



Jackson College Board of Trustees

Monitoring Report: EL – 06 Investments

[COMPLIANCE]

Note: Board Policy is indicated in bold typeface throughout the report.

I present this monitoring report to the Jackson College Board of Trustees which addresses the Board's Executive Limitations Policy: "Investments". I certify that the information contained in herein is true and represents compliance, within a reasonable interpretation of the established policy, unless specifically stated otherwise below. Please note that all of my interpretations of the policy remain unchanged from the previous report, unless otherwise noted.

A handwritten signature in black ink, appearing to read "Daniel J. Phelan".

05.09.22

Daniel J. Phelan, Ph.D.
President and CEO

Date

POLICY STATEMENT:

The President shall not permit investments that are inconsistent with state law, nor to be managed in a way that is inconsistent with the primary objectives of capital preservation and reasonable growth.

The College is a participant in Michigan Liquid Asset Fund Plus (MILAF+) whom has an independent board of trustees who hire an investment manager and advisor. The Michigan Liquid Asset Fund Plus ("MILAF+" or the "Trust") is a comprehensive cash management program created in 1987 by the Michigan Association of School Boards. The Trust was established for the purpose of allowing Michigan public agencies to pool their investment funds to seek the highest possible investment yield, while maintaining liquidity and preserving capital. The College also purchases securities from Comerica Securities who provides independent experienced financial consultants and security offerings that are compliant with the Community College Act 389-142.

The Board has fully interpreted this below.

Further, without limiting the scope of the above statement by the following list, the President shall not:

- 1. Permit investments to be managed without the active involvement of well-qualified investment advisors with a proven track record, who are independent of any investment fund.**

INTERPRETATION:

Compliance will be demonstrated when:

- a) The MILAF+ trustees have appointed as Administrator PFM Asset Management LLC. The Trusts agreement with the Administrator is in affect and renews automatically to one-year terms subject to the approval of the MILAF+ trustees.
- b) Comerica Securities provides well qualified investment advisors who are independent of any investment fund.

EVIDENCE

- a) The CFO verified that the Trustees of the Michigan Liquid Asset Fund Plus have renewed the contract with PFM Asset Management LLC for another one-year term.
- b) The CFO verified on 5/2/2022 that the investment advisors at Comerica securities have over 25 years' experience working with municipalities across the US and they are independent from any investment fund.

Based upon this evidence, I am reporting full compliance with 1.0.

1.1. Permit the advisor to take title to any assets.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The Trust structure of MILAF+ does not allow the advisor to be the custodian of funds. The funds are held in the College's name by Fifth Third Bank who is the current custodian of MILAF+.
- b) Comerica securities makes security purchases on behalf of Jackson College. The securities are held in the Colleges name.

This interpretation is reasonable because of the way and structure of how the investments are managed.

EVIDENCE:

- a) On April 5, 2022, the CFO confirmed that the investment made into the Michigan Liquid Asset fund is owned solely of the participating agencies and not PFM.
- b) On May 2, 2022, the CFO confirmed that the investments made with Comerica

Securities are owned solely by Jackson College and not Comerica Securities.

Based upon this evidence, I am reporting full compliance with 1.1.

1.2. Permit the advisor to withdraw any funds from the accounts except to cover payment of previously agreed fees, or at the organization's specific direction.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Fees are specified in the agreement.

This interpretation is reasonable because the way the fees are structured and the reporting that is available.

EVIDENCE:

- a) The CFO verified that a review and validation of the investment statement to ensure it reflects the agreed upon fees.

Based upon this evidence, I am reporting compliance with 1.2.

2. Permit investments that are insufficiently liquid to meet the organization's anticipated expenditures without incurring penalties.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Investment maturity dates are structured to mature at times that meet cash flow needs of the College.
- b) The actual return matches the anticipated return without penalties.

This interpretation is reasonable because it maximizes the return on the investment and is compliant with the Community College Act.

EVIDENCE:

- a) The CFO verified on 05.3.22 that there is a structured ladder in place to meet the cash flow needs.
- b) The CFO verified on 05.03.22 that the actual return matches the anticipated return.

Based upon this evidence, I am reporting compliance with #2.

- 3. Permit the investment of cash accounts (or operating capital) in anything other than what is defined in the Community College Act section 389.142 as being permitted by a community college.**

INTERPRETATION:

Compliance will be demonstrated when:

The College's participation in investment activities is done via an investment pool composed entirely of investment instruments that are legal for direct investment by a community college and or purchased from Comerica Securities who only offers Jackson College legal direct investments by a community college.

This interpretation is reasonable because state law does define what is permissible for a community college to direct invest in.

EVIDENCE:

- a) The CFO verified with PFM on 4/5/2022 that the MILAF+ investment pool is comprised only of investments that are entirely legal for direct investments by a community college. This same confirmation was provided on 5/2/2022 by Comerica Securities.

Based upon this evidence, I am reporting compliance with #3.

The Jackson College Board of Trustees accepted this monitoring report as fully compliant at the regular Jackson College Board Meeting on May 9, 2022.