

Wisconsin  
**CLASS**<sup>®</sup>



## Investment Policies

March 2010



## Wisconsin CLASS Investment Policies

This Investment Policy (the "Policy") is adopted by the Executive Committee of the Board of Representatives of the Wisconsin Cooperative Liquid Assets Securities System ("CLASS") a public funds short term investment pool established and created pursuant to Wis. Stat. § 66.0301(2) and that certain Intergovernmental Agreement Dated March 1, 1996 as amended by the First Amendment to Intergovernmental Agreement dated January 1, 2005 by and among the Participants (the "Intergovernmental Agreement").

### SECTION 1 - Purpose

This Policy has been established to create the principles and procedures by which the Wisconsin CLASS funds (the "Pool") will be invested and secured and to comply with the provisions of Wisconsin law relating to the investment of public funds.

### SECTION 2 – Procedures For Investment of Pool Monies

#### (a) Qualified Broker/Dealers

The list of qualified broker/dealers that may engage in investment transactions with respect to the Pool is listed in the Qualified Broker/Dealer List attached to this Policy as Schedule 1. The Qualified Broker/Dealer List may be amended and updated by the Executive Committee, from time to time, separate from or as a part of this Policy.

#### (b) Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods. A record of such bids shall be maintained by the Program Administrator.

#### (c) Settlement Basis.

All purchases of investments, except investments in mutual funds or bank deposits, shall be made on a delivery versus payment basis. The safekeeping entity for all Pool investments and for all collateral pledged to secure funds of the Pool shall be the Custodian.

### SECTION 3 – General Provisions

#### (a) Provisions Applicable to All Funds.

- (i) All funds of the Pool shall be invested only in accordance with this

Policy and Wisconsin law.

(ii) The funds of the Pool shall be invested not for speculation, but for investment, with all investment decisions to be governed by the following objectives in order of priority:

- a. Legality: invest only in investments legally permissible under Wisconsin law.
- b. Safety: minimize risk by managing portfolio investments so as to preserve principal and maintain a stable asset value.
- c. Liquidity: manage portfolio investments to ensure that cash will be available as and when required to finance Participants' operations.
- d. Yield: maximize current income to the degree consistent with legality, safety and liquidity.

(iii) The Pool shall at all times maintain a prudent diversification of its investment portfolio among eligible asset classes.

(b) Policy Applicable to All Deposited Funds of the Pool.

All monies shall be invested to meet the cash flow requirements of the Pool as determined by the needs of the Participants. The Pool shall be managed in a SEC Rule 2a7-like manner and public fund deposits shall be insured by the Federal Deposit Insurance Corporation.

Maximum maturity of any bank deposit product shall be sixty days. There shall be no restrictions on the number of withdrawals or contributions, nor shall there be any fees associated with such withdrawals of or contributions to the Pool's funds.

SECTION 4 - Authorized Investments.

(a) Monies in the Pool may be invested and reinvested only in investments authorized by this Policy and Wisconsin law. Pool funds may be invested in any investment authorized under Wis. Stat. § 66.0603(1m) including the following permitted investments subject to the specified restrictions:

- (i) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by:
  - a. The United States Treasury.
  - b. A federal agency.
  - c. A federal instrumentality.
  - d. A federal government sponsored enterprise.

(ii) Commercial paper rated in the two highest ratings category for short-term debt assigned by S&P, Moody's, Fitch or other Nationally Recognized Statistical Rating Organization ("NRSRO") or is senior to, or on a parity with, a security of the same issuer which has such a rating with the stated final maturity of no greater than 270 days and which is an approved form of commercial paper by the Executive Committee. No more than 10% of the Pool's assets may be in commercial paper issued by a single issuer and no more than 25% of the Pool's assets may be in commercial paper representing a single industry.

(iii) Repurchase agreements which are 102% collateralized by obligations of the U.S. Treasury or U.S. government agencies and instrumentalities with a stated final maturity no greater than 60 days. Repurchase agreements can only be executed with Wisconsin banks with a PSA Master Agreement on file.

(iv) Certificates of deposit which are 102% collateralized by obligations of the U.S. Treasury or U.S. government agencies and instrumentalities in or issued by any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in the State of Wisconsin with a maximum stated maturity of 60 days. No more than 10% of the Pool's assets may be in certificates of deposit issued by a single issuer.

(v) Time deposits which are 102% collateralized by obligations of the U.S. Treasury or U.S. government agencies and instrumentalities in or issued by any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in the State of Wisconsin with a maximum final maturity of 60 days. No more than 10% of the Pool's assets may be in timed deposits issued by a single issuer.

(vi) Corporate bonds and bank notes with a maximum final maturity of 397 days with ratings in the two highest ratings categories assigned by S&P, Moody's, Fitch or other NRSRO's or is senior to, or on a parity with, a security of the same issuer which has such a rating. No more than 10% of the Pool's assets may be in corporate bonds or bank notes issued by a single issuer and no more than 25% of the Pool's assets may be in corporate bonds or bank notes representing a single industry.

(vii) Money market funds which are restricted to investments in securities of the U.S. Treasury or of U.S. government agencies and instrumentalities and which do not charge a sales load. In addition, the fund must be registered under the Investment Company Act of 1940.

(viii) Variable rate instruments if the rate resets at least annually off a single, established money market index and can reasonably be expected to reset or maintain its par value at all reset dates. The reset date of these eligible variable rate securities, rather than their final maturity date, will be used to calculate the portfolio's weighted average maturity.

(ix) If there are any conflicts between the investments authorized in this Section 4 and the provisions of Wis. Stat. § 66.0603(1m) the statutory provisions shall control.

#### SECTION 5 – Prohibited Investments.

Pool funds may not be invested in the following:

- (a) Reverse repurchase agreements;
- (b) Investments made with funds borrowed through the use of the Investment Property as collateral.
- (c) Investments made in securities denominated in a currency other than dollars of the United States of America.
- (d) Securities with capped coupons.

#### SECTION 6 – Other Restrictions

The Pool shall meet the following restrictions:

- (a) The weighted average maturity of the Investment Property will not exceed 60 days.
- (b) Portfolio exposure to any one issuer other than the U.S. Government or U.S. government agencies or instrumentalities will not exceed 10% per issuer.
- (c) Maximum portfolio exposure to U.S. Dollar denominated securities issued in the U.S. by U.S. branches and/or subsidiaries of foreign entities shall be no greater than 25% of the Pool's assets.

#### SECTION 7 – Securities Lending.

Securities may be lent only if the agreement under which the securities are lent is collateralized by:

- 1. cash; or
- 2. interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United State government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

#### SECTION 8 – Definitions.



Capitalized terms not defined herein shall have the meaning set forth in the Intergovernmental Agreement.

SECTION 9 – Amendments.

This Policy may be amended from time to time pursuant to Section 8.1(c) of the Intergovernmental Agreement.

First Adopted: March 25, 2009

Amended: March 17, 2010