

ADMINISTRATIVE REGULATIONS

Lower Merion School District

Administrative Regulation No.: 609
Section: FINANCES
Title: INVESTMENTS
Date Adopted: 12/6/19

R609 INVESTMENTS

Investments Permitted by the Public School Code

Note: Board approval is not required prior to the Investment Officer investing in the following investments:

1. Obligations issued by the U.S. Government and its agencies which carry the full faith and credit guarantee of the United States of America.
2. Short-term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and, for any amount above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
4. Obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
5. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the following conditions are met:
 - a. The only investments of that company are in the authorized investments for District funds as listed in items 1-4 above and repurchase agreements fully collateralized by such investments.
 - b. The investment company is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR Sec. 270 2a-7 (relating to money market funds).
 - c. The investment company is rated in the highest category by a nationally recognized statistical rating organization.

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6. Local Government Investment Pools organized by groups of political subdivisions or municipal authorities pursuant to Section 521 of the Public School Code or the Intergovernmental Cooperation Law.
7. Repurchase agreements with respect to U.S. Treasury bills or obligations, participations or other instruments of or guaranteed by the U.S. or any federal agency, instrumentality or U.S. government-sponsored enterprise.

Investments Permitted by Act 10 of 2016

Note: Board approval is required prior to the Investment Officer investing in the following investments:

1. Obligations, participations or other instruments of any federal agency, instrumentality or U.S. government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings agencies.
2. Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days, if the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings agencies.
3. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings agencies.
4. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the following conditions are met:
 - a. The investments of the company are authorized investments under 53 P.S. 5410.1, subsection (a) (Act 10, Section 1.1.(a))
 - b. The investment company is managed in accordance with 17 CFR Sec. 270 2a-7 (relating to money market funds).
 - c. The investment company is rated in the highest category by a nationally recognized rating agency.
5. Negotiable certificates of deposit or other evidences of deposit, with a remaining

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maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations. Since Negotiable Certificates of Deposit are negotiable instruments and not bank deposits or bank accounts, policies regarding deposit insurance and collateral requirements do not apply.

Management of Investments

All securities purchased as investments shall be purchased in the name of the District and held in custody for the benefit of the District. The plan may make exceptions to such requirements for investments in Local Government Investment Pools (LGIPs) or for the purchase of shares of an investment company (i.e. mutual funds/open-end management investment companies, unit investment trusts (UITs), and closed-end funds/closed-end management investment companies.)

Protection of Savings Accounts, Time Deposits, Share Accounts or Other Depository Balances in Excess of FDIC Insurance Limits

When District cash is invested in any savings account, time deposit, share account or other authorized depository account other than a LGIP, if the cash balance exceeds FDIC insurance limits, District funds shall be collateralized in one or more of the following ways:

1. An Irrevocable Letter of Credit (LOC) issued by a Federal Home Loan Bank (FHLB)
2. Tri-Party Collateral consisting of the following underlying securities only:
 - a. U.S. Treasury Securities
 - b. Obligations, participations or other investments of any federal agency, instrumentality or U.S. government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical rating organizations.
 - c. Assets pledged as collateral in accordance with 72 P.S. Sec. 3836-1 *et seq.* (relating to pledges of assets to secure deposits of public funds, whether or not pooled)

The Investment Officer shall be responsible for verifying with the appropriate depository the value of any collateral instruments based on such instruments being marked to market.

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Following a review of valuation, the Investment Officer may request an additional review by the District's investment advisors or financial consultant and shall require additional collateral if the existing collateral has declined in value and exposes the District to potential loss of principal.