

UTAH COUNTIES INDEMNITY POOL INVESTMENT POLICY

SECTION I. Effective Date and Frequency of Review.

- A. The Board originally adopted an addendum to the UCIP Bylaws in May, 2003, which was created and maintained by the UICP Audit Committee, governing the investments of UCIP funds.
- B. This policy shall be reviewed annually by the Board. This policy will also be reviewed any time that changes to laws or rules governing investments of a Utah interlocal agency are amended or recommendations are made by UCIP's Independent Auditors, CEO or CFO which would require review and update to this policy.
- C. Failure to review this policy in the frequency stated shall not nullify, void, limit or waive this policy or any action taken under this policy.
- D. This policy is considered to be amended at the time any new federal or state law becomes effective which conflicts with this policy, but only to the extent necessary to come into compliance with new law.

SECTION II. Purpose.

- A. The purpose of this policy is to assure compliance with all state and federal laws and rules related to the investment of public funds in the state of Utah, including but not limited to the Utah Money Management Act.
- B. It is further the purpose of this policy to assure all investments of UCIP funds are made in a prudent manner to protect such funds in the interest of the members of UCIP and taxpayers of the State of Utah.

SECTION III. Authority.

- A. The Board has authority to adopt this policy under the UCIP Interlocal Agreement.

SECTION IV. Applicability and Scope.

- A. This policy is applicable to all investment of UCIP financial assets. For purposes of this policy, Cash and Cash Equivalents, including funds deposited with the Public Treasurers Investment Fund, are not considered investments.
- B. The financial assets of UCIP shall be accounted for in the Annual Financial Report of UCIP.

SECTION V. Definitions.

- A. “Audit Committee” means the Audit Committee of the Board.
- B. “Board” means the UCIP Board of Directors.
- C. “CEO” means the UCIP Chief Executive Officer.
- D. “CFO” means the UCIP Chief Financial Officer.
- E. “President” means the President of the Board.
- F. “Secretary/Treasurer” means the Secretary/Treasurer of the Board.
- G. “Vice President” means the Vice President of the Board.

SECTION VI. Policy Statements.

- A. It is the policy of the Board to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demand of UCIP and conforming to all federal, state and local laws governing the investment of public funds.

SECTION VII. Procedures and Responsibilities.

- A. Prudence - Investments shall be made with judgement and care, under the 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.
 - 1. The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
 - 2. Prohibited practices shall include, but not be exclusive to churning, unnecessary transactions and rebating.
- B. Objective – The following objectives shall be in all investment activity:
 - 1. Safety – Safety of principle is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification will be

utilized so potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity – The investment portfolio will remain sufficiently liquid to enable UCIP to meet all operating requirements which might reasonable be anticipated and documented in the UCIP Annual Operating Budget.
 3. Return on Investments – The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.
- C. Delegation of Authority – The Board’s authority to manage the investment program is derived from the UCIP Interlocal Agreement and is delegated by the Board under the UCIP Bylaws and this policy.
1. The Audit Committee is charged with making recommendations to the Board of the financial affairs of UCIP and may designate appropriate staff to develop written procedures for the operation of the investment program consistent with this investment policy. Procedures will include reference to:
 - a. Safekeeping;
 - b. PSA Repurchase Agreements;
 - c. Wire Transfer Agreements;
 - d. Banking Service Contracts, including the establishment of a Custodial Bank Agreement;
 - e. Collateral/Depository Agreements; and
 - f. Investment Advisor Selection and Evaluation.
 2. It is the responsibility of the Chair of the Audit Committee, or their designee, to report to the Board all decisions and action taken by the Audit Committee.
 3. No person may engage in an investment transaction except as provided under the terms of this policy and procedures established by the Audit Committee. The CFO, under the supervision of the CEO, shall be responsible for daily transactions. More specifically, no funds shall be transferred out of or between the separate accounts at any time, for any reason, without the signature, to approve the transfers, of the CFO and CEO or one of the following, the President, the Vice President or the Secretary/Treasurer. The authorization of the Board officers may be via electronic mail or facsimile transmittal. All transfers will be submitted for ratification to the Board at the next Board meeting.

4. The Audit Committee may choose to select an Investment Advisor to manage the investment of assets. Those assets would include funds not required by cash flow projections to meet the immediate needs of UCIP. In the event that the Audit Committee decides to select an Investment Advisor, such selection may be made through a formal Request for Qualifications/Request for Proposal process, or, by recommendation of the Audit Committee and CEO and approval of the Board, the CEO may negotiate directly with an Investment Advisor and make recommendation to the Audit Committee and Board to enter into an agreement with an Investment Advisor. Investment Advisors must be certified by the Utah Management Council. The Investment Advisor would be charged with the following responsibilities:
 - a. Adopting an investment philosophy which is compatible with the policies of UCIP as set forth in Paragraph A. above;
 - b. Selecting appropriate investment instruments to implement the designated philosophy;
 - c. Selecting broker/dealers for the purpose of executing investment trades, who meet the requirements set forth in Paragraph E below;
 - d. Executing trades at market prices most advantageous to UCIP;
 - e. Reporting on a regular basis to the Audit Committee on the performance of assets under management as set forth in Paragraph L below;
 - f. Reporting to the Audit Committee in a timely manner, any material changes in the financial or staffing conditions of the management firm.
- D. Ethics and Conflict of Interest – 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. Employees and investment officials shall disclose to the Audit Committee, any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of funds, particularly with regard to the time of purchases and sales.
- E. Authorized Financial Dealers and Institutions – The Investment Advisor shall maintain a list of financial institutions desiring and authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Utah. Broker/dealers must be certified by the Utah Money Management Council. Funds shall be deposited only in a qualified public depository as certified by the Utah Money Management Council.

- F. Authorized and Suitable Investments – UCIP has resolved that its investments be limited to those securities authorized by U.C.A. §51-7-11, 1953 as amended, as that Section pertains to the investment of funds.
- G. Collateralization – Collateralization will be required on two types of investments; certificates of deposit and repurchase agreements and will also be required on checking accounts if there is a balance of over \$100,000 therein. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred two (102) percent of market value of principal and accrued interest. State law rules for collateralization will be adhered to. Collateral will always 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 retained.
- H. Safekeeping and Custody – All security transactions, including collateral for repurchase agreements, entered into by UCIP shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third-party custodian designated by the Audit Committee and evidenced by safekeeping receipts.
- I. Diversification – UCIP will diversify its investments by security type and institution to the degree that such diversification is permitted. Investment in commercial paper, corporate bonds and asset-backed obligations shall not exceed 20 percent of the total assets of UCIP’s investments.
- J. Maximum Maturities – To the extent possible, UCIP will attempt to match its investments with anticipated cash flow requirements as determined by the Audit Committee. For funds not specifically matched to cash flow, UCIP will invest in securities not exceeding the terms to maturity as set out in U.C.A. §51-7-11, 1953 as amended. For funds not specifically matched to cash flow, UCIP will invest in securities not exceeding the terms to maturity as set out in U.C.A. §51-7-11, 1953 as amended.
- K. 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 UCIP. As UCIP’s investment strategy is restricted by U.C.A. §51-7-11, 1953 as amended, the benchmark used by the Audit Committee to determine whether market yields are being achieved shall be the Utah Public Treasurers Investment Fund or other appropriate index as designated annually by the Audit Committee.
- L. Reporting – The CFO is charged with the responsibility of providing a market report on investment activity and returns on a regular basis to the Audit Committee and to the Board on at least an annual basis. This responsibility may be delegated to the Investment Advisor utilized by UCIP. Reports to the Audit Committee will include, but not be limited to:
 - 1. Performance;

2. Volatility (as measured by effective duration);
3. Interest earnings;
4. Number of trades;
5. Average maturity;
6. Market sector breakdown.

SECTION VIII. Revision History.

- A. Original Adoption: May, 2003
- B. Revised: February 16, 2017
- C. Revised: February 15, 2018
- D. Revised: June 21, 2018

SECTION IX. Appendices.

- A. There are no appendices to this policy.