

# Fiduciary Duty and Risk Tolerance in Public Investing

March 19, 2026



# Conversation Items



- Review of Eligible Investment Options
- Investment Policies and Procedures
- Investment Providers
- Communication to Governing Boards

# Permitted Investments under ORC

- ORC 135.14: Schools, Townships, Cities, etc.
- ORC 135.35: Counties or other agencies
- **Charter City:** Can write own investment guidelines, generally follows closely to ORC 135.14

## **Local Bank Products**

Checking accounts, sweep accounts, demand deposits

## **Certificates of Deposit**

Term deposits, CDAR's

## **STAR Ohio/Eligible Money Markets**

Money market programs

## **US Treasury Securities**

Fixed income obligations issued by US Government

## **US Government Agency Securities**

Fixed income obligations issued by FHLB, FNMA, Freddie Mac

## **Municipal Bonds\***

Obligations of Ohio public entities. Ratings and other parameters may need to be met.

## **Commercial Paper\***

Short-term debt obligations of public companies. 270-day maturity. Can own up to 40% of funds with 5% limitation per issuer. Credit ratings must be met.

## **Corporate Bonds**

Only eligible under 135.35 with certain parameters

**Maximum maturity is 5 years on any investment, the exception is municipal bonds which is 10 years**

\*additional one-time investment training required

# Best Practices when Investing Funds

- Establish investment objectives and procedures
- Understand what you are purchasing
- Know the risks and diversify
- Ask for help
- Stay informed and monitor investments
- Reporting: Transparency and Accountability



# Investing Considerations

**Starts with the investment policy**

**Remember the objectives**

- Safety of principal
- Liquidity
- Market Rate of Return

**Understand cash flows and investment horizons**

**Know the risks**

- Market
- Liquidity
- Credit
- Reinvestment
- Political

**Stay informed and monitor investments**

**Communication and reporting**

- Governing Board
- Investment Professionals

# Investment Policy Statement



- Investment Policy Statement (IPS)
  - Your entity's plan for investment-related decision making
- Considers the laws, rules, guidelines, and regulations applicable to the funds
- Summarizes the principles, goals, and strategies for the investment program

<https://www.gfoa.org/materials/investment-policy>

# Investment Policy Requirements

- Create, adopt, and file with the Auditor of State
- Not required if annual average portfolio of investments is \$100,000 or less
- Service providers sign-off
- If no policy on file, the entity may only invest in interim deposits, STAR OHIO, or no-load money market mutual funds
- Entities must upload the most recent IPS to the AOS:  
**eServices account – look under document manager**



# Internal Controls and Due Diligence

## Proper Administrative Systems

- Identify potential weaknesses in investment functions

## Procedures to Select Financial Institutions

- Checklist for choosing outside investment professionals

## Organizational Structures

- Who performs specific investment functions?

## Training Programs

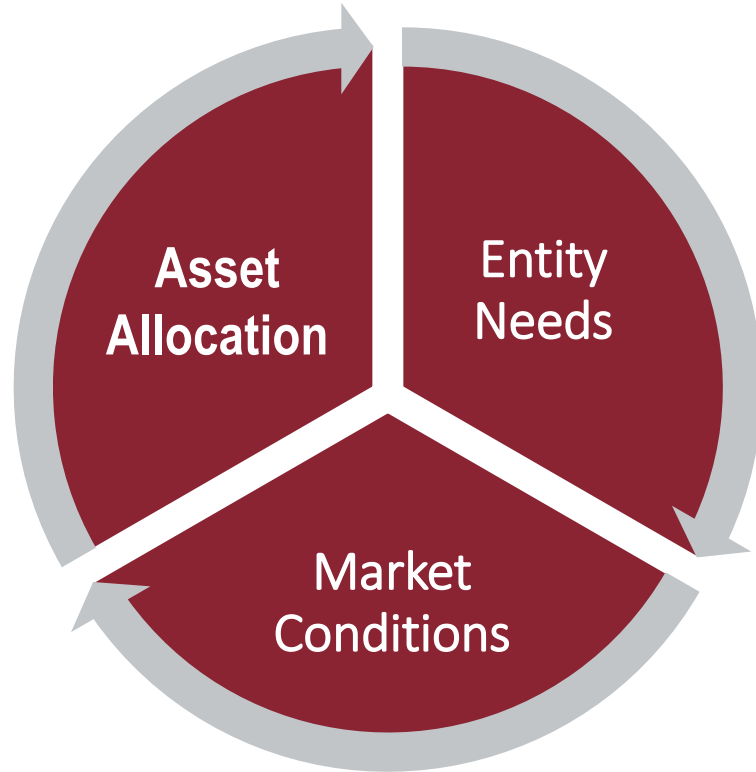
- Does each employee receive annual training?

## Periodic Internal Audits

- Check procedures of outside investment professionals

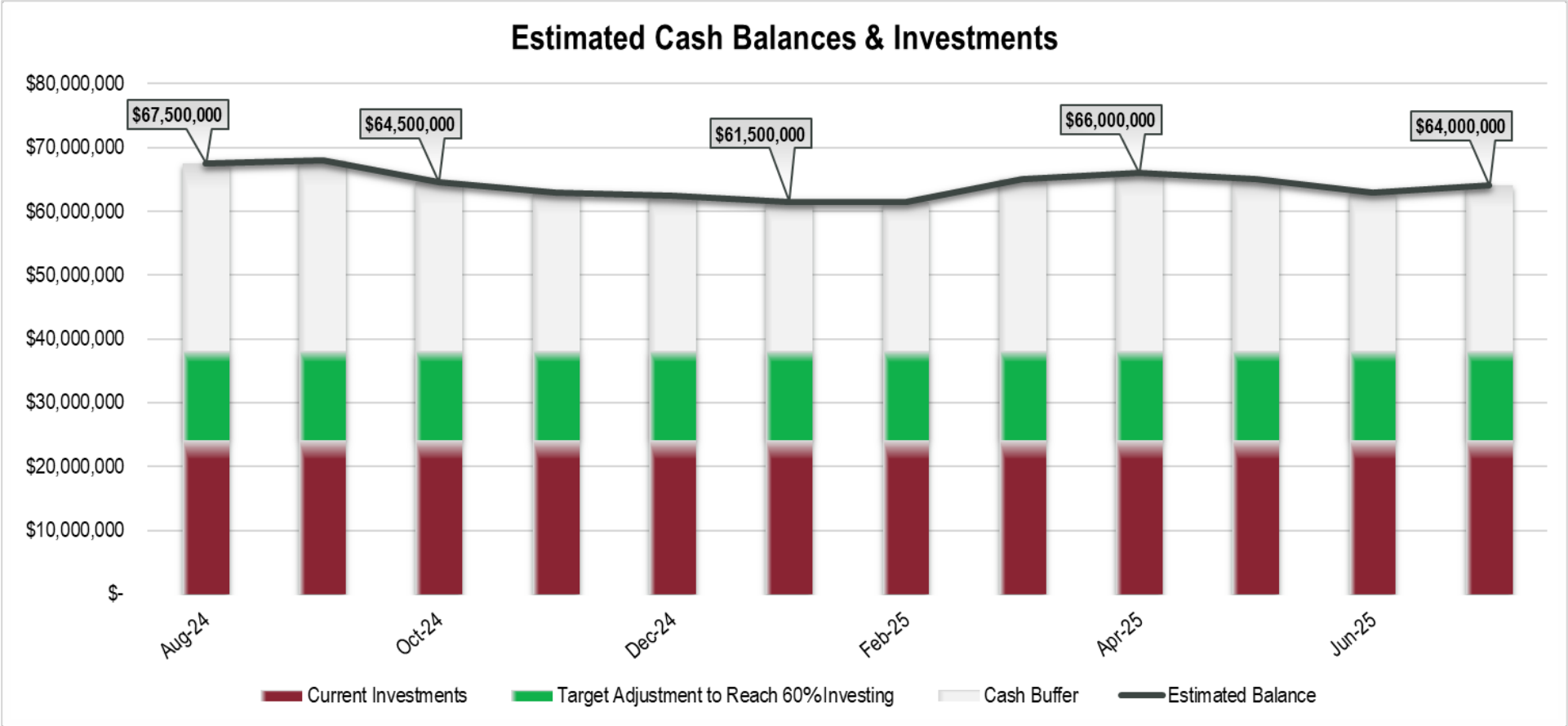


# Importance of Staying Informed and Engaged



- What is the latest with the economy, Federal Reserve, and Interest Rates?
- Do the current investments reflect market sentiment?
- Have cash flow expectations changed?
- Is liquidity adequate?
- Do the investments comply with the investment policy?

# Cash Balance Analysis



# Staying Informed and Engaged



# Who are the Investment Providers?



- Local Banks
- Brokers
- Investment Advisors

## What to Ask Yourself?

- Time/resources
- Risk tolerance
- Composition of funds
- Do you like investing?
- What are the steps to protect monies?

# Authority and Legal Guidelines of the Providers

## Authority

<b>Discretionary</b>	<ul style="list-style-type: none"><li>• Can make decisions on behalf of the client without prior approval</li><li>• Manage portfolio based on agreed investment objectives</li></ul>
<b>Non-Discretionary</b>	<ul style="list-style-type: none"><li>• Offers guidance and recommendations but requires client approvals</li><li>• Final decision remains with client</li></ul>

## Legal Guidelines and Standards

<b>Fiduciary</b>	<ul style="list-style-type: none"><li>• Requires to act in the best interest of client and provide best possible investment option</li><li>• Applies to Investment Advisors</li></ul>
<b>Suitability</b>	<ul style="list-style-type: none"><li>• Requires recommendations that are suitable to the investment objectives</li><li>• Applies to Brokers</li></ul>

# A Look at the Investment Providers

	Banks	Investment Advisors	Brokers
<u>Authority</u>	Work with banks you know and trust	Serve as a <u>fiduciary</u> in the client's best interest	Follows <u>suitability</u> standards
<u>Inquire</u>	Make sure they understand the requirements of collateral	Ask who they work with?	Who do they sell securities to?
<u>Questions</u>	Do they assist other public entities?	What are their credentials?	Do they have experience in public fund investing?
<u>Compensation</u>	Understand fee structure	How are they compensated?	What is their compensation on trades?
<u>Find more info</u>	Visit <a href="http://www.fdic.gov">www.fdic.gov</a> for more information on bank	Visit <a href="http://www.investor.gov">www.investor.gov</a> for more information on firm	Visit <a href="http://www.finra.org">www.finra.org</a> for more information on broker

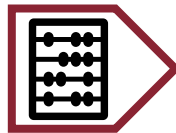
# Investment Reporting



Timing of Reports



Cost basis/Market value



Help with Balancing – understand investment reporting  
(Interest payments, accrued interest & premiums)

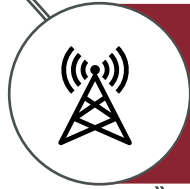
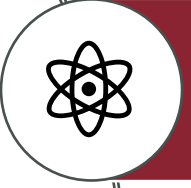

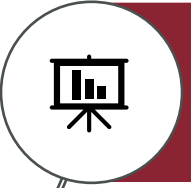



Appropriate measurements



Information to Board/Council/Committees

# Ongoing Communication

-  How often are you communicating? Set expectations
-  Changing cash flows, funding, & board/council makeup
-  Review statements regularly for compliance
-  Have investment provider attend Board/Finance committee meetings
-  Get your CPIM and stay informed!

# Where to Find More Information?

## **National GFOA Best Practices**

### Learn more on Best Practices for Government Functions

- <https://www.gfoa.org/best-practices>

### Learn more on investment advisors

- <https://www.gfoa.org/materials/selection-and-review-of-investment-advisors>

### Learn more on brokers

- <https://www.gfoa.org/materials/government-relationships-with-securities-dealers>

# Thank You

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