

# Request for Proposal

## Investment Consulting Services

October 2016



**Jefferson**  
HEALTH PLAN

***THE JEFFERSON HEALTH PLAN***  
2023 Sunset Boulevard • Steubenville • Ohio 43952  
(740) 283-3347 • [www.thejeffersonhealthplan.org](http://www.thejeffersonhealthplan.org)

## **TABLE OF CONTENTS**

<b>1.0</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>2.0</b>	<b>BACKGROUND</b>	<b>1</b>
<b>3.0</b>	<b>SCOPE OF SERVICES</b>	<b>1</b>
<b>4.0</b>	<b>INSTRUCTION FOR SUBMISSION</b>	<b>2</b>
<b>5.0</b>	<b>SELECTION PROCESS</b>	<b>4</b>
<b>6.0</b>	<b>CRITERIA</b>	<b>5</b>
<b>7.0</b>	<b>TERMS AND CONDITIONS</b>	<b>5</b>
<b>8.0</b>	<b>QUESTIONNAIRE</b>	<b>6</b>
	<b>EXHIBIT I – SUBMITTAL FORM</b>	
	<b>EXHIBIT II – INVESTMENT POLICY</b>	
	<b>EXHIBIT III – INVESTMENT POLICY STATEMENT REGARDING RESERVE FUNDS</b>	

## **1.0 INTRODUCTION**

The Jefferson Health Plan is requesting proposals from qualified investment consulting firms to provide services as described below in Scope of Services. The objective of the investment consulting firm will be to assist and collaborate with the Jefferson Health Plan Board of Directors, the Jefferson Health Plan Investment Committee and staff in carrying-out investment policies that are designed to ensure that sufficient assets are available to meet current and future benefit obligations. The Jefferson Health Plan is soliciting proposals from investment consulting firms with broad investment expertise, specific asset class knowledge, and robust investment manager research.

## **2.0 BACKGROUND**

The Jefferson Health Plan is a consortium comprised of political subdivisions organized and existing as a regional council of governments pursuant to and in accordance with Ohio Revised Code Chapter 167. The Jefferson Health Plan administers medical, health, prescription drug, dental and life benefit plans for public employees and their dependents on a partially self-insured basis. General administration and management of the consortium is vested in the Board of Directors of the Jefferson Health Plan. The Jefferson County Educational Service Center has been appointed to serve as the fiscal agent for the Jefferson Health Plan.

The Jefferson Health Plan has adopted two separate investment policies. One applies generally to the funds maintained by the Jefferson Health Plan, while the second policy applies to the reserve accounts maintained by the Jefferson Health Plan on behalf of each allocated-balance member of the consortium. A copy of the Jefferson Health Plan's current Investment Policies are attached as Exhibits II and III.

Currently, the Jefferson Health Plan's reserve funds total approximately \$100 million.

## **3.0 SCOPE OF SERVICES**

The Jefferson Health Plan is soliciting proposals from investment advisory firms for professional portfolio management services of its reserve funds.

Specific Services, although not all-inclusive, are to be performed as follows:

- Provide services as fiduciaries and in accordance with all applicable federal and state laws and regulations and with all applicable professional codes and regulations;
- Assist in the development of strategic asset allocation recommendations;
- Assist the Jefferson Health Plan with cash flow/maturity analysis;
- Provide credit analysis of investment instruments in the portfolio;
- Provide daily, monthly, quarterly and annual reporting on all funds;
- Attend meetings of the Board of Directors as requested;
- Evaluate market risk and develop strategies that minimize impact on the portfolio;
- Provide assurance of portfolio compliance with applicable policies and laws;

- Establish an appropriate performance benchmark;
- Review investment policies – recommend appropriate amendments;
- Provide advice and opinions to the Board of Directors, Investment Committee, consultants and/or staff on all investment recommendations;
- Provide the Board of Directors with unbiased research, information, and advice on investment topics and strategies when requested or when considered relevant by consultants or staff;
- Assist the Jefferson Health Plan’s Infrastructure Bank Loan Committee in analyzing applications and credit worthiness of applicants; and
- Ensure portfolio structure matches investment objectives.

Investment practices and procedures must comply with Ohio Revised Code Chapter 135 and the Jefferson Health Plan’s written investment policies. The investment advisory firm must acknowledge in writing their agreement to abide by the content of the investment policies. The investment advisory firm will be expected to perform to the Prudent Expert Standard.

The primary objectives of the Jefferson Health Plan’s investment program is to provide the highest investment return with the maximum security, safety, and preservation of principal while meeting the daily cash flow demands of the consortium.

The primary objectives, in priority order, of the Program’s investment activities shall be:

1. Safety of principal.
2. Maintain sufficient liquidity to meet the consortium’s operational requirements.
3. Return on Investment: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment policies and the cash flow characteristics of the portfolio.

#### **4.0 INSTRUCTION FOR SUBMISSION**

##### **A. Intent to Respond**

If an investment consulting firm intends to respond to this RFP, a Notice of Intent to do so should be sent by e-mail to the contact person for the Jefferson Health Plan provided below by November 24, 2016. The Notice must contain the investment consulting firm’s name, a statement of its intent to respond, the name of a contact person, and the contact person’s telephone number, e-mail and fax number. Submitting this Notice will not obligate an investment consulting firm to submit a Response nor be a prerequisite for submitting a Response, but will allow the Jefferson Health Plan to send out any necessary information to interested parties.

##### **B. Response Deadline**

The completed Response, including hard and electronic copies, must be received by **Wednesday, November 30, 2016, at 5:00 p.m. Eastern Time**. Responses received

after the Response deadline will not be considered.

C. Delivery

The contact person for all responses and communications:

Mr. James Herring  
Executive Director  
The Jefferson Health Plan  
2023 Sunset Boulevard  
Steubenville, OH 43952  
jherring@thejeffersonhealthplan.org  
(740) 283-3347

An unbound original, five hard copies, and an electronic copy of the Response are to be sent by mail/delivery service and email. Faxed transmissions are not acceptable and will not be considered.

D. Response Documents

In order to equitably evaluate each responder's ability, a standard format for all proposals is required. The investment firm must execute the Submittal Form attached as Exhibit I and provide a response to each item in the Questionnaire provided at Section 8.0. Responses must be in the same order as the questions presented in the Questionnaire. Only proposals submitted in the prescribed format will be considered and evaluated for contract. Failure to adhere to submission instructions in its entirety may cause the proposal to be deemed non-responsive. Additional explanatory information, such as technical literature about the firm's experience and qualifications, may be provided as part of the proposal. **Submissions that do not conform to the specified format may be rejected at the discretion of the Jefferson Health Plan.**

**SUBMISSIONS MUST BE SUBMITTED WITH 5 COPIES; including at least one (1) electronic copy.**

Any Response submitted will become the property of the Jefferson Health Plan. The Jefferson Health Plan reserves the right to retain all Responses submitted, and use any information contained in a Response except as otherwise prohibited by law. **All Responses and the contents thereof will be deemed to be a public record which is open to public inspection.** An investment consulting firm may include one additional copy of its Response with any proprietary trade secret information redacted and marked as such with a brief written basis why it believes the information is protected from disclosure. In the event that the Jefferson Health Plan receives a public records request to which, in the Jefferson Health Plan's sole discretion, any of an investment consulting firm's materials are responsive, the Jefferson Health Plan may release the investment consulting firm's redacted

materials, or in the event no redacted materials are submitted, the investment consulting firm's unredacted materials without notice to the investment consulting firm. In the event any of the investment consulting firm's redactions are challenged, the investment consulting firm shall have sole responsibility to defend such redactions at its cost and expense. The Jefferson Health Plan will not institute any legal action to defend any of investment consulting firm's redactions, but will notify the investment consulting firm of such challenges.

E. Questions Relating to this RFP

All questions concerning this RFP must be received in writing by email by the Contact person by **Friday, November 18, 2016, at 4:00 p.m., Eastern Time**. Questions submitted after the deadline or other than by email will not be considered.

## 5.0 SELECTION PROCESS

The Jefferson Health Plan Investment Committee will evaluate all timely and complete Responses. The Jefferson Health Plan reserves the right to request that any Response be clarified or supplemented.

Based upon its review of the Responses, the committee will select candidates to make a presentation to it at a location that is convenient for the committee and the firm. Firms not selected for a presentation will be notified that they no longer are under consideration.

After completion of the presentations, the committee will conduct due diligence as necessary. Finalists for investment consulting services will be selected.

The finalists may be asked to make a presentation to the committee or the Board of Directors in April 2017, where the Board of Directors may approve, or fail to approve, any investment consulting firm recommendations.

The Investment Committee will make every effort to adhere to the following schedule:

October 20, 2016	Release of Request for Proposal
November 18, 2016	Questions due regarding RFP from any respondent
November 23, 2016	Written responses to all questions will be posted on the Jefferson Health Plan website
November 30, 2016	Deadline for proposal submission
Dec. 2016 – Mar. 2017	Review of proposals and interview of candidates
April 2017	Finalist interviews, if needed
April 2017	Award of Contract
July 1, 2017	Contract commencement

## 6.0 CRITERIA

The following minimum criteria are preferred:

- Be a registered investment advisor under the Investment Company Act of 1940;
- Agree to act as a “fiduciary” with respect to the Jefferson Health Plan;
- Have been in business for a minimum of ten (10) years; if the firm has not been in business for at least ten (10) years, the senior principals of the firm must have at least ten (10) years of experience with institutional clients at an investment consulting firm;
- Have provided similar investment consulting services to other public entities of Ohio pursuant to Ohio Revised Code Chapter 135;
- Employ a professional team or department dedicated to investment manager research and analysis;
- Have individuals assigned to the Jefferson Health Plan with a minimum of seven (7) years professional experience in the investment consulting field; and
- Disclose all conflicts of interest, all sources of revenue and all affiliations especially, but not limited to, investment managers recommended by the firm.

In addition, investment consulting firms will be reviewed for the following:

- Stability and experience of investment consulting firm;
- Stability and experience of the personnel assigned to the Jefferson Health Plan;
- Depth of knowledge, experience and resources to provide required services;
- Independence of judgment and avoidance of conflicts of interest in providing services;
- Proposed fees;
- Engagement and communication skills with both the Retirement Board and Staff;
- Demonstrated ability to add value in the creation and execution of the strategic objectives of the investment portfolio.

## 7.0 TERMS AND CONDITIONS

The Jefferson Health Plan makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information in the RFP and nothing contained herein is or shall be relied upon as a promise or representation, whether as to the past or the future. The RFP does not purport to contain all of the information that may be required to evaluate the RFP. The Jefferson Health Plan does not anticipate updating or otherwise revising the RFP. However, this RFP may be withdrawn, modified, or re-circulated at any time at the sole discretion of the Jefferson Health Plan.

The Jefferson Health Plan reserves the right to accept or reject any or all proposals resulting from this RFP. The Jefferson Health Plan further reserves the right, at its sole discretion and without giving reasons or notice, at any time and in any respect, to alter these procedures, to change and alter any and all criteria, to terminate discussions, to accept or reject any Response, in whole or in part, to negotiate modifications or revisions to a Response and to negotiate with any one or more

respondents to the RFP.

The Jefferson Health Plan is not and will not be under any obligation to accept, review or consider any Response to the RFP, and is not and will not be under any obligation to accept the lowest offer submitted or any offer at all. The Jefferson Health Plan is not and will not be under any obligation to any recipient of, or any respondent to, the RFP except as expressly stated in any binding agreement ultimately entered into with one or more parties, either as part of this RFP process, or otherwise.

This RFP is not an offer but a request to receive a Response. The Jefferson Health Plan will consider a Response as an offer to develop an agreement based upon the contents of the Response. Respondents agree that the contents of their Responses are valid for one year from the date of submission. The Jefferson Health Plan will not be liable for any cost incurred in the preparation of a Response and will not reimburse any respondents for their submission. Expenses related to the production of a Response are the sole responsibility of the Respondent.

## **8.0 QUESTIONNAIRE**

Responses to the following questions should repeat the question and be answered in order:

### **A. Firm Background and Organization**

1. Provide a brief history of the firm including year organized and history of investment consulting services.
2. Provide location of and number of employees in each of the firm's offices.
3. Describe any other business affiliations (e.g., subsidiaries, joint ventures, arrangements with brokers, etc.).
4. Describe the firm's sources of revenue, categorized by retail and institutional accounts.
5. Describe the ownership model of the firm. Have any structural changes occurred in the last five years? Are ownership or structural changes expected in the upcoming five years?
6. Is your firm a registered investment advisor under the Investment Advisor's Act of 1940 as amended?
7. Provide a copy of your firm's most recent SEC Form ADV (Parts I and II).
8. Describe any SEC, NASD, FINRA or regulatory censure or litigation involving your firm or its employees within the last three years, including any current or pending matters.
9. Did you, or will you, pay a finder's fee to any third party for business related to this account? Specify the recipients of any fee.
10. Outline the errors and omissions (professional liability) and fidelity bond coverage your firm carries. Please provide a valid, current Certificate of Insurance.
11. Identify the types of accounts primarily sought by your firm.
12. Has the Jefferson Health Plan's Investment Consultants (Johnson Institutional Management or Johnson Investment Counsel, Inc.) received any compensation from your firm (either cash or commissions) in the past



five years? This includes commissions of any sort resulting from trades initiated by your firm which were executed by an affiliated broker/dealer (referred to as "Agent" of the consulting firm) or through a brokerage relationship in which Consultants receive the net proceeds of the trade.

B. Experience

1. Describe your firm's experience in managing fixed income portfolios for public funds and governmental entities, including similar investment consulting services provided to other public entities of Ohio pursuant to Ohio Revised Code Chapter 135.
2. Does your firm act as a broker or as a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients?
3. Provide the number and types of accounts, total asset value, and composition of portfolios currently being managed by your firm.

C. Personnel

1. Identify and provide background information on the key person or personnel who take the most active role(s) in the administration and management of the firm.
2. Provide resumes and biographical information on key investment professionals that will be directly involved in the decision-making process for the portfolio of the Jefferson Health Plan. Include the number of years at your firm, total years of experience, and professional licenses and designations. Include the number of accounts managed and any limits on this.

D. Assets Under Management

1. Indicate the total amount of assets your firm has under management.
2. Summarize your assets under management (institutional only) over the past five years.
3. Provide relevant performance statistics on a comparable portfolio and compare with industry averages or benchmarks for the last one, three, five, ten year periods and/or since inception.
4. List five comparable or most representative governmental clients. Identify the nature of the funds and provide a contact name and number for each. Provide three Ohio governmental references.

E. Investment Management Approach

1. Briefly describe your firm's investment management philosophy, including your approach to managing governmental portfolios.
2. How are portfolios managed (e.g. by team, individual manager)? What is

- the back up when the manager is away?
3. What are the primary strategies for adding value to portfolios (e.g. market timing, credit research, trading)?
  4. What oversight is provided to portfolio managers?
  5. Describe the firm's process for evaluating a client's investment performance including determination and/or recommendation of benchmarks.
  6. Provide the performance of all your public fund clients, versus their benchmark, their peer universe for one, three, five and ten years, and their quartile rank for each period.
  7. Describe the firm's investment and economic research capabilities and how such research is available and/or distributed to clients.
  8. Describe the on-going daily investment procedures proposed for the Jefferson Health Plan, including procedures for trades, security choice, controls, etc., and how will you provide liquidity.
  9. What asset allocation would you recommend for the Jefferson Health Plan? Provide details on the type of investment vehicles that will be utilized.
  10. How frequently would you suggest your staff meet with the Jefferson Health Plan's consultants and fiscal officer?
  11. What performance benchmarks would you suggest for this portfolio? Provide recommendations regarding performance benchmarks for a portfolio similar to that of the Jefferson Health Plan's. What experience has the firm had in developing benchmarks for public operating portfolios?

F. Standards of Conduct

1. Has your firm adopted the CFA Code of Ethics and Standards of Professional Conduct? If so, how is employee compliance monitored?
2. Does your firm have a written code of conduct or set of standards for professional behavior?
3. How does your firm identify and manage conflicts of interest?
4. Are there any potential conflicts of interest the firm would have in providing investment consulting services to the Jefferson Health Plan? If yes, explain.

G. Reports

1. List all reports routinely provided to clients.
2. Describe the frequency and format of reports that you would provide to the Jefferson Health Plan's staff. Attach a sample.
3. Does the firm have the capability to provide daily reporting of transactions or interest earned on investments for accounts?

H. Pricing and Fees

1. An all-inclusive annual cost for services must be submitted, bearing the signature and title of a person authorized to make and negotiate the offer. The firm should attach a detailed list of associated fees that would apply to this account, indicating what and how fees are charged (are fees charged in

arrears). The “Fee Schedule” must also indicate any additional expenses not covered through the fee structure that will be expected in order to implement your investment advisory services.

2. Does the firm charge any “mark-up” or additional fees in transactions involving bonds?
3. Attach a sample contract. **Please note that the Jefferson Health Plan is prohibited by law from signing any contract with an indemnification clause.**

I. Additional Information

1. Briefly describe any additional feature, attributes or conditions which the Jefferson Health Plan should consider in selecting your firm, including what you believe distinguishes your firm’s services from its competitors.
2. Describe any other services your firm can provide.
3. Describe the process and anticipated amount of time that would be needed to transfer the Jefferson Health Plan’s current investment portfolio to the firm and make changes in investments recommended by the firm.



**Jefferson**  
HEALTH PLAN

INVESTMENT CONSULTING SERVICES  
REQUEST FOR PROPOSALS  
SUBMITTAL FORM

**FIRM NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

\_\_\_\_\_

**FIRM CONTACT:** \_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**FAX NUMBER:** \_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

The undersigned as Respondent/Offeror declares that the only parties interested in this proposal as principals are named herein; and that this proposal is made without collusion with any other person, firm or corporation; and that no officer or agent of the owner is directly or indirectly interested in this proposal. Respondent/Offeror hereby attests that the attached Response is a firm and irrevocable offer of the firm and that any agreement for services required by the Jefferson Health Plan resulting from this solicitation will be provided at the rates as submitted on the firm's proposed fee schedule. Any amendment, increases or elimination of offerings subsequent to this agreement must be agreed upon by both the Offeror and the Jefferson Health Plan.

**AUTHORIZED SIGNATURE:** \_\_\_\_\_

**NAME (Print):** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

## INVESTMENTS

It is the policy of the Board of Directors and Membership of the Jefferson Health Plan (“Jefferson Health Plan” or “the Program”) to invest public funds in a manner which will provide the highest investment return with the maximum security, safety, and preservation of principal while meeting the daily cash flow demands of the Program and conforming to all applicable statutes governing the investment of public funds, including but not limited to, O.R.C. Chapter 135. The Fiscal Agent Treasurer, or designee, is the investment officer for the Program, charged with the responsibility for the purchase and sale of investments and the carrying out of this Investment Policy.

### Scope

The Investment Policy applies to all financial assets of the Program, including any State and Federal funds held by it. The Fiscal Agent Treasurer, or designee, shall routinely monitor the contents of the Program’s investment portfolio, the available markets, and relative value of competing investments and will adjust the portfolio accordingly.

### Prudence

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 standard of prudence to be used by the Fiscal Agent Treasurer, or designee, shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Acting in accordance with this Investment Policy and exercising due diligence shall relieve the Fiscal Agent Treasurer, or designee, of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the Board of Directors in a timely fashion and appropriate action is taken to control adverse developments.

### Objectives

The primary objectives, in priority order, of the Program’s investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Program 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.

2. **Liquidity:** The Program's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.
3. **Return on Investment:** The Program's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account this Investment Policy and the cash flow characteristics of the portfolio.

#### **Ethics and Conflict of Interest**

Persons 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 consultants shall disclose to the Board of Directors any material financial interests in financial institutions that conduct business within the Program and any large personal financial or investment positions that could be related to, or affected by, the performance of the Program's portfolio. All employees, officers, and investment consultants to the Program shall subordinate their personal investment transactions to those of the Program, particularly with regard to the timing of purchases and sales.

#### **Authorized Financial Dealers and Institutions**

The Fiscal Agent Treasurer, or designee, will maintain a list of financial institutions and approved security broker/dealers selected by creditworthiness who are authorized to provide investment services and which qualify under O.R.C. §135.14(M)(1). These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 and are registered with the Ohio Department of Commerce to do business in the State.

All financial institutions and broker/dealers which desire to become qualified suppliers of investment transactions to the Program must provide the Fiscal Agent Treasurer, or designee, with audited annual financial statements, proof of good standing with the Comptroller of Currency or State banking regulators or National Association of Security Dealers certification, proof of Ohio registration, and biographical and regulatory information on the persons who are the primary contact with the entity. All financial institutions, broker/dealers, and consultants, which desire to conduct investment business with the Program must sign this Investment Policy, certifying they have read it, understand it, and agree to abide by its contents.

#### **Authorized Investments**

The Program is empowered by statute to invest in the following types of securities:

1. United States treasury bills, notes, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All such securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of the Program and/or Fiscal Agent, as provided in O.R.C. §§135.08 and 135.09;
4. Bonds and other obligations of the State of Ohio or the political subdivisions of the State of Ohio, provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:
  - (a) The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision.
  - (b) The bonds or other obligations are rated at the time of purchase in the three highest classifications established by at least one nationally recognized standard rating service and purchased through a registered securities broker or dealer.
  - (c) The aggregate value of the bonds or other obligations does not exceed twenty per cent of interim moneys available for investment at the time of purchase.
  - (d) The Treasurer, designee, or governing board is not the sole purchaser of the bonds or other obligations at original issuance.

No investment shall be made under item (4) unless the Fiscal Agent Treasurer, or designee, has completed additional training for making the investments authorized by item (4). The type and amount of additional training shall be the training approved by the Treasurer of State.

5. No-load money market mutual funds consisting exclusively of securities described in paragraphs 1 and 2 of this Section and repurchase agreements secured by such obligations, provided all such investments under this paragraph 5 shall be made with a bank or

savings and loan association eligible to be a depository for public funds of Ohio subdivisions and provided that any such fund meets the requirements of O.R.C. Chapter 135, including that such fund not include any investment in a "derivative";

6. Ohio's Subdivision Fund, STAROhio; and
7. Bankers acceptance and commercial paper notes, each with a maturity not exceeding 180 days and meeting all of the requirements of O.R.C. §135.142, but only upon specific authorization of the Board of Directors required by law and completion of the required training by the Fiscal Agent Treasurer, or designee.

Any investment made pursuant to this policy must mature within five (5) years except as otherwise provided by law.

#### **Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, entered into by the Program shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Fiscal Agent Treasurer, or designee, and evidenced by safekeeping receipts. Securities shall be pledged at the Federal Reserve Bank to collateralize all repurchase agreements with financial institutions. Pledged collateral will only be released by the Program after verification that the principal and interest have been credited to the Program's account.

#### **Prohibited Investment Practices**

In addition to any other prohibitions in the Revised Code, the Program shall not:

1. Contract to sell securities that have not yet been acquired on the speculation that prices will decline;
2. Make any investment in "derivatives" as defined in O.R.C. §135.14(C);
3. Invest in a fund established by another public body for the purpose of investing public money of other subdivisions unless the fund is either (a) STAROhio, or (b) a fund created solely for the purpose of acquiring, constructing, owning, leasing, or operating municipal utilities as authorized under O.R.C. §715.02 or Article XVIII, §4 of the Ohio Constitution;
4. Leverage current investments as collateral to purchase other assets; and



5. Invest in stripped principal or interest obligations of otherwise eligible obligations.
6. Short sales.
7. Issuance of taxable notes for the purpose of arbitrage.

### **Internal Controls**

The Fiscal Agent Treasurer, designee, shall develop and maintain procedures for the operation of the Program's investment program in accordance with this Investment Policy. These procedures shall be designed to prevent loss of the Program's funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions.

### **Reporting**

The Fiscal Agent Treasurer, or designee, shall maintain a current inventory of all investments including:

1. Description of each security;
2. Cost;
3. Par value;
4. Dates (beginning, settlement and maturity);
5. Rates; and
6. Seller.

The Fiscal Agent Treasurer, or designee, shall also prepare and have available for inspection a list of all investments and a report on investment activity and returns.

### **Education**

The Fiscal Agent Treasurer, or designee, shall participate in any beginning and/or continuing education training programs conducted by or provided under the supervision of the State Auditor in which the Fiscal Agent Treasurer, or designee, is required to participate pursuant to O.R.C. §§117.44, 135.22 and 733.27. Through the Fiscal Agent Treasurer's, or designee's, participation in those programs, the Fiscal Agent Treasurer, or designee, will develop an enhanced background and working knowledge in investment case management and ethics.

### **Non-Binding Arbitration**

The Fiscal Agent Treasurer, or designee, may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration (but not binding arbitration) to settle any controversy that may arise out of that

agreement so long as such provision meets the requirements of the Revised Code and is specifically approved by the Board of Directors.

**Infrastructure Bank Program**

The Jefferson Health Plan may develop an Infrastructure Bank Program pursuant to O.R.C. §167.041 with an educational service center serving as its Fiscal Agent for the Fiscal Agent and the Jefferson Health Plan to enter into agreements with the governing body of the Jefferson Health Plan Member political subdivisions to lend money to the Member political subdivisions for the purpose of improving infrastructure within the territory of the Member political subdivisions located within the State of Ohio. The repayment term of any such infrastructure bank loans shall not exceed ten (10) years.

**Investment Policy Adoption**

This Investment Policy shall be adopted by the Board of Directors and, upon adoption, filed in the office of the Auditor of State. This policy shall be reviewed on an annual basis by the Board of Directors or a committee designated by it and any modifications made thereto must be approved by the Board of Directors and, upon adoption, filed in the office of the Auditor of State.

**CERTIFICATION OF READING, UNDERSTANDING AND ACCEPTANCE**

The undersigned, \_\_\_\_\_, hereby certifies that it has read, understands and will accept and abide by this Investment Policy and the relevant provisions of the Revised Code in its dealings with the Jefferson Health Plan, that it understands that binding arbitration provisions are not permitted and that any nonbinding arbitration provisions governing its relationship with the Program must be expressly approved by the Board of Directors, and that the officer executing this Certification is authorized to do so on behalf of the undersigned.

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_

INVESTMENT POLICY STATEMENT  
OF  
THE JEFFERSON HEALTH PLAN  
REGARDING RESERVE FUNDS

WHEREAS, certain political subdivisions (“Members”) have entered into an agreement, pursuant to Revised Code Chapter 167, establishing a regional council of governments known as The Jefferson Health Plan for the purpose of promoting cooperative agreements and activities among its Members in purchasing supplies and services and dealing with problems of mutual concern; and

WHEREAS, certain Members (“Members”) have determined to undertake a program (“Health Benefits Program”) on a cooperative basis for the provision of certain medical, hospitalization, dental, prescription drug, vision, life, and disability income benefits for their employees and the eligible dependents of those employees; and

WHEREAS, comprehensive guidelines for the funding, management and administration of the Health Benefits Program are set forth in the Agreement Regarding Health Benefits Program of the Ohio Mid Eastern Regional Education Service Agency or the Amended and Restated Agreement of The Jefferson Health Plan (collectively referred to as “Agreement”), the “Revised Bylaws of The Jefferson Health Plan,” and the Handbook of Policies and Procedures of The Jefferson Health Plan; and

WHEREAS, the Fiscal Agent has established Reserve Funds for Members pursuant to the terms of the Agreement (“Reserve Fund”);

NOW THEREFORE, the following shall constitute the Investment Policy Statement of The Jefferson Health Plan regarding the Reserve Fund (“Policy Statement”):

Section 1. Definitions

Any capitalized word contained in this Policy Statement that is not defined herein shall have the meaning as provided in the Agreement.

Section 2. Purpose

The purpose of this Policy Statement is to provide for the prudent management of the Reserve Funds maintained by The Jefferson Health Plan. The Fiscal Agent, or designee, shall adhere to this Policy Statement, Revised Code Chapter 135, Policy 1.09 of The Jefferson Health Plan, and all other applicable laws and regulations at all times.

This Policy Statement has been approved and adopted by the Board of Directors and a copy has been filed with the Auditor of the State of Ohio.

### Section 3. Investment Philosophy

The Fiscal Agent, or designee, shall discharge his/her duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Fiscal Agent, or designee, shall diversify the assets of the Reserve Fund so as to reduce the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

### Section 4. Investment Objectives

(A) Preservation of Principal. Preservation of principal is the Fiscal Agent's, or designee's, primary investment objective. To achieve this objective, the assets of the Reserve Fund will be diversified so as to reduce the risk of losses. The possibility of loss will always be considered when evaluating individual investments and investment strategies.

(B) Maintenance of Liquidity. Maintenance of liquidity is the Fiscal Agent's, or designee's, second investment objective. To achieve this objective, the Fiscal Agent, or designee, will periodically prepare a schedule of anticipated expenditures and match investment maturities with anticipated expenditure dates whenever possible. No unmatched investment will mature more than five (5) years from the date of settlement.

No investment will be made unless, at the time the investment is made, the Fiscal Agent, or designee, reasonably expects that the investment can be held until its maturity. An investment may be sold prior to its maturity if the Fiscal Agent, or designee, determines that such sale is prudent.

(C) Income Maximization. Income maximization is the Fiscal Agent's, or designee's, third investment objective. To achieve this objective, the assets of the Reserve Fund will be managed in a manner that generates reasonable income within acceptable risk parameters. Moderate principal volatility will be permitted in order to obtain a fair market yield.

### Section 5. Personal Conduct and Qualifications

(A) Standards of Conduct. The Fiscal Agent, or designee, recognizes his/her fiduciary responsibility for investing the assets of the Reserve Fund. The Fiscal Agent is prohibited from having any direct or indirect interest in any of the investments made by the Fiscal Agent and from receiving any payment, bonus or other compensation for investment services in connection with the Reserve Fund.

(B) Continuing Education. The Fiscal Agent, and any designee, will complete all required continuing education programs sponsored by the Treasurer of State.

(C) Investment Advisors. The Fiscal Agent may retain the services of an investment advisor, provided the advisor is licensed by the Ohio Department of Commerce's Division of Securities or is registered with the Securities and Exchange Commission. Any investment advisor retained by the Fiscal Agent must possess experience in the management of state and local government investment portfolios.

All entities providing investment services to the Fiscal Agent, or designee, are prohibited from receiving any payment, bonus or other compensation for investment services in excess of their regular compensation. As used in this Policy Statement, "regular compensation" includes reasonable and agreed upon fees, commissions, and other compensation customarily associated with securities transactions earned by outside securities dealers, investment bankers and other entities providing investment services to the Fiscal Agent.

A copy of this Policy Statement will be provided to all entities conducting investment business with the Fiscal Agent. No such entity may provide investment services to the Fiscal Agent, or designee, unless its duly appointed representative has executed this Policy Statement and agreed on behalf of the entity to abide by its terms.

(D) Transactions. All securities orders shall be placed according to accepted investment practices. All statements confirming the purchase of individual securities shall include a description of the securities purchased, the CUSIP number, the trade date, settlement date, par value, maturity date, coupon rate, price, yield, amount due, and third party custodial information. Payment for securities shall be made only upon receipt of the securities.

#### Section 6. Authorized Investments

The assets of the Reserve Fund shall be invested only through a member of the National Association of Securities Dealers, through a bank, savings bank, or savings and loan association regulated by the Ohio Superintendent of Financial Institutions, or through an institution regulated by the Comptroller of the Currency, Federal Deposit Insurance Corporation, or the Board of Governors of the Federal Reserve System.

The assets of the Reserve Fund may be invested in any of the following classifications of investments:

United States Treasury bills, notes, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality. All such securities shall be direct issuances of federal government agencies or instrumentalities;

Interim deposits in eligible institutions applying for interim moneys as provided in Revised Code Chapter 135;

Bonds and other obligations of the State of Ohio or the political subdivisions of the State of Ohio, provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:

- (a) The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision.
- (b) The bonds or other obligations are rated at the time of purchase in the three highest classifications established by at least one nationally recognized standard rating service and purchased through a registered securities broker or dealer.
- (c) The aggregate value of the bonds or other obligations does not exceed twenty per cent of interim moneys available for investment at the time of purchase.
- (d) The Treasurer, designee, or governing board is not the sole purchaser of the bonds or other obligations at original issuance.

No investment shall be made in the bonds or other obligations of political subdivisions of the State of Ohio unless the Fiscal Agent Treasurer, or designee, has completed additional training for making such investments. The type and amount of additional training shall be the training approved by the Treasurer of State;

No-load money market mutual funds consisting exclusively of obligations of the United States or its agencies or instrumentalities;

The Ohio Subdivision's Fund;

Commercial paper and bankers acceptances, subject to the limitations set forth in Revised Code Chapter 135; and

Repurchase agreements, subject to the limitations set forth in Revised Code Chapter 135.

### Section 7. Prohibited Investments

The following investments and investment practices are prohibited:

Investments in derivatives as defined in Revised Code Chapter 135;

Investments in stripped principal or interest obligations;

Investments in any fund established by another subdivision, treasurer, governing board or investment authority for the purpose of investing the public moneys of other subdivisions unless the fund is either (a) STAROhio, or (b) a fund created solely for the purpose of acquiring, constructing, owning, leasing, or operating municipal utilities as authorized under O.R.C. §715.02 or Article XVIII, §4 of the Ohio Constitution;

Reverse repurchase agreements;

Issuance of taxable notes for the purpose of arbitrage;

Use of current investment assets as collateral to purchase other assets; and

Short sales.

### Section 8. Reporting

The Fiscal Agent, or designee, shall submit to the Board of Directors before the thirty-first day of October each year, an inventory of all securities held as of the end of the preceding fiscal year. This inventory shall contain a description of each security held, the security's CUSIP number, par value, maturity date, coupon rate, cost and yield.

The Fiscal Agent, or designee, shall submit to the Board of Directors before the thirty-first day of October each year, a record of all securities purchases and sales during the preceding fiscal year. This report shall contain a description of each security purchased or sold, the security's CUSIP number, par value, trade date, settlement date, purchase or sale price, the amount of any gain or loss realized in connection with a sale, and any fees or commissions paid. The report shall also contain the name of any person or entity effecting the transaction on behalf of the Fiscal Agent, including any designee.



Section 9. Signatures of Parties

IN WITNESS WHEREOF, the undersigned have executed this Policy Statement on the dates indicated below their respective signatures.

\_\_\_\_\_  
President

\_\_\_\_\_  
Fiscal Agent

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date