



# 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.

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

05.08.23

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Date

### **POLICY STATEMENT:**

**The CEO shall not permit investments that are inconsistent with federal, state, or local laws, nor to be managed in a way that is inconsistent with the primary investment objectives of capital preservation and reasonable growth.**

### **INTERPRETATION:**

I have interpreted this policy statement to mean that any investments that are made by the College must not only adhere to all applicable laws for a public community college, but that any investments should be of low risk, with the interior of additional revenue generation. Further, I interpret that this investment work should be undertaken using an independent, qualified, third-party fund manager, with investment decisions made in consultation of the College administration.

This interpretation is reasonable because a licensed, (qualified) third-party investing agent is not only familiar with applicable laws, but that they are more skilled in the matters of investing and are more likely to direct the College toward revenue growth.

**Further, without limiting the scope of the above statement by the following list, the CEO 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:

I have interpreted that compliance will be demonstrated when:

- a) The College has an appointed an Asset Management Administrator, who can also provide a knowledgeable custodian for the College's funds.
- b) The College utilizes well-qualified investment advisors who actually make the securities purchases, who are also are independent of any investment fund.

This interpretation is reasonable because the investment of the College's available funds are achieved by a bonded, leagally accountable trust administrator, and secondary fund custodian. Further such investment recommendations are acted upon, based upon recommendations of an independent securities advisor.

EVIDENCE:

- a) The College CFO confirmed on 04.19.23 that Comerica Securities, and both Financial Consultants, Kyle Rademaker and Chris Theut, have extensive knowledge and history with serving public funds investment clients. The CFO also confirmed on 04.20.23 that MILAF has active involvement of well-qualified investment advisors with a provend track record, who are independent of any investment fund. Also, the Michigan Liquid Asset Fund Plus (MILAF+) program was verified to provide a knowledgeable custodian.\_
- b) The College CFO confirmed on 04.19.23 that neither Comerica Securities and/or it's Financial Consultants, are engaged or participate, in any form of soft-dollar arrangements with any of the Firms approved fund companies or investment providers. On 04.20.23 the CFO confirmed that the College is currently utilizing the MILAF+ investment fund.

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

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) The College has engaged the use of a fund advisor, who is not also the fund custodian;
- b) The funds held by the asset custodian, and security purchases made by

investment advisor, are held in the Colleges name only.

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

**EVIDENCE:**

- a) The College CFO confirmed on 04.19.23 that Comerica Securities utilizes Pershing LLC, as it's 'clearing agent and custodian', and they are responsible for holding the assets on behalf of their clients. Comerica's brochure, *Understanding the Protection of Client Assets*, details their safekeeping and custody arrangements. The CFO confirmed on 04.20.23 with MILAF+ that the College is engaged the use of a fund advisor, who is not also the fund custodian.
- b) The CFO confirmed on 04.19.23 that the College's account holdings are held in a segregated account on their behalf which is referenced in the section titled Segregation and Control of Assets within Comerica's brochure titled *Understanding the Protection of Client Assets*. On 04.20.23 the CFO confirmed with MILAF+ that the funds held by the asset custodian, and security purchases made by investment advisor are held in the College's name only.

**1.2. Permit the advisor to withdraw any funds from the accounts except to cover payment of previously agreed-to fees, or at the s specific direction of the College's Chief Financial Officer or President.**

**INTERPRETATION:**

I have interpreted that compliance will be demonstrated when:

- a) Fees are specified in the agreements of the engaged financial and asset management organizations.

This interpretation is reasonable because the way the fees are structured, the available reporting, and that the agreements are legally binding instruments between the College and the third-party organizations.

**EVIDENCE:**

- a) The CFO confirmed on 04.19.23 that the Colleges account is a transactional and non-advisory account and as so there are no active management fees. – On 4/20/23 CFO confirm with MILAF+ that the College is invested in the MILAF+ Fund, and as such, the fees within the fund are disclosed in the MILAF information Statement, and that there are no fees outside the fund.

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

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) Investment maturity dates are structured to mature at times that meet cash flow needs of the College based upon a planned schedule; and
- b) The actual interest-based revenue return matches the anticipated return without penalties for withdrawal.

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

EVIDENCE:

- a) The CFO confirmed on 04.20.23 that maturity dates on investments are structured to mature at times that meet the College's cash flow needs.
- b) The CFO confirmed on 04.19.23 that the College's account with Comerica is a transactional brokerage account, and as such there is no stated or guaranteed rate of return. The CFO confirmed on 04.20.23 that MILAF+ has no penalties for withdrawal.

**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 Michigan community college.**

INTERPRETATION:

I have interpreted that 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 a securities organization who only offers Jackson College legal direct investments by a community college.

This interpretation is reasonable because Michigan state law defines what is permissible for a community college investments.

EVIDENCE:

- a) The CFO confirmed on 04.19.23 that Comerica Securities, and the assigned Financial Consultants, Kyle Rademaker and Chris Theut, take

steps, to the extent possible, to ensure the investments offered to the College are compliant with both State investment codes and the College's specific investment policy. The CFO also confirmed with MILAF+ on 04.20.23 that all investments meet Community College's legal requirements.

The Jackson College Board of Trustees assessed this monitoring report and found that it demonstrated compliance with a reasonable interpretation of the policy at the regular Jackson College Board meeting on May 8, 2023.