performance benchmark(s);~~

~~iii. Managing compliance the City's funds are maintained, invested and accounted for with Michigan PA 20 and this investment policy document;~~

~~iv. Conduct investment manager searches as needed.~~

~~c. Independent Third Party Reviewer(s)~~

care, diligence, fidelity and sound business judgment in accordance

~~The portfolio shall be reviewed semi-annually by a third party firm independent of the City Treasurer and investment service provider/s for material compliance with this Policy.~~

~~B. Prudence~~

Investment Policy.

~~In managing its investment portfolio, the City Treasurer, and or the City's authorized~~

~~Investment Managers shall avoid any transaction that might impair public confidence. The standard of prudence to be used by any persons performing the investment functions shall be the “prudent person” standard, 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.”.~~

~~Note: This would exclude investments such as gold and other commodities that do not guarantee cash flow, but rather only the hope of making a return on an investment if another person were willing to pay more for the asset.~~

~~Professional due diligence shall be exercised in every transaction. This shall be the standard for professional responsibility and shall be applied in the context of managing the overall portfolio.~~

~~The City’s overall investment program shall be designed and managed in such a fashion to be worthy of the public trust. The City recognizes that no investment is totally free of risk and that the investment activities of the City are a matter of public record. Accordingly, the City Commission, City Manager, City Treasurer, and other city staff recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio’s return, provided that this Investment Policy has been followed and that the sale of a security prior to maturity is in the best long-term interest of the City.~~

~~The City Treasurer, Investment Advisor, and/or the City’s authorized Investment Manager(s), his/her designees,~~ acting in accordance with State Laws and local ordinances, this Policy, a written ~~procedures~~Investment Procedures Manual as may be established, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner to the City Commission, Fiscal Committee, and appropriate action is taken to control adverse developments.

IV.VIII. Ethics and ~~Conflict~~Conflicts of Interest

City ~~Officers, officers and~~ employees, ~~and authorized Investment Managers~~ involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the ~~Investment Program~~investment program, or which could impair ~~or create the appearance of impairment of~~ their ability to make impartial investment decisions.—

The City Treasurer, ~~Investment Officer and/or authorized Investment Managers~~ shall disclose to the City Commission, Fiscal Committee, any material financial interests in financial institutions that conduct investment-related business with the City, and ~~they~~ shall further disclose any ~~large~~personal~~material~~ financial or investment positions that could be related to the performance of the City’s portfolio. ~~The Treasurer, Investment Officer and/or authorized Investment Manager shall subordinate their personal investment transactions to those of the City,~~ particularly with regard to the timing of purchases and sales.

In implementing this Policy, the City Treasurer, as an appointed official, shall also be bound by City Commission Policy 100-06 Conflicts of Interest & Ethical Standards of Conduct Policy. City

employees involved in administration of this Policy, through the Investment Committee or otherwise, shall also comply with City Manager Administrative Policy 23-02 City of Grand Rapids Employee Code of Conduct.

V.IX. Objectives

~~The policy of the City is to invest the public funds in a manner, which will provide maximum security while meeting the cash flow demands of the City and that will provide the highest investment return while being in full compliance with all State laws and local ordinances governing the investment of public funds. The following investment objectives, in order of priority, shall be applied in the management of the City's funds:~~

The primary objectives, in priority order, of the City's investment activities shall be:

A. Safety

Safety of principal is the foremost objective of the ~~City of Grand Rapids~~City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. ~~-(To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio). The objective will be to mitigate risk~~The City recognizes that completely risk-free investments do not actually exist in reality, and that the portfolio simultaneously faces a variety of different risks. Therefore, achieving a balance of risks through diversification of security types, sectors, issuers, and maturities is necessary to reduce the total risk to the portfolio as a whole.

~~Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio by diversifying holdings and maturities to mitigate both credit risk and interest rate risk as follows:~~

~~1. Credit Risk~~

~~The City shall minimize credit risk, the risk of loss due to the default of the security issuer or backer, by:~~

- ~~a. Limiting investments to the safest types of securities;~~
- ~~b. Using only financial institutions and brokers meeting pre-established criteria;~~
- ~~c. Diversifying the portfolio so that potential losses on individual securities will be minimized;~~
- ~~d. Maintaining current credit ratings on each rated investment;~~
- ~~e. Holding all securities in the name of the City of Grand Rapids.~~

~~2. Default Risk~~

~~The event in which agencies, municipalities, companies or individuals will be unable to make the required payments on their debt obligations. Lenders and investors are exposed to default risk in virtually all forms of credit extensions. To mitigate the impact of default risk, lenders often charge rates of return that correspond the debtor's level of default risk. The higher the risk, the higher the required return, and vice versa. The City seeks to mitigate default risk by following Public Act 20 and focusing on our primary investment objective of safety.~~

~~3. Interest Rate Risk~~

~~The City shall minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by investing operating funds primarily in short-term securities or investment pools and structuring the maturities of the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.~~

~~The objective of the Treasurer, in conjunction with the City's authorized Investment Manager(s), shall be to control risks and diversify investments regarding specific security types or individual financial institutions. Investments shall be limited to those types of securities as set forth in Section VII of this policy statement.~~

B. Liquidity

~~The investment portfolio of the City will remain sufficiently liquid to enable the City to~~shall be structured to timely meet all operating requirements that may be reasonably anticipated.~~The City Treasurer along with the Comptroller and Fiscal Services will develop and maintain financial reports that project the City's~~expected~~cash surpluses and shortages. These reports will aid the City Treasurer to maintain sufficient liquidity while investing surplus funds to earn investment returns.~~

~~Investments will not be purchased with a due date that exceeds the date when funds are estimated to be required. Investments with maturity dates exceeding one year will be noted in a Fiscal Committee report to the City Commission with the details as to why funds have been invested to the maturity chosen. Monies invested in "pooled" arrangements allowed under MCLA 129.114 must be placed in funds with an average maturity of under 90 days or have the ability to liquidate "pooled" investments as an "on-demand" withdrawal. The Treasurer shall insure the investment portfolio will remain sufficiently liquid to enable the City to meet operating requirements that~~outflow needs and associated obligations which ~~might be reasonably anticipated.~~

~~C. Return on Investment~~

C. Yield

The investment portfolio shall be designed ~~with the objective of attaining an appropriate to~~earn a market~~rate of return relative to the City's investment risk constraints and cash flow requirements.~~

~~The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout the~~investment income in relation to prevailing~~budgetary and economic cycles, commensurate with the City's investment risk constraints and cash flow characteristics of the portfolio. The Treasurer's Office will strive to maximize the yield the City receives on its investment while maintaining the two higher priority objectives of protection of principal and liquidity. Investments will be made by selecting the security/securities that offers the City the greatest return while meeting the overall policy objectives and adhering to Public Act 20.~~

~~Bond proceeds and other funds subject to federal arbitrage rebate requirements may be invested with the objective to maximize the protection of principal while attempting to obtain a return greater or equal to the debt's bond yield. Alternatively, funds may be invested in tax exempt securities to avoid the rebate requirements and associated costs thereof.~~

~~D. Maintain Public Trust~~

~~All City participants in the investment process shall seek to act responsibly as custodians of the public trust. The City's Investment Officers (City Treasurer, Deputy City Treasurer, and Investment Analyst) shall recognize the investment portfolio is subject to public review and evaluation. In addition, the overall investment program shall be designed and managed with a degree of professionalism worthy of public trust. The City's Investment Officers shall avoid any transaction that might knowingly impair public confidence in the City of Grand Rapids' ability to govern effectively.~~

~~E. Encourage Community Lending, Banking, and Employment Practices~~

~~Excluding the contracted Investment Manager/s, depository investment options will be evaluated with regard to the efforts made by each financial institution in meeting certain community needs as defined by a four tier bonus basis points system. The criteria and distribution whereby bonus basis points are awarded shall be as follows:~~

- ~~1. Community Reinvestment Act (CRA) rating of "outstanding" will provide for 40% of the total basis points to be awarded.~~
- ~~2. Financial institutions that show their commitment to the City Commission's Sustainability Plan by employing Grand Rapids residents and/or residents of the General Target Area (GTA) shall be eligible for up to 20% of the total bonus basis points awarded based on criteria outlined in the Administrative Guidelines for the Investment Policy.~~
- ~~3. Financial institutions shall be eligible for up to 20% of the total bonus basis points awarded for engaging in the following practices:~~
 - ~~a. Participating in activities to discourage predatory lending;~~
 - ~~b. Making residential and commercial loans within the GTA;~~
 - ~~c. Establishing a physical presence within the GTA.~~
 - ~~d. Other innovative programs undertaken within the City of Grand Rapids may be eligible for up to 20% bonus basis points if they involve community education, community partnerships, or community investments with community-based agencies or non-profit organizations that serve low- or moderate-income households.~~

VI.X. Pooling of Cash and Investments

Except for cash in certain restricted and special accounts, the City Treasurer, and/or the City's authorized Investment Manager(s) his/her designees, may pool the cash of various funds into one investment portfolio to maximize investment earnings. Investment income, gains, and losses shall be allocated to the various funds based upon their respective participation and in accordance with generally accepted accounting principles. Investment income is allocated on an average daily balance method by fund over the life of the investment.

XI. Safekeeping and Custody

Securities purchased by the City, including collateral for repurchase agreements, shall be delivered against payment (delivery vs. payment). All securities shall be held in a custodial safekeeping account with a third-party custodial bank(s) designated by the City Treasurer. Title to all securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices. A written custody agreement between the bank and the City is required before execution of any transactions. The custodial bank shall furnish the City Treasurer a written statement acknowledging that the securities are held in the name of the City of Grand Rapids.

VII.XII. Authorized Financial Institutions ~~and Broker/Dealers~~

~~The City Treasurer~~

The City Treasurer, and his/her designees, may physically possess securities, which must be registered in the name of the City of Grand Rapids, or may make an agreement, in writing, with any qualified bank, custodian, or trust to hold those securities for, and in the name of the City of Grand Rapids.

The City Treasurer, and his/her designees, shall maintain a listing of financial institutions, investment managers and broker/dealers~~Financial Institutions~~ authorized to provide investment services. ~~No public deposit shall be made except in a qualified public depository as established by approved City Commission resolution. The authorized listing of institutions, managers, approved depositories and/or broker/dealers shall be reviewed annually.~~

~~In addition, each authorized Investment Manager shall prepare a list of authorized financial institutions that shall be approved by resolution of the City of Grand Rapids City Commission on an annual basis to provide depository services.~~

~~Investment Manager(s) will be selected and presented to the Fiscal Committee for approval to enter into a contract for services. The Investment Consultant will provide an analytical review of potential candidates based on a search of qualified candidates. The Investment Manager/s will be authorized to provide services based on their expertise in public cash management. Approved Investment Manager/s and the to the City. "Financial institution" may include depository institutions, securities broker/dealer firms they represent shall be licensed to do business in the State of Michigan and as such are subject to statutes of the State of Michigan as well as the City's Investment Policy.~~

Third party, and investment reviewer~~advisors.~~

The City Treasurer, and his/her designees, shall be selected based upon their knowledge, skill, training, and experience to determine material compliance with this Investment Policy. ~~Reviewers may include, but are not limited to: an Investment Adviser registered with either the State of Michigan or the Securities and Exchange Commission under the Investment Advisers Act of 1940, a certified public accountant, a holder of the Chartered Financial Analyst (CFA) or Certified Investment Management Analyst (CIMA) designations.~~

~~No public deposit shall be made except in a qualified public depository as established by State law. An annual analysis of conduct initial and annual due diligence as to the financial condition, registration, professional institution/bank rating, character, and Community Reinvestment Act rating of qualified bidders will be conducted by the City's authorized Investment Manager/s. Information indicating a material reduction in ratings, standards or a material loss or prospective loss of capital on existing investments must be shared with the City Commission, in writing immediately.~~

~~It shall be the policy of the Investment Officers to conduct security transactions only with authorized institutions and firms.~~

F.—Depository Institutions

(if applicable) of authorized Financial Institutions. Specific criteria for evaluation shall be detailed in the Investment Procedures Manual maintained by
All ~~depository institutions (Commercial Banks, Savings & Loans and Credit Unions), utilized by the City of Grand Rapids shall maintain an office within the State of Michigan and meet the following requirements and financial criteria:~~City Treasurer.

III

- ~~1. Must be federally regulated and insured~~
- ~~2. Must show a net profit on three of their last four annual financial statements and an aggregate profit over the four-year period. In the event that the City Treasurer deems that sufficient capital exists, the profitability standard may be waived and amounts may be invested up to 1/10th of the capital (excluding borrowing, loan losses, and goodwill) of the financial institution.~~
- ~~3. Must have capital (excluding borrowing, loan losses, and goodwill) and/or insurance that exceeds by at least two times the amount the City has invested with the financial institution.~~
- ~~4. Have received and read the City's Investment Policy.~~

~~Have~~Financial Institutions must have filed with the City an "Acknowledgement of Receipt of the Statement of Investment Policies, Procedures and Objectives of the City of Grand Rapids and Agreement to Comply" (Appendix A).

- ~~5. Have submitted and continue to submit audited annual financial statements (or have financial statements accessible electronically).~~

A. Authorized Depositories

No public time deposit shall be made except in a qualified public depository as established by federal or state law, and authorized to receive City deposits by City Commission resolution. Depositories may include a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States under the laws of this state, any other state, or the United States. Depository institutions must have a branch or office located within the State of Michigan to be eligible to receive City deposits.

A.B. Authorized Broker-/Dealers

~~Each authorized Investment Manager shall utilize the Investment Manager's list of broker/dealers when executing transactions on behalf of the City. Each Investment Manager's approved list of broker/dealers shall be provided to the City on an annual basis. If any changes are made to an Investment Manager's approved list of broker/dealers, the Investment Manager shall notify the City of such changes. Changes shall be reflected in the subsequent report submitted to the City Commission.~~All securities transactions initiated on behalf of the City shall be executed through securities broker/dealers registered to do business.

~~Broker/Dealers must be licensed in the State of Michigan and meet at least one (1) of the following criteria:~~

- ~~1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Broker/dealers must either be primary dealers, regional dealers, or regional dealers that clear trans actions through a dealer within its holding company structure; or~~

- ~~2. Report voluntarily to the Federal Reserve Bank of New York; or~~
- ~~3. Qualify~~which qualifies~~ under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).~~
- ~~4. Broker/Dealers are disqualified if found in violation of SEC, FINRA, or MSRB rules or regulations that:~~
 - ~~a. Involve fraudulent, misleading, or grossly negligent statements of material facts,~~
 - ~~b. Which resulted in actual harm to investors,~~
 - ~~c. Occurred within the last 10 years, and~~
 - ~~d. Were not self-disclosed under the SEC's "Municipalities Continuing Disclosure Cooperation Initiative" or other similar program.~~

~~G. Investment Manager(s)~~

~~Pursuant to MCL 129.96, PA 20 of 1943, the City Treasurer shall provide each 15C3 15C3-1 (uniform net capital rule). The City list will also be maintained for approved or security broker/dealers selected by credit worthiness that are authorized Investment Manager with a copy of the City's Investment Policy and the Investment Manager shall provide written certification of both of the following:~~

- ~~1. Acknowledgment that the Investment Manager has received the Investment Policy;~~

~~Agreement that the Investment Manager shall conduct to provide investment transactions in accordance with the Investment Policy guidelines, services in Michigan. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).~~

C. Authorized Investment Managers

The City may enter into an agreement with an investment advisor for discretionary investment management or non-discretionary investment advisory services. The investment advisor will operate under the direction of the City Treasurer. The investment advisor shall be a state or nationally chartered bank, insurance company licensed to do business in the State of Michigan, or a Registered Investment Advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

The Registered Investment Advisor shall submit on an annual basis to the City Treasurer ADV Part 1 and form ADV Part 2 2A.

An Investment Manager authorized to exercise discretionary authority to purchase or sell securities for the City may use its own list of approved broker/dealers. The investment advisor shall submit the list of approved securities broker / dealers to the [designated on an annual basis. The City Treasurer may restrict the use of a broker/dealer which may be deemed unsuitable.

VIII.XIII. Authorized and Suitable Investments

H. Authorized Investments

Investments for the City shall be made in accordance with the Michigan State statutes:- Investment of Surplus Funds of Political Subdivisions Act (1943 Public Act P.A. 20 as amended, MCL 129.91 et seq.), and the Surplus Funds Investment Pool Act, (P.-A. 367 of 1982 as amended, MCL 129.111 et seq.).

The City has further restricted the types of securities and transactions eligible for investment by the Investment Officers or authorized. No investment of City Investment Manager(s) as follows: monies shall be made in any vehicle other than those listed below

1. U.S. Treasury Obligations-

- A. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States, which may include Treasury Bills, Treasury Notes, and Treasury Bonds (does not include collateralized mortgage obligations).**

2. Federal Instrumentality Securities

Debentures, discount notes, step-up and callable securities, mortgage pass-throughs, Collateralized Mortgage Obligations (CMO's), Real Estate Mortgage Investment Conduits, and other obligations which are explicitly guaranteed as to timely repayment of principal by the United States. Such instrumentalities include, but are not limited to, Ginnie Mae (GNMA), Small Business Administration (SBA), and Private Export Funding Corporation (PEFCO).

3. Government Sponsored Entity ("Agency") Securities

Debentures, discount notes, step-up and callable securities Treasury bills, notes, bonds, State and Local Government Series (SLGS) securities, Separate Trading of Registered Interest and Principal of Securities (STRIPS), and Treasury Inflation-Protected Securities (TIPS). The maximum allowable allocation to U.S. Treasury obligations is 100% of the portfolio.

B. Obligations of federal agencies and instrumentalities.

This includes debentures, notes, mortgage pass-throughs, Collateralized Mortgage Obligations (CMO's), Real Estate Mortgage Investment Conduits, and other obligations-

~~issued by entities chartered by the United States such as Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Home Loan Banks (FHLB). Agency obligations are not explicitly guaranteed as to repayment of principal by the United States.~~ debt securities of Government-Sponsored Enterprises (GSE's).

1. Obligations of certain GSE's explicitly backed by the full faith and credit of the United States.

These include, but are not necessarily limited to, obligations of Government National Mortgage Association (GNMA), Private Export Funding Corporation (PEFCO), and Small Business Administration (SBA). The maximum allowable allocation to such securities is 100% of the portfolio.

2. Obligations of GSE's not explicitly back by the full faith and credit of the United States.

These include, but are not necessarily limited to, Federal Agricultural Mortgage Corporation (FAMC), Federal Farm Credit Bank (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Tennessee Valley Authority (TVA). The maximum allowable allocation to such securities is 65% of the portfolio. The maximum allowable allocation to obligations of any one such GSE is 35% of the portfolio.

B-C. Repurchase Agreements

Agreements with a termination date of 90 days or less collateralized by ~~U.S. Treasury Obligations and Federal Instrumentality Securities listed in A, and B, and C above~~obligations of the United States, or agencies or instrumentalities of the United States, with maturities not exceeding ten (10) years. ~~For the purpose of this section,~~only, the term "collateral" shall mean "purchased securities" under the terms of the City's approved Master Repurchase Agreement.

The City must enter into a Master Repurchase Agreement (i.e., SIFMA Master Repurchase Agreement, PSA Master Repurchase Agreement) with a bank or securities broker/dealer prior to committing to any repurchase agreement.

Master Repurchase Agreements shall be entered into only with primary dealers reporting to the Federal Reserve Bank of New York, or with firms that have a primary dealer within their holding company structure.

- ~~a. The collateral shall have an original minimum~~a market value ~~(including plus~~ accrued interest) of 102 ~~percent~~% of the dollar value of the repurchase transaction. ~~-If collateralized value drops below 101 percent, %, it will immediately be restored to 102 percent.~~

%. Collateral shall be held by the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked ~~- to - the -~~to the market daily.

- ~~b. Repurchase agreements shall be entered into only with primary dealers reporting to the Federal Reserve Bank of New York or with firms that have a primary dealer within their holding company structure, that have executed an approved Master Repurchase Agreement with the City.~~

The maximum allowable allocation to repurchase agreements is 35% of the total portfolio.

D. Deposits

The maximum allowable allocation to insured deposits is 100% of the total portfolio. The maximum allowable allocation to uninsured but collateralized deposits is 70% of the total

portfolio. The maximum allowable allocation to uninsured and Certificates of uncollateralized deposits is 25% of the total portfolio. The maximum allowable allocation to uncollateralized deposits at any one depository institution is 15% of the total portfolio. Deposit accounts must comply with MCL 129.91 sections (2), (5), (6), (7), or (8).

1. Demand Deposits

Savings accounts ~~or~~ at authorized depository institutions which allow for withdrawal of deposited monies on demand without penalty, other than for an excessive number of withdrawals within a period of time.

2. Certificate of Deposit / Time Deposit

Time deposit accounts in financial institutions as defined in MCL 129.16, "Depositories for Public Money," that are eligible to be a depository of funds for the State of Michigan, and depository accounts that comply with MCL 129.91 subsections (2), (5), or (6) as amended. at authorized depository institutions. Certificates of deposit must have a maturity date not ~~exceeding three~~ more than 3 years ~~from~~ after the date of settlement. ~~Certificates of Deposit, savings accounts or other deposit accounts exceeding the federally insured amount may be acquired only from financial institutions having a rating of 3 stars or better by Bauer Financial.~~

C.E. Michigan Municipal Securities.

Obligations of the State of Michigan or any of its political subdivisions that are rated ~~at least A or the equivalent at the time of purchase~~ as investment grade by at least one nationally recognized ~~statistical~~ statistical rating organization. ~~A political subdivision would include State of Michigan agencies, counties, cities, villages, and townships. The City has invested in municipal bonds from various school districts and county bond issues. Not more than (NRSRO). The maximum allowable allocation to municipal securities is 50% of the portfolio may be invested in. The maximum allowable allocation to securities issued by the State of Michigan is 50% of the portfolio. The maximum allowable allocation to municipal securities, with no more than 5% held in issued by any one issuer other than the State of Michigan~~ is 5% of the time of purchase. total portfolio.

D.F. Prime Commercial Paper

Commercial paper with an original maturity of 270 days or less from the date of ~~trade~~ settlement. ~~Not more than~~ The maximum allowable allocation to commercial paper is 25% of the City's total portfolio may be invested in. The maximum allowable allocation to commercial paper with no more than 5% held in issued by any one issuer is 5% of the time of purchase total portfolio.

Investments in commercial paper ~~must mature not more than 270 days after the date of purchase and~~ are restricted to those which, at the time of purchase:

1. Are rated within the highest classification established by ~~not less than~~ at least two nationally recognized statistical rating organizations, or
- ~~c.~~ Are rated within the highest classification established by at least one nationally recognized statistical rating organization, and
2. ~~Are~~ are rated within the two highest classifications established by at least one other nationally recognized statistical rating organization, and long-term debt by issued by the same issuer or a corporate affiliate is rated A or better (or the equivalent thereof) by at least one nationally recognized statistical rating

organization.

- i. ~~Long-term debt by issued by the same issuer is rated by at least one nationally recognized statistical rating organization A1 (Moody's), A+ (Standard & Poors), or A+ (Fitch) or better by two nationally recognized ratings agencies as at least A-1 by Standard and Poor's, P-1 by Moody's, or F1 by Fitch.~~

E.G. Eligible Bankers Acceptances

Maturities must not exceed 180 days from the date of trade settlement, rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F1 by Fitch at the time of purchase, issued by a state or nationally chartered bank which has combined capital and surplus of at least \$250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated, at the time of purchase, A+ by Standard and Poor's, A1 by Moody's, or A+ by Fitch. -Not more than 25% of the City's total portfolio may be invested in eligible bankers acceptances with no more than 5% held in any one issuer at the time of purchase. The maximum allowable allocation to bankers acceptances is 25% of the City's total portfolio.

The maximum allowable allocation to bankers acceptances issued by any one issuer is 5% of the total portfolio

F.H. Mutual Funds

~~Investment~~ Open-ended investment companies registered under the Investment Company Act of 1940 which ~~carry~~ which are ~~"no-load" sales (carry" (i.e., no sales-commissions~~ commission or fee shall be charged on ~~either purchase~~ purchases or redemption of shares ~~or, and which carry no 12b-1 marketing and distribution fees).~~

1. Money Market Mutual Funds

Investments in money market mutual funds composed of investment vehicles that are legal for direct investment by local governments in Michigan; have a constant net asset value per share of \$1.00; and have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940. ~~Not more than 25~~ The maximum allowable allocation to money market mutual funds is 50% of the City's total portfolio ~~may be invested in money market mutual funds at any one time.~~

2. Diversified Mutual Funds

~~d.~~ This ~~section~~ subsection applies to funds for the perpetual care and maintenance of City cemeteries only.

~~Mutual funds must be registered under~~ Open-end investment companies which comply with Section 5(b)(1) of the Investment Company Act of 1940. Mutual Funds in this subsection must be rated in the top two tiers by a nationally recognized mutual fund rating agency, (i.e. Morningstar, Lipper, or similar)

~~i. and which are "no-load" (i.e., no commission or fee shall be charged on purchases or sales of shares).~~

Not more than 60% of perpetual care and maintenance fund balance may be invested in equities. Not more than 40% of the equity position may be invested in any one sub-asset class (determined by market capitalization and industry).

~~Mutual Funds must be rated in the top two tiers by a nationally recognized mutual fund rating agency, (i.e. Morningstar, Lipper, or similar)~~

G.I. Investment Pools

Organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118 that are "no-load"; have a constant net asset value per share of \$1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; and are rated either AAA by Standard and Poor's, AAA by Moody's or AAA/V1+ by Fitch. ~~Not more than~~ The maximum allowable allocation to Investment

Pools is 25% of the City's total portfolio ~~may be invested in investment pools at any one time.~~

H.J. **Joint Inter-local Investment Ventures**

Organized under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL-124.501 to 124.512 that are "no-load"; have a constant net asset value per share of \$1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities and are rated either AAA by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch. ~~Not more than~~The maximum allowable allocation to Joint Inter-Local Investment Ventures is 25% of the City's total portfolio ~~may be invested in investment pools at any one time.~~

I.K. Local Government Investment Pools

Organized under Section 4 of Public Act 121 of 1985, ~~the as amended~~ (Local Government Investment Pool Act. ~~Not more than~~), being MCL 129.141 to 129.150. The maximum allowable allocation to Local Government Investment Pools is 25% of the City's total portfolio ~~may be invested in these pools at any one time.~~

~~4. Open End Investment Companies ("Mutual Funds")~~

~~This section applies to funds for the perpetual care and maintenance of City cemeteries only.~~

- ~~a. Mutual funds must be registered under the Investment Company Act of 1940 and which are "no-load" (i.e., no commission or fee shall be charged on purchases or sales of shares).~~
- ~~b. Not more than 60% of perpetual care and maintenance fund balance may be invested in equities. Not more than 40% of the equity position may be invested in any one sub-asset class (determined by market capitalization and industry).~~
- ~~c. **Mutual** Funds must be rated in the top two tiers by a nationally recognized mutual fund rating agency, (i.e. Morningstar, Lipper, or similar)~~

~~I. Investments and Transactions Not Authorized~~

~~In accordance with the position of the Michigan Department of Treasury issued as 1998-3, certain types of investments are determined by the City Commissioners to not be suitable investments for the surplus funds of the City. At all times the Prudent Investor Rule shall apply. The following list of expressly prohibited investments is not intended to be exhaustive:~~

- ~~1. CATS - Certificates of Accrual on Treasury Securities;~~
- ~~2. COUGRs - Certificates on Government Receipts;~~
- ~~3. ETRs - Easy Growth Treasury Receipts;~~
- ~~4. TBRs - Treasury Bond Receipts;~~
- ~~5. TIGRs - Treasury Investment Growth Receipts;~~
- ~~6. TRs - Treasury Receipts, the generic form of zero coupons issued by a group of dealers, including Propriety/Government Guaranteed Receipts;~~
- ~~7. ZCTOs - Zero Coupon Treasury Obligations;~~
- ~~8. CMOs and REMICs - Collateralized Mortgage Obligations and Real Estate Mortgage Investment Conduits not issued by federal instrumentalities or government-sponsored enterprises.~~
- ~~9. Raw Commodities or commodity futures;~~

- ~~10. Collectibles;~~
- ~~11. Foreign currencies or currency futures;~~
- ~~12. Debt instruments issued by any foreign countries or political subdivisions thereof;~~
- ~~13. Cryptocurrency, digital currencies, alternative currencies and virtual currencies;~~
- ~~14. Derivatives;~~
- ~~15. Direct investment in real or personal property;~~
- ~~16. Securities wholly or partially exempt from income or other taxes levied by the United States made at yields not otherwise comparable securities without such exemption at the time the investment decision is made.~~
- ~~17. Any security or obligation issued, guaranteed, or backed by the faith and credit of the City of Grand Rapids or any component unit thereof.~~

~~J. Certain transactions are expressly prohibited. This list is not intended to be exhaustive:~~

- ~~1. Cross trading, a practice wherein buy and sell orders for the same security are executed from one client directly to another client without recording the transaction via an industry-recognized exchange.~~
- ~~2. Purchase of any security on margin.~~
- ~~3. Short selling.~~

~~Investment manager fee or compensation structures which provide additional incentives for investment performance, whether in absolute terms or relative to some designated benchmark.~~

IX.XIV. Ratings Downgrade

Securities that have been downgraded to a level that is below the minimum ratings described herein shall be immediately reported to the City's Fiscal Committee. ~~Such securities may be held to maturity or sold at the City Treasurer's discretion.~~

X.XV. Competitive Transactions

Each investment transaction outside of the Investment Manager/s scope of work shall be competitively transacted with authorized financial institutions, ~~brokers, and dealers.~~

The Treasurer's Office will attempt to competitively bid all investments outside of thean Authorized Investment Manager/s scope of work. ~~Winning bids will be awarded to the institutions in a timely manner with the best interest rate quote as adjusted for any bonus basis points awarded pursuant to the provision of Section IV.E of the policy objectives. Tie bids will be awarded to the financial institution having the greatest number of bonus basis points if said award is not prevented by other considerations. The Treasurer's Office may establish other~~

risk-return parameters to break tie bids and award bids to other than the high bid in recognition of the desire to ensure portfolio diversification and protection of principal.

Broker/dealer firms may offer securities for purchase via negotiated primary offerings. Occasionally, multiple authorized firms are members of the same underwriting syndicate for such offerings. The Treasurer's office shall endeavor to equitably distribute trading activity between such broker/dealer firms. ~~Placing trade orders in proportion to the firms' percentage of participation in the offering is one such method. Other methods of equitable order distribution may be employed, depending on the details of the securities and the nature of the markets in which they trade.~~

~~XI.~~XVI. Maximum Maturities

To the extent possible, the City Treasurer shall match expected cash flow from investments with anticipated cash flow needs. In accord with the primary portfolio objectives of safety and liquidity, the weighted average ~~life~~maturity of the total portfolio shall not exceed ~~seven~~five years.

~~XII.~~XVII. ~~_____~~ Diversification~~—~~

It is the policy of the City of Grand Rapids to maintain a diversified investment portfolio.

~~Investments shall be diversified by security type and institution. Assets held in the common cash fund and other investment funds will be~~ will be diversified to ~~eliminate~~minimize the risk of loss resulting from ~~an over-~~concentration of assets in a specific ~~issuer, maturity, individual financial institution(s) or a specific class of securities.~~ Diversification strategies will be determined and revised by the City Treasurer and/or the City's authorized Investment Manager(s) from time to time to meet diversification objectives ~~(to reduce overall portfolio risks while attaining market average rates of return).~~ security.

Instrument	Maximum- % by- Instrument	Maximum- % by- Issuer
U.S. Treasury Obligations	100%	100%
Federal Instrumentality Securities	100%	100%
Government Sponsored Entity ("Agency") Securities	50%	30%
Repurchase Agreements	25%	5%
Certificates of Deposit in excess of NCUA or FDIC coverage limits	25%	5%
Certificate of Deposit within NCUA or FDIC coverage limits	100%	100%
Michigan Municipal Securities-	50%	50% / 5%*
* Securities issued by the State of Michigan are limited to a maximum of 50%; securities issued by political subdivisions are limited to a maximum of 5%.		
Prime Commercial Paper	25%	5%
Eligible Bankers Acceptances	25%	5%
Money Market Mutual Funds	25%	25%
Investment Pools	25%	25%
Joint Inter-local Investment Ventures	25%	25%

Local Government Investment Pools	25%	25%
-----------------------------------	-----	-----

~~II. Safekeeping and Custody; Third-Party Custodial Agreements~~

~~All securities purchased by the City under this section shall be properly designated as an asset of the City and held in safekeeping by a third party custodial bank chartered by the United States Government or the State of Michigan.~~

~~The City shall execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements will include details as to responsibilities of each party, notification and reporting requirements, and safekeeping and transactions costs.~~

~~All security transactions, including repurchase agreements, entered into by the City shall be conducted on a delivery versus payment (DVP) basis.~~

~~**XVIII. Title to all purchased securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices. All deliverable investments purchased Collateral**~~

The State of Michigan does not require local government collateralization of deposits.
Collateralization of public deposits through the pledging of appropriate securities or other

~~instruments (i.e. surety bonds or letters of credit) by the City shall be delivered by book-entry depositories is nonetheless an important safeguard for such deposits.~~

~~Acceptable collateralization of deposits can include assets, securities, bonds, and irrevocable letters of credit from a federal agency or instrumentality. Deposits will be considered collateralized under this policy at 100% of market value plus accrued interest. Collateral shall be held in by an independent third-party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping by a City receipt) must be supplied to the entity and retained.~~

~~The right of collateral substitution is granted. Substitutions of collateral should meet the requirements of the collateral agreement, be approved custodian bank or the Depository Trust Company (DTC) by the City Treasurer in writing prior to release, and the collateral should not be released until the replacement collateral has been received. The City Treasurer shall take all possible actions to ensure that their security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution.~~

~~XIII.~~ XIX. Internal Controls and Accounting

The City Treasurer shall establish a system of internal controls, over investments. Such internal controls are designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

The City maintains its records on the basis of funds, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the City in accordance with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board.

~~The City in accordance with State Law shall establish a process for an annual review by an independent external auditor as part of the City's yearly audit and ACFR reporting. This review shall examine the system of internal controls to assure that the established policies and procedures are being complied with and may result in recommendations to change operating procedures to improve internal control.~~

XIV. ~~XX.~~ Reporting

The City Treasurer shall submit a quarterly management report to the City Commission Fiscal Committee that provides an analysis of the investment program. The management report should include comments on the fixed income markets and economic conditions, portfolio allocations to various authorized investment types, possible changes in the portfolio structure going forward, and thoughts on investment strategies. The report should include the description, a listing of original cost, carrying value and market value, and maturity date (if applicable) of each security held in the portfolio, earnings for the period.

The City Treasurer shall also maintain records, subject to audit, of all investment transactions including the names of all obligors, descriptions of all securities purchased and sold (including

dates of issue, acquisition and annualized maturity, coupon, price, yield, and gain or loss on ultimate disposition), name of the broker/dealer involved in each transaction, custodian of each security, and the sale or maturity of each security.

XXI. Independent Review

The portfolio shall be reviewed

~~Investment Manager(s) shall submit a quarterly performance report that provides the description, listing of original cost, carrying value and market value of each security held in the portfolio, performance results, including earnings, yield, and maturity of each security and the average maturity of the total portfolio.~~

~~Independent Third Party Reviewer shall submit a semi-annual report attesting to the annually by a third party firm independent of the City Treasurer and investment service provider(s) for material portfolio compliance with this Policy.~~

~~Investment~~ The investment reviewer shall be selected based upon their knowledge, skill, training, and experience to determine material compliance with this Investment Policy. Eligible reviewers may include, but are not limited to, Investment Advisers registered with either the State of Michigan or the Securities and Exchange Commission under the Investment Advisers Act of 1940, a certified public accountant, or a holder of the Chartered Financial Analyst (CFA) or Certified Investment Management Analyst (CIMA) designations.

XV.XXII. Performance Standards

~~The cash management investment portfolio shall be designed with the objective of regularly meeting or exceeding obtaining a selected performance benchmark, which may include the average return on one-year U.S. Treasuries, a bank investment pool, or the average rate of Fed funds. These indices are considered benchmarks for lower risk return throughout budgetary and economic cycles, commensurate with the investment transactions risk constraints and therefore comprise the cash flow needs of the City.~~

Given this objective, benchmark(s) selected for investment consideration shall reflect the prominent and persistent characteristics of the portfolio over time. The benchmark(s) may be adjusted periodically as material changes take place with respect to asset allocation and/or weighted average maturity.

XXIII. Business Continuity

~~The City has developed a minimum standard~~ Business Continuity Plan (Plan) describing its anticipated response to a range of events that could significantly disrupt its business. Because the timing and impact of disasters, emergencies and other events is unpredictable, flexibility is necessary when responding to actual disruptions as they occur. With that in mind, the goal of the Plan is to prevent lapses in operations or resume operations as quickly and smoothly as possible.

The Plan for the portfolio's rate of return responding to a significant business disruption addresses safeguarding of employees' lives and City property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the City's books and records, and allowing the continued ability to manage the investment program and

transact business.

XXIV. Employee Training, Education, and Certification

The City strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the City will provide opportunities and funding for the personnel involved in the investment function to complete continuing education programs or other training in cash and investment management sufficient to maintain their skills and certifications, with the goal of remaining up-to-date on best practices and new regulations.

The City Treasurer, or his/her designee(s) responsible for investment program, shall maintain at least one of the following designations or certifications:

- A. **Certified Public Funds Investment Manager (CPFIM)** by the Association of Public Treasurers of the United States and Canada (APT US&C).
- B. **Advanced Certified Public Funds Investment manager (ACPFIM)** by the Association of Public Treasurers of the United States and Canada (APT US&C).
- C. **Chartered Financial Analyst (CFA)** by the CFA Institute.
- D. **Certified Financial Planner (CFP®)** by the Certified Financial Planner Board of Standards (CFP Board).
- E. **Chartered Financial Consultant (ChFC)** by the American College of Financial Services (ACFS).
- F. **Accredited Asset Management Specialist (AAMS)** by the College for Financial Planning.
- G. **Certified Investment Management Analyst (CIMA)** by the Investments and Wealth Institute (IAWI).
- H. **Certified Fixed Income Practitioner (CFIP)** by the Fixed Income Academy (FIA).
- I. **Certified Government Investment Professional (CGIP)** by the Government Investment Officers Association (GIOA).
- J. **Certified Treasury Professional (CTP)** by the Association for Financial Professionals (AFP).

XVI.XXV. Investment Policy Adoption

The City of Grand Rapids ~~investment policy~~Statement of Investment Policies, Procedures, and Objectives shall be adopted by resolution of the City Commission. ~~The policy~~This Policy shall be reviewed annually by the City Treasurer ~~and Finance Director or authorized designee(s).~~ Any modifications made to ~~the investment policy~~this Policy must be approved by City Commission.

XVII.XXVI. Savings Clause

In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this ~~policy~~Policy, such restrictions shall be deemed to be immediately incorporated in this ~~policy.~~Policy. If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this ~~policy~~Policy only

after written notification to and approval by the City Commission.

~~XVIII.~~XXVII. Glossary

~~In order to~~To facilitate a thorough understanding of this ~~investment policy~~Policy, a glossary of related investment terminology has been incorporated herein.—

~~GLOSSARY~~

—

~~In order to facilitate a thorough understanding of this investment policy, a glossary of related investment terminology has been incorporated as part of this policy.—~~

—

~~**AGENCIES:** Federal agency securities and/or Government sponsored enterprises.—~~

—

~~**ANNUAL COMPREHENSIVE FINANCIAL REPORT 144A:** A Section of the Securities and Exchange Commission (SEC) rules which restricts trades of privately placed securities so that these investments can be traded among qualified institutional buyers.~~

~~**Accretion:** The increase in the value of a discounted instrument as time passes and as the maturity date gets closer. The value of the instrument will accrete (grow) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.~~

~~**Accrued Interest:** The interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.~~

~~**Agency:** A debt security issued by an agency or instrumentality of the United States, or federal agency. Agencies are backed by each particular agency or instrumentality of the United States with a market perception that there is an implicit government guarantee.~~

~~**Amortization:** The systematic reduction of the amount owed on a debt issue through periodic payments of principal. The decrease in the value of a premium instrument as time passes and as the maturity date gets closer. The value of the instrument will amortize (decrease) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.~~

~~**Amortized Cost:** The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).~~

~~**Annual Comprehensive Financial Report (ACFR):** -The official annual report for thea governmental entity. It is prepared in conformance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (~~GSAB~~). GASB. It contains three sections: -Introductory, Financial and Statistical. The introductory section furnishes general information on the entity’s structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. It discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of the City. —The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic conditions.~~

ASKED: Ask: The indicated price at which ~~securities are offered.~~

-

BANKER'S ACCEPTANCE (BA): ~~A draft~~ an owner is will to sell a security or bill ~~commodity.~~

Asset-Backed Security: A security backed by notes or exchange-accepted receivables against assets other than real estate. Examples are autos, credit cards, and equipment.

Bankers' Acceptances: A short-term credit instrument created by a non-financial firm and guaranteed by a bank or trust company. The accepting institution guarantees as to payment. Acceptances are traded at discounts from face value in the secondary market on the basis of the bill, as well as the issuer. credit quality of the guaranteeing banks.

-

BENCHMARK:

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield. As an example, the difference between a security yielding 2.00% and 2.25% is 25 basis points.

Benchmark: A comparative base for measuring the performance or risk tolerance of ~~the~~^{an} investment portfolio. A benchmark should represent a close correlation to the ~~level of risk and the average persistent and prominent characteristics of a portfolio such as~~ duration of the portfolio's investments, investment type, and asset allocation.

BID: ~~Bid:~~ The indicated price ~~offered by at which~~ a buyer of securities. ~~(When you are selling securities, you ask for is willing to purchase a bid.) See Offer.~~ security or commodity.

Bond: A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

Book or Effective Return: The sum of all investment income plus realized gains and losses.

Book Value: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker-

BROKER: ~~A broker brings:~~ Facilitates security trades on behalf of investors by bringing buyers and sellers together for a commission. (see Dealer)

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific

Bullet: A colloquial term for a bond that cannot be redeemed, or called, prior to maturity ~~evidenced by a~~.

Call: A provision of a bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions. May also refer to the exercise of such provision.

Call Price: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk: The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale / Cash Purchase: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Certificate of Deposit: A time deposit issued by financial institution which will pay interest, periodically or at maturity, and principal when it reaches maturity. Evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL:

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

-
COMMERCIAL PAPER: ~~Short~~ **Collateralization:** Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper: Unsecured short-term obligations—promissory notes issued by corporations, with maturities typically ranging from 21 to 270 days—issued by banks, corporations, and other borrowers to investors, and usually transacts at a discount with temporarily idle cash—no coupon payments.

COUPON: (a)

Convexity: A measure of how much a fixed-income instrument's duration changes when interest rates change. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Bond: A debt obligation issued by a corporation.

Coupon: The interest paid by bond issuers to bondholders. Originally referred to a physical certificate attached to a bond evidencing interest due on a payment date.

Coupon rate: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. ~~(b) A certificate attached to a bond evidencing interest due on a payment date.~~

-

DEALER:-

Credit Quality: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk: The risk to an investor that an issuer will default on the timely payment of interest and/or principal on a security.

Current Yield / Current Return: A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP: A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit. CUSIPs are correlated to an alphabetical listing of the issuer's name.

Day Count Convention: A day-count convention is the system used to calculate the amount of accrued interest or the present value when the next coupon payment is less than a full coupon period away. Each bond market and financial instrument has its own day-count convention, which varies depending on the type of instrument, whether the interest rate is fixed or floating, and the country of issuance. Among the most common conventions are 30/360 or 365, actual/360 or 365, and actual/actual.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions; buying and selling for ~~his/her~~ their own account. (see Broker).

-

DEBENTURE:-

Debenture: A bond secured only by the general credit of the issuer. ~~and not by physical assets or collateral of the company.~~

-

DELIVERY VERSUS PAYMENT (DVP):-

Delivery (Settlement): There are typically four types of delivery or settlement of securities: cash, which is the same day as the transaction occurred; regular, which trade day plus one; corporate, which is trade day plus two; and forward, which typically occurs three to thirty days after the trade date.

Delivery Versus Payment: There are two methods of delivery of securities: ~~Delivery Versus Payment~~delivery versus payment and delivery ~~Versus Receipt~~versus receipt. Delivery ~~Versus Payment~~versus payment is delivery of securities with ~~the~~an exchange of money for the securities. Delivery ~~Versus Receipt~~versus receipt is delivery of securities with an exchange of a signed receipt for the securities.-

-

DERIVATIVES:-(1)-

Derivative:

A. Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or ~~(2)~~

A-B. Financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).-

DISCOUNT: ~~Discount:~~ The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.-

DISCOUNT SECURITIES:

Discount Rate: ~~The interest rate member banks pay the Federal Reserve when the banks use securities as collateral.~~

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.-

DIVERSIFICATION: ~~Dividing investment funds among a variety of securities offering independent returns.-~~

FEDERAL CREDIT AGENCIES: ~~Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.-~~

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): ~~A federal agency that insures bank deposits, currently temporarily set at up to \$250,000 (scheduled to expire and return to \$100,000 per deposit after December 31, 2013).-~~

FEDERAL FUNDS RATE

Diversification: ~~A process of investing assets among a range of security types by sector, maturity, and quality rating.~~

Duration: ~~A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates. There are three primary types of duration: Macaulay Duration, Modified Duration, and Effective Duration.~~

A. Macaulay Duration was developed in 1938 by Frederic Macaulay, this form of duration measures the number of years required to recover the true cost of a bond, considering the present value of all coupon and principal payments received in the future. Thus, it is the only type of duration quoted in "years." Interest rates are assumed to be continuously compounded.

B. Modified Duration expands or modifies Macaulay duration to measure the responsiveness of a bond's price to interest rate changes. It is defined as the percentage change in price for a 100 basis point change in interest rates. The formula assumes that the cash flows of the bond do not change as interest rates change (which is not the case

for most callable bonds).

C. **Effective Duration** ("Option-Adjusted Duration") further refines the modified duration calculation and is particularly useful when a portfolio contains callable securities. Effective duration requires the use of a complex model for pricing bonds that adjusts the price of the bond to reflect changes in the value of the bond's "embedded options" (e.g., call options or a sinking fund schedule) based on the probability that the option will be exercised. Effective duration incorporates a bond's yield, coupon, final maturity and call features into one number that indicates how price-sensitive a bond or portfolio is to changes in interest rates.

Earnings Apportionment: The distribution of investment income to investment pool participants.

Environmental, Social, and Governance (ESG): ESG criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Fair Value: The amount at which an investment could be exchanged in a current transaction between willing and informed parties, other than in a forced or liquidation sale.

Federal Agricultural Mortgage Corporation (FAMC / "Farmer Mac"): Farmer Mac is a stockholder-owned, federally chartered corporation with the mission of providing a secondary market for a variety of loans made to borrowers in rural America. Farmer Mac was established under federal legislation in 1988. Farmer Mac is an instrumentality of the United States and government-sponsored enterprise ("GSE") by virtue of the status conferred by its charter. Farmer Mac is part of the Farm Credit System but is separate from the Federal Farm Credit Banks and Funding Corporation. It is based primarily in Washington, D.C., and also has offices in Iowa, Idaho, and California.

Federal Deposit Insurance Corporation (FDIC): A federal agency which preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure. The FDIC receives no Congressional appropriations - it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. The FDIC insures trillions of dollars of deposits in U.S. banks and thrifts - deposits in virtually every bank and thrift in the country.

Federal Funds ("Fed Funds"): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate: The rate of interest at which Fed Funds are traded. The Federal Reserve through open-market operations currently pegs this rate.-

FEDERAL HOME LOAN BANKS

Federal Farm Credit Bank (FFCB / "Farm Credit"): The Federal Farm Credit Banks Funding Corporation is responsible for issuing and marketing debt securities on behalf of the four Banks of the Farm Credit System: AgFirst FCB, Agribank FCB, FCB of Texas. And CoBank, ACB. These four Banks (located in South Carolina, Minnesota, Texas, and Colorado) are a leading provider of loans, leases and services to rural communities and U.S. agriculture. The Farm Credit System is a government-sponsored enterprise, created in 1916 and dedicated to assuring a steady source of financing to qualified borrowers.

Federal Home Loan Banks (FHLB): ~~Government~~ 11 U.S. government-sponsored wholesale

banks ~~which lend funds~~that provide reliable liquidity and provide correspondent banking services to member ~~commercial banks, thrift~~financial

institutions, ~~credit unions and insurance companies~~ to support housing finance and community investment. The mission of the FHLB's is to liquefy the housing related assets of its members who must purchase stock in their district Bank. With their members, the FHLB represents the largest collective source of home mortgage and community credit in the United States.

~~FEDERAL NATIONAL MORTGAGE ASSOCIATION~~

Federal Home Loan Mortgage Corporation (FHLMC / "Freddie Mac"): Freddie Mac was created by Congress in 1970 to expand the secondary market for mortgages in the US. Along with the Federal National Mortgage Association, buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases.

Federal National Mortgage Association (FNMA): ~~FNMA, GNMA / "Fannie Mae"~~: **Fannie Mae was**

chartered under the Federal National Mortgage Association Act in Congress in 1938 to provide supplemental liquidity to the mortgage market. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporations purchased include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes default risk of underlying mortgages, and guarantees that all security holders will receive timely payment of principal and interest. ~~thereof.~~

~~FEDERAL OPEN MARKET COMMITTEE~~

Federal Reserve: The central bank of the United States created by Congress and consisting of a seven-member Commission of Governors in Washington, D.C., 12 regional banks and about 7,500 commercial banks that are members of the system.

Federal Open Market Committee (FOMC): The Federal Reserve body that determines the direction of monetary policy. Consists of seven members of the Federal Reserve ~~Commission~~ Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis.-

The Committee ~~periodically~~ meets several times per year to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.-

~~**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven-member Commission of Governors in Washington, D.C., 12 regional banks and about 7,500 commercial banks that are members of the system.-~~

~~GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):-~~

Securities Federal Reserve Board (FRB): The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Financial Industry Regulatory Authority (FINRA): FINRA is a private corporation, authorized

by Congress, that acts as a self-regulatory organization. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation, enforcement, and arbitration operations of the New York Stock Exchange. FINRA also provides BrokerCheck, which is a service to obtain information regarding brokers, brokerage firms, and investment advisors.

Fitch: A nationally recognized statistical ratings organization that as one of its services, analyzes and rates securities. Fitch Ratings is one of the “Big Three” credit rating agencies, along with Moody’s and S&P.

Floating Rate Securities ("Floater"): A bond whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising interest rates, but pay lower yields than fixed rate notes.

Futures: Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Here, the buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Generally Accepted Accounting Principles (GAAP): GAAP refer to a common set of accepted accounting principles, standards, and procedures that companies and their accountants must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Governmental Account Standards Board (GASB): GASB is a non-profit entity that was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.

Government National Mortgage Association (GNMA / "Ginnie Mae"): Ginnie Mae is a U.S. government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities issued by approved GNMA lenders. Mortgages are pooled into securities often referred to as "pass-throughs", influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. ~~Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FmHA mortgages. The term "passthrough" is often used to describe Ginnie Maes. That assurance allows the mortgage lenders to obtain a better price for these offerings in the capital markets. Those improved proceeds, in turn, allow the lenders to make additional mortgage loans, and at lower costs to finance.~~

Government Sponsored Enterprises (GSE): Federally-chartered agency or instrumentality of the United States government.

Interest Rate: See "Coupon Rate."

Interest Rate Risk-

~~**INVESTMENT:** Investments shall be defined as debt obligations and shall not include Certificate of Deposits which should be considered deposits. This is the same definition as used by GASB in their Pronouncement Number 40 for disclosure purposes.~~

-

LIQUIDITY: A liquid asset: The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. Duration is a measure of interest rate risk.

Interest Rate Swap: An interest rate swap is a forward contract in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally lower

interest rate than would have been possible without the swap.

Inverse Floater: An inverse floater is a bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes.

Inverted Yield Curve: A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of (or anticipation of)

high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940: Federal legislation, which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment-Grade Obligations: Obligations that are rated BBB (or equivalent thereof) or higher by a rating agency

Leverage: The use of financial leverage to control a greater amount of assets (by borrowing money) will cause the returns on the owner's cash investment to be amplified.

Liquidity: Asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked prices is narrow and reasonable size can be done at those quotes.-

-

LOCAL GOVERNMENT INVESTMENT POOL

Local Government Investment Pool (LGIP): ~~The aggregate of all~~ An investment by local governments in which their money is pooled as a method for managing local funds.

Make Whole Call: A make whole call provision is a type of call provision on a bond allowing the issuer to pay off remaining debt early. The issuer typically has to make a lump sum payment to the investor derived from political subdivisions a formula based on the net present value (NPV) of future coupon payments that are placed in the custody of the State Treasurer for investment and reinvestment. will not be paid incrementally because of the call combined with the principal payment the investor would have received at maturity.

-

MARKET VALUE:-

Mark-to-Market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk: The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: The price at which a security is trading and could presumably be purchased or sold.-

-

MASTER REPURCHASE AGREEMENT:- Master Repurchase Agreement (MRA): A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreement agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.-

-

MATURITY:-

Maturity: The date upon which the principal or stated value payment of an investment becomes a financial obligation is due and payable. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

-

MONEY MARKET: **Medium Term Notes:** Debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

Monetary Policy: The ~~marketway~~ in which the money supply is managed by the Federal Reserve Board. The FRB manipulates the money supply either through open market transactions.

member bank reserve requirements, or through changing the Fed Funds Rate or the Discount Rate.

Money Market: Typically refers to short-term debt instruments (bills, commercial paper, bankers' discount notes, etc.).

Money Market Fund: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, etc.) are issued, repos, and traded, federal funds).

MUTUAL FUNDS:-

Moody's Investors Service: A fund operated by an Investment Company company that as one of its services, analyzes and rates securities (similar to Fitch and Standard and Poor's).

Mortgage-Backed Security: A security that is backed by a pool of mortgages. Generally, the security is issued or guaranteed by the United States or its agencies or instrumentalities, but also may be issued by financial institutions such as banks.

Municipal Bond: A municipal bond is a debt security issued by a local government, such as county, state, city, special improvement district, to finance its capital expenditures, including the construction of highways, bridges or schools. Municipal bonds can issue taxable or tax-exempt from federal, state, and local taxes.

Mutual Fund: A mutual fund is a professionally managed, open-ended investment funds that pools money from shareholders and invests it in stocks, bonds, options, futures, currencies, or money market securities. These funds offer many investors the to purchase securities. These investors may be retail or institutional in nature. As pooled investments, mutual funds have advantages of diversification and professional management. and disadvantages compared to direct investing in individual securities.

NATIONAL ASSOCIATION OF SECURITY DEALERS: Nonprofit organization formed under the joint sponsorship of the Investment Bankers Conference and the Securities and Exchange Commission with the basic purpose to (1) standardize practices in the field, (2) establish high moral and ethical standards in securities trading, (3) provide a representative body to consult with the government and investors on matters of common interest, and (4) establish a disciplinary body capable of enforcing the above provisions.

OFFER: The price asked by a seller of

National Credit Union Administration (NCUA): A federal agency responsible for regulating federal credit unions, insuring deposits up to \$250,000 per depositor, and protecting members of credit unions. An independent agency of the federal government, the NCUA was created in 1934. No depositor has lost a single cent of insured funds as a result of a failure. The NCUA receives no Congressional appropriations - it is funded by premiums that credit unions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. See also: FDIC

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The most recognized NRSROs are Fitch, Moody's, and Standard and Poor's.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Normal Yield Curve: A chart formation that illustrates short-term securities. ~~(When you are buying having lower yields than long-term securities, you ask for an offer.) See ASKED and BID.~~

-

OPEN MARKET OPERATIONS: **Offer:** An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price." See also: bid.

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to-

influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.-

PORTFOLIO:-

Option Adjusted Spread (OAS): Option-adjusted spread is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options. OAS is hence model-dependent.

Overnight Indexed Swap (OIS): OIS is an interest rate swap where the periodic floating payment is generally based on a return calculated from a daily compound interest investment. ... The LIBOR-OIS spread is the difference between LIBOR and the OIS rates.

PAR: Face value or principal value of a bond, typically \$1,000 per bond.

Pass-Through Securities: A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Portfolio: Collection of securities held by an investor.-

PRIMARY DEALER

Premium: The amount by which the price paid for a security exceeds the security's par value.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) —registered securities broker-dealers, and banks, and a few unregulated firms.-

PRUDENT PERSON RULE:-

Primary market: A market made for the initial issuance, distribution, and purchase of newly issued securities. See also: Primary market

Prime Rate: A preferred interest rate charged by commercial banks to their most creditworthy customers. Many consumer interest rates are keyed to this rate.

Principal: The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Private Placements: Securities that do not have to be registered with the Securities and Exchange Commission (SEC) because they are offered to a limited number of sophisticated investors.

Prospectus: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule: An investment standard.- In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one ~~that~~which would-

be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.-

QUALIFIED PUBLIC DEPOSITORIES: Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.-

RATE OF RETURN:-

Range Notes: Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

Rate of Return (ROR): The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond, the current income return.-

REPURCHASE AGREEMENT (RP-

Real Adjustment: When a specific metric or **REPO):** A holder of economic indicator is adjusted for inflation.

Regional Dealer: Non-Primary broker-dealers and banks, which transact in the fixed-income markets.

Regular Settlement: Securities settlement that calls for delivery and payment on the next business day following the trade day for government securities ~~sells these and the second business day following the trade date for corporate and municipal securities to an~~. Money market funds and money market instruments are settled on a same day basis.

Reinvestment Risk: The risk that a fixed-income investor ~~with an~~ will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (RP / "Repo"): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase them~~the securities~~ at a fixed~~specified~~ price on or at a fixed~~specified later~~ date. ~~(Usually U.S. Government securities)~~ The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate ~~him/her~~them for this. Dealers use RP extensively to finance their positions.-

Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.-

SAFEKEEPING: ~~A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.-~~

SECONDARY MARKET

Reverse Repurchase Agreement ("Reverse Repo"): An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date. The security "seller" in effect lends the "buyer" money for the period of the agreement, and the terms of the agreement are structured to compensate them for this.

Safekeeping: The holding of assets (e.g., securities) by a financial institution for a fee.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution. See also: Primary market

-

SECURITIES & EXCHANGE COMMISSION

Securities and Exchange Commission (SEC): ~~Agency created by Congress~~The government agency that regulates and supervises the securities industry. The commission administers federal law, formulates and enforces rules to protect against malpractice, and seeks to ensure that companies provide the

fullest possible disclosure to investors. All of the national exchanges and virtually all institutions in securities transactions by administering the securities legislation. industry fall under its jurisdiction.

-

SEC RULE ~~15C3~~15(C)3-1: See Uniform Net Capital Rule.-

-

STRUCTURED NOTES

Securities Lending: Securities lending is when entities transfer or “loan” their securities to broker-dealers in return for cash collateral and simultaneously agree to return the collateral in exchange for the same securities in the future. Entities then invest the cash received as collateral in allowable investments, such as commercial paper, at a rate that exceeds the “rebate” or loan rate paid to the broker-dealer for the cash collateral. These transactions are structured to result in earning an incremental income on a portion of the investment portfolio. The amount of securities loaned from the portfolio and the income generated is dependent upon market conditions.

Security Swap: Selling one asset and buying another.

Securities Industry and Financial Markets Association (SIFMA): SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. SIFMA was formed in 2006, from the merger of the Bond Market Association and the Securities Industry Association. SIFMA also provides a recommended holiday schedule for the U.S. financial markets.

Standard and Poor’s (S&P): A company that as one of its services, analyzes and rates securities (similar to Moody’s Investors Service).

Stated Final Maturity: The date when the final principal amount of a note, draft, or other debt instrument becomes due and is repaid to the investor.

Straight Line Amortization: A common method of calculating accretion or amortization of a discount or premium security to par or 100 from the purchase date to the maturity date. It is calculated by dividing the discount/premium amount by the number of days to maturity, without regard to a security’s day count convention.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and ~~Corporations~~corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, ~~and~~ derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.-

-

TREASURY BILLS:

Structured Overnight Financing Rate (SOFR): SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate plus bilateral Treasury repurchase agreement (“repo”) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered “specials”.

The SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data

collected from the Bank of New York Mellon as well as GCF Repo transaction data and data on bilateral Treasury repo transactions cleared through FICC's DVP service, which are obtained from DTCC Solutions LLC, an affiliate of the Depository Trust & Clearing Corporation. Each

business day, the New York Fed publishes the SOFR on the New York Fed website at approximately 8:00 A.M.

Total Return: The sum of all investment income plus realized and unrealized gain and losses.

Trade Reporting and Compliance Engine (TRACE): TRACE is the FINRA-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities. All broker-dealers who are FINRA member firms have an obligation to report transactions in corporate bonds to TRACE under an SEC-approved set of rules.

Treasury Bills: Short-term U.S. government non-interest-bearing discount security debt securities with maturities of no longer than one year and issued by the U.S. Treasury to finance the national debt. Most in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes: Intermediate U.S. government debt securities with maturities of one to 10 years and issued to mature in three months, six months, in denominations ranging from \$1,000 to \$1 million or one year more.

TREASURY BONDSTreasury Bonds: Long-term coupon-bearing U.S. Treasury government debt securities issued as direct obligations of the U.S. Government and having initial with maturities of more than ten years.

TREASURY NOTES: Medium term coupon bearing U.S. Treasury or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten is 30 years.

UNIFORM NET CAPITAL RULEUniform Net Capital Rule: Securities and Exchange Commission requirementRule 15(C)3-1 that requires member firms as well as nonmember broker-dealers in securities to maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital ratio. Indebtedness covers all money owed to a firm, including margin loans, and commitments to purchase securities. (This is one reason new public issues are spread among members of underwriting syndicates.) Liquid capital includes cash and assets easily converted into cash to cash. Also called net capital rule and net capital ratio.

YIELD

Volatility: A degree of fluctuation in the price and valuation of securities.

Volatility Risk Rating: A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns to those that are highly sensitive with currently identifiable market volatility risk.

Warrant: In finance, a warrant is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date.

Warrants and options are similar in that the two contractual financial instruments allow the holder special rights to buy securities. In accounting, a warrant sometimes similar to a check or an instrument to present for payment.

Weighted Average Life (WAL): The average number of years that each dollar of unpaid principal due on loan, asset-backed security, or mortgage-backed security remains outstanding. WAL delineates how many years it will take to pay half of the outstanding principal.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio, weighted by the individual securities.

When Issued: A transaction that is made conditionally because a security has been authorized but not yet issued. Treasury securities, stock splits, and new issues of stocks and bonds are traded on a when-issued basis.

Yield: The rate of annual income return on an investment, ~~expressed as a percentage. (a) INCOME YIELD is obtained by dividing the~~. There are a number of methods to calculate yield

A. **Nominal Yield ("Face Yield"):** the annual income an investor receives from a security divided by its PAR value. This is the yield stated in the security's prospectus. See also: coupon rate.

B. **Current Yield ("Running Yield" / "Simple Yield"):** the annual income an investor receives from a security divided by its current dollar income by the market price. Does not consider premiums and discounts paid at purchase or optionality.

C. **Yield to Maturity (YTM):** the yield an investor can expect on a security if bought at the current market price for and held to maturity.

D. **Yield to Call (YTC):** the yield an investor can expect on a security. (b) ~~NET YIELD or YIELD TO MATURITY is if bought at the current income yield minus any premium above par or plus any discount from par in purchase market price, with and called by the adjustment spread over issuer at the period from the next possible call date.~~

E. **Yield to Worst (YTW):** The lower of yield to maturity and yield to call. This is the minimum yield an investor can expect without the issuer defaulting.

F. **Purchase Yield:** the yield at the time of initial acquisition.

A-G. **Book Yield:** the future annual income of a security divided by purchase price adjusted for the date accretion of maturity discounts or amortization of the bond premiums

-
Glossary Source: APT US&C _____

H. **SEC Yield:** A standard measure for yield calculation. Allows a more fair comparison of bond funds, as the calculation takes fees into consideration.

Appendix A

**Acknowledgement ~~Of~~ Receipt ~~Of The~~ of the Statement of Investment Policies,
Procedures and Objectives ~~Of The~~ of the City ~~Of~~ of Grand Rapids ~~And~~ and Agreement ~~To~~ to
Comply-**

-
-
Per Section 129.966 of Michigan's Public Act 20 of 1943, before executing an investment transaction on behalf of the City of Grand Rapids, a financial intermediary, broker, or dealer shall be provided with a copy of the City's investment policy and shall do both of the following:-

-
A. **Acknowledge receipt of the investment policy ~~-~~ and**

-
B. **Agree to comply with the terms of the investment policy regarding the buying or selling of securities.-**

-
Per Section 129.966 of Michigan's Public Act 20 of 1943, I certify that I have received the investment policy of the City of Grand Rapids dated ~~October 22, 2024~~ May 13, 2025, as amended.- Furthermore, I agree to comply with the terms of the investment policy regarding the buying and selling of securities.-

-
-
By: _____

-
Title: _____

-
Date: _____

Financial Institution Name

Representative Name

Representative Title

Signature

Date