

Florida Courts E-Filing Authority Investment Policy

Scope

This policy establishes investment objectives, responsibilities, eligible investments and guidelines for all assets held by the Florida Courts E-Filing Authority (E-Filing Authority) for investment purposes.

Statement of Responsibilities

The Investment Policy must conform to the provisions of Florida Statutes, Chapter 218.415. The E-Filing Board of Directors shall establish this Investment Policy.

The Board of Directors has delegated the task of implementation and compliance with this policy to the Finance Committee, whose responsibility will be to provide oversight and direction in building an investment portfolio that complies with this policy. The FCCC staff is responsible for the day-to-day administration and management of the investments as described herein. Staff may employ investment manager(s) to assist in the management of an investment portfolio. Any such advisor must be appropriately registered/licensed and approved by the Board of Directors.

To appropriately fulfill these responsibilities, the following will be required:

Board of Directors

- Adopt the investment policy and approve any changes as required
- Annually participate in an investment portfolio presentation/review
- Approve the hiring/firing of an investment manager
- Resolve any policy issues reported up from the Finance Committee

Finance Committee

- Provide recommendations to staff and external investment managers in establishing and maintaining the investment portfolio
- Review investment performance reports on a quarterly basis to ensure funds are invested in accordance with this policy and report any violations to the Board of Directors
- Hold at least two meetings throughout the year to discuss and review investment performance against predetermined performance measurements
- Review the investment policy annually and recommend any changes to the Board of Directors
- Annually present the investment performance results to the Board of Directors

Staff

- Facilitate the purchase and safekeeping of all investment selections
- Construct a portfolio and/or work closely with investment managers to build a portfolio that adheres to the rules of this investment policy

- Provide regular quarterly reporting to the Finance Committee which shall include performance measurements and benchmarking
- Monitor the markets in order to identify the need for changes in investment strategy
- Recommend any required policy changes to the Finance Committee

Investment Advisor/Manager

- Construct an investment portfolio that adheres to the rules of the investment policy
- Provide monthly reporting/benchmarking to internal staff and the Finance Committee
- Participate in scheduled meetings to provide market updates and investment strategy updates to the Finance Committee and the Board of Directors

Prudence and Ethical Standards

Investment officials shall utilize the Prudent Person Rule as defined by Florida State Statute 218.415(4) in the context of managing the overall investment portfolio. The Prudent Person Rule is herewith understood to mean the following:

“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 from the investment.”

Investment officials, or persons performing investment functions, acting in accordance with written policies and procedures, and exercising due diligence shall be relieved of personal liability 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.

Investment Objectives

The E-Filing Authority strives to build a portfolio with the following objectives, in order of priority:

1. **Safety** - The primary objective of the investment portfolio is the preservation of capital.
2. **Liquidity** – The investment portfolio will provide sufficient liquidity such that cash flow requirements are met through the utilization of marketable securities with structured maturities.
3. **Investment Income** – The portfolio will strive to maximize the income and total return on the portfolio that is in line with the chosen risk tolerance.

Investment Reporting and Monitoring

A portfolio report shall be prepared each quarter by the FCCC Chief Financial Officer or designated FCCC staff member, and be provided to the Finance Committee and Board of Directors. The report shall include information regarding investment mix, duration, performance and benchmarking.

The Finance Committee and the Board of Directors shall be notified immediately if a policy violation occurs. In the event of an emergency situation that requires noncompliance with this investment policy, the FCCC CFO shall schedule a special Finance Committee meeting as soon as possible. This meeting will review the basis for the violation and any required remediation plan.

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Performance Measurement

The E-Filing Authority seeks to optimize return on investments within the constraints of safety and liquidity. The investment portfolio shall be designed with the annual objective of exceeding the average return on the corresponding treasury maturity, based on the portfolio's average duration.

Authorized Investments

Authorized investments are as follows:

- 1) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01
- 2) SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- 3) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02
- 4) Direct obligations of the United States Treasury
- 5) Federal agencies and instrumentalities

Maturity and Liquidity Requirements

To the extent possible, the portfolio will match investment maturities with known cash needs and anticipated cash flow requirements. The FCCC CFO and other persons performing the investment function will provide an appropriate mix of maturities to maximize the return on the portfolio while minimizing investment risk.

The greater of three months of operating expenses or the current year's budgeted draw on reserves must be held in short term investments. This will provide liquidity and safety for funds to be expended in the near future.

Portfolio Composition

Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. The following guidelines shall be considered when making investment decisions.

The portfolio requires diversification within the following percentages:

- State Investment Pool/FLGIT 75%
- Money Market Funds 25%
- Certificates of Deposits 40%

- U.S. Treasury Bills 100%
- Other U.S. Governmental Agencies 60%

In addition, the following maturity restrictions shall apply:

- Certificates of Deposits shall be limited to a maturity of two years
- The maximum length to maturity for fixed investments is set at five years
- The weighted average duration of principal return for the portfolio shall be two years or less

Approved Broker/Dealers

It is the policy of the E-Filing Authority to purchase securities from those broker/dealers or banks that have been approved by the Finance Committee. Approved broker/dealers and banks will be reviewed, on an annual basis, to ensure they meet the evaluation criteria.

Firms will be selected by the Finance Committee based on the following criteria:

- Banks and savings and loan associations must be a Qualified Public Depository, as determined by the State of Florida.
- Brokers and dealers must be primary government securities dealers as indicated on the Federal Reserve Bank of New York list.
- Completion of the broker/dealer application provided by the FCCC staff
 - ❖ This document will certify that the organization has reviewed and accepted the investment policy and objectives of the E-Filing Authority. All approved broker/dealers shall agree to undertake reasonable efforts to preclude imprudent transactions involving E-Filing funds. The broker/dealer shall agree to exercise due diligence in monitoring the activities of their organization engaged in dealings with the E-Filing Authority.

Third Party Safekeeping

To protect against potential fraud and embezzlement, the investment portfolio of the E-Filing Authority shall be secured through third-party custody and safekeeping procedures. Investments held in custody and safekeeping by any Federal Reserve Bank will qualify as third-party safekeeping. Other banks may qualify as third-party banks for safekeeping provided the securities are held in the Trust Department of the bank, and the total assets of the bank are in excess of \$4 billion.

Certificates of deposits and other time deposits or savings accounts do not need to be placed with a third party custodian, since they are collateralized through Chapter 280 of the Florida Statutes.

Prior to any transfer of securities to a third-party custodian bank, a custodian/safekeeping agreement will be executed by the custodian bank and FCCC staff on behalf of the E-Filing Authority.

Securities transactions between a broker/dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a “delivery vs. payment” basis, if applicable, to insure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

Competitive Bidding Requirement

All applicable investments will be purchased through a competitive bidding process, using the dealers and banks on the approved list. The E-Filing Authority is under no obligation to secure competitive bids from all the dealers or banks on the approved list. Rather a decision will be made by the FCCC staff and Finance Committee as to the institutions that have been the most competitive, and these will be contacted for a bid.

Documentation will be retained for all bids, with the winning bid clearly identified. If for any reason, the highest interest rate bid was not selected, then the reasons leading to that decision will be clearly indicated on the bidding forms. The competitive bidding policy may be waived for a potential purchase or sale of certain securities due to market availability (supply and demand). Under these circumstances, the Finance Committee must approve the transaction.

Internal Controls

As the day to day administrators of the E-Filing Authority investment portfolio, the FCCC staff shall establish and document internal controls. These controls shall be reviewed annually by the external auditor. The internal controls shall be designed to prevent the loss of public funds due to fraud, employee error, and misrepresentation by third parties or imprudent actions by employees of the unit of local government.

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Continuing Education

In accordance with Section 218.415(14) of the Florida Statutes, the officials responsible for making investment decisions must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

Amendment

This policy may be amended by the Board of Directors.

