Rocky Mountain Risk Insurance Group

PROCEDURE NO. D-6
DATE: 2/10/2016

Subject: INVESTMENT GUIDELINES AND PROCEDURES

In accordance with Investment of Funds Policy No. D-5, the attached Investment Guidelines and Procedures are adopted to implement such Policy.

Rocky Mountain Risk Insurance Group SELF-INSURANCE POOL
INVESTMENT GUIDELINES AND PROCEDURES

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SECTION 1
GOVERNING AUTHORITY

The investment program of the Rocky Mountain Risk Insurance Group shall be operated in conformance with federal, state, and other legal requirements, including the following:

- C.R.S. 11-10.5-101, et seq. (Public Deposit Protection Act for Banks)
- C.R.S. 11-47-101, et seq. (Public Deposit Protection Act for Savings and Loan Associations)
- C.R.S. 24-75-601, et seq. (Legal Investment of Public Funds)
- C.R.S. 24-10-115.5, et seq. (Authority for Public Entities to Pool Insurance Coverage - Liability)
- C.R.S. 29-13-102 (Authority for Units of Local Government to Pool Insurance Coverage - Property)
- C.R.S. 29-1-201, et seq. (Intergovernmental Relationships)
- C.R.S. 29-1-401, et seq. (Associations of Political Subdivisions)

SECTION 2
SCOPE

These investment guidelines and procedures apply to the investment of funds of the Rocky Mountain Risk Insurance Group, and such other funds of the Rocky Mountain Risk Insurance Group that the Board may from time to time determine are subject to its administrative and financial control (hereinafter "Rocky Mountain Risk Insurance Group Funds").

The investment guidelines and procedures herein:

- replace any previous investment policies or investment guidelines relative to the Rocky Mountain Risk Insurance Group Funds;
- may be amended at any time upon approval of the Board of Directors of the Rocky Mountain Risk Insurance Group; and
- will be reviewed, renewed, or modified by the Board within a period not to exceed two years subsequent to initial or most recent adoption.

SECTION 3
INVESTMENT OBJECTIVES

All Rocky Mountain Risk Insurance Group Funds allocated to a specific use but temporarily not needed shall be invested in accordance with state law and in a manner designed to accomplish the following objectives, in priority order:

1. Safety of funds.
Safely of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

Investment of Rocky Mountain Risk Insurance Group Funds will be undertaken so as to minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

• Limiting investments to the types of securities listed in Section 6 of these Investment Guidelines and Procedures;

• Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Rocky Mountain Risk Insurance Group will do business in accordance with Section 5;

• Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

Rocky Mountain Risk Insurance Group Funds will be invested in order to minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

• Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;

• Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with these Guidelines and theRocky Mountain Risk Insurance Group ' investment policy.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer someday liquidity for short-term funds.

3. Yield
The Rocky Mountain Risk Insurance Group Funds' cash management portfolio shall be designed with the objective of regularly meeting or exceeding a performance benchmark, which could be the average return on three-month U.S. Treasury bills, the state investment pool, a money market mutual fund (specify) or the average rate on Fed funds, whichever is higher. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

SECTION 4
INVESTMENT OFFICER

Management responsibility for the investment program rests with the Board. The Board may designate an officer of the Board, which may include the Executive Director, as investment officer, or appoint an investment management firm to carry out the investment decisions and investment activities in accordance with the investment policy and these guidelines and procedures.

The investment officer or investment management firm will be guided by the "prudent investor rule" when investing or managing Rocky Mountain Risk Insurance Group Funds. This requirement states that fiduciaries, such as official custodians who make investments or deposits for local governments, are obligated to exercise:

"... the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital." (CRS § 15-1-304).

Such officer or firm acting in accordance with the investment policy and exercising due diligence by following this policy shall be relieved of personal responsibility for an individual security's credit risk or market price changes according to C.R.S. 24-75-601.4, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

SECTION 5
ELIGIBLE PUBLIC DEPOSITORIES AND SECURITIES BROKER/DEALERS

The following institutions shall be designated as "eligible depositories" for Rocky Mountain Risk Insurance Group Funds:

- Banks which are "eligible public depositories" pursuant to the Public Deposit Protection Act, CRS § 11-10.5-101, et seq.

- Savings and loan associations which are "eligible public depositories" pursuant to the Savings and Loan Association Public Deposit Protection Act, CRS § 11-47-101, et seq.

All deposits of Rocky Mountain Risk Insurance Group Funds in "eligible public depositories," to the extent not fully insured by and under the Bank Insurance Fund of the FDIC or the Savings Association Insurance Fund of the FDIC, shall be fully collateralized pursuant to Sections 11-10.5-101, et seq. C.R.S. and 11-47-101, et seq., C.R.S., and any regulations promulgated by the Banking Board or the Commissioner of Financial Services.

The following will be designated eligible brokers/dealers for governmental securities purchases allowed under state law:

- Broker/dealers or regional dealers; including "primary" brokers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

- A bank which is an eligible public depository, pursuant to CRS § 11-10.5-111(5).

- A savings and loan association which is an eligible public depository, pursuant to CRS § 11-47-118(3).

In selecting depositories and broker/dealers, the creditworthiness of such institutions shall be considered and the investment officer or investment management firm is responsible for conducting a comprehensive review of the credit characteristics, financial history/status, and regulatory history of such prospective depositories or broker/dealers. In the judgment of the investment officer or investment management firm, all financial institutions and broker/dealers who desire to become qualified for investment transactions involving Rocky Mountain Risk Insurance Group Funds may be required to supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;

- For broker/dealers, a minimum capital requirement of $10,000,000 and at least five years of operational history;

- Proof of Financial Industry Regulatory Authority (FINRA) or Securities and Exchange Commission registration/licensing;

- Proof of state licensing/registration in Colorado;

- Current CRD/IARD reports for each broker/dealer or investment advisor;

  - Certification of having read and understood and agreeing to comply with the BOCES' investment policy, including disclosure of conflicts of interests or other risks to the Rocky Mountain Risk Insurance Group Funds;

- Evidence of adequate insurance (SIPC) coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

SECTION 6
LEGAL INVESTMENTS

The following are legal instruments or methods of investment for investment of Rocky Mountain Risk Insurance Group Funds:

1. U.S Treasuries or Agencies of the United States Government for which the full faith and credit of the United States Treasury guarantees fully all principal and interest payments, with a maximum maturity of five (5) years from the settlement date. These securities must carry at least two ratings not below AA-/Aa3/AA- from any nationally recognized rating agencies. The Rocky Mountain Risk Insurance Group' investment in these securities may be up to 100% of its total portfolio.

2. Obligations of U.S. Government Instrumentalities with a maximum maturity of three (3) years from the settlement date. . Specifically mentioned obligations include securities issued by the Federal Farm Credit Bank [FFCB], the Federal Home Loan Bank [FHLB], [FNMA] Federal National Mortgage Association, [FHLMC] Federal Home Loan Mortgage Corporation or other GSE's identified by the Investment Officer. These securities are not guaranteed by the full faith and credit of the United States Government, however, hold an implied federal guarantee.

These securities must carry at least two ratings not below AA-/Aa3/AA- from any nationally recognized rating agencies. The diversification limits for such securities are subject to those set forth in Section 7, below.

3. Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of, the U.S. congress where the issuing agency is subject to control by the federal government at least as extensive as that which governs the agencies listed above. These securities must carry at least two ratings not below AA-/Aa3/AA- from any nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three (3) years. The

diversification limits for such securities are subject to those set forth in Section 7, below.

4. General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. These securities must be rated in the highest two rating categories by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three (3) years, unless the Board authorizes a longer maturity period.

5. Revenue obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest rating category by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three (3) years.

6. Securities issued by the Rocky Mountain Risk Insurance Group or any member district, including certificates of participation and lease obligations.

7. A certificate of participation or other security evidencing rights in payments to be made by a school district under a lease, lease-purchase agreement, or similar arrangement if the security, at the time of purchase, carries at least two (2) credit ratings from any of the nationally recognized credit rating agencies and is rated at or above "A" by all such credit agencies that have provided a rating.

8. Any interest in a local government investment pool pursuant to CRS § 24-75-701, et seq.

9. Repurchase agreements for any of the U.S. Government and agency securities listed in paragraphs 1 and 2 above, provided that the securities must be marketable; that the market value of such securities at all times must be at least equal to the funds invested by the BOCES; and that the title must be transferred and the securities must actually be delivered versus payment. The securities subject to repurchase agreement may have a maturity in excess of five (5) years, however the period from the settlement date of the repurchase agreement to its maturity shall be no longer than five (5) years unless the Board authorizes a longer maturity period.

10. Reverse repurchase agreements for any of the U.S. Government and agency securities listed in paragraphs 1 and 2 above, subject to several conditions, including that necessary transfer documents must be transferred to the Rocky Mountain Risk Insurance Group; cash must be received by the Rocky Mountain Risk Insurance Group or its approved custodian in a delivery versus payment settlement; that the market value of such cash received from such reverse repurchase agreement at all times must be at least equal to the funds invested by the BOCES; that the repurchase agreement is not greater than ninety (90) days in maturity from the date of settlement

unless the Rocky Mountain Risk Insurance Group authorizes a longer maturity period; that the counter-party meets the credit conditions of an issuer that would qualify under paragraph 14, below; that the value of all securities does not exceed eighty percent (80%) of the total deposits and investments of the Rocky Mountain Risk Insurance Group; and that no securities are purchased with the proceeds of the reverse repurchase agreement that are greater in maturity than the term of the reverse repurchase agreement.

11. Securities lending agreement, subject to certain conditions, including that necessary transfer documents must be transferred to the Rocky Mountain Risk Insurance Group; securities must be received by the Rocky Mountain Risk Insurance Group in a simultaneous settlement; that the market value of such securities at all times must be at least equal to the securities lent by the Rocky Mountain Risk Insurance Group; that the counter-party meets the credit conditions of an issuer that would qualify under paragraph 14, below; and that in the case of a local government, the securities lending agreement shall be approved and designated by written resolution adopted by a majority vote of the Board and recorded in its minutes.

12. Money market funds that are registered under the federal "Investment Company Act of 1940," if at the time of investment the fund seeks to maintain a constant share price; the fund charges no sale or load fees unless the Board authorizes such a fee at the time of purchase; the securities have maximum maturity as specified in Rule 2a-7 of the federal "Investment Company Act of 1940"; the fund has assets of $1 billion, or has the highest current rating from at least one nationally recognized rating agency; and the dollar-weighted average portfolio maturity meets requirements of Rule 2a-7 and has a maturity date of not more than one hundred eighty (180) days.

13. Guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities ratings agencies that regularly issue such ratings; with a maturity not greater than three (3) years; contracts with a maturity of greater than three (3) years shall only be purchased only with debt, certificates of participation, or lease-purchase agreement proceeds, but no refunding proceeds.

14. U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three (3) years; the debt must carry at least two ratings not below "AA- or Aa3" from any nationally recognized rating agencies; if the security is a money market instrument such as commercial paper or bankers' acceptance, then it must carry at least two credit ratings from any nationally recognized credit rating agencies and must not be rated below "A1, P1, or F1"; and the book value of the Rocky Mountain Risk Insurance Group' investment in this type of debt shall at no time exceed 50% of the Rocky Mountain Risk Insurance Group' investment portfolio, or five percent (5%) of the book value if the debt is issued by a single corporation or bank unless the Board authorizes a greater percent.

15. Time certificates of deposit, savings accounts, or other interest-bearing accounts in “eligible public depositories” as defined above. Rocky Mountain Risk Insurance Group’ Funds may not be invested in out-of-state banks unless such investment is through an “eligible public depository” and such depository complies with the conditions set forth in C.R.S. 24-75-603(4).

Pursuant to C.R.S. 24-75-601.3, if it is determined that any investment of the Rocky Mountain Risk Insurance Group Funds is not included as a lawful investment in C.R.S. 24-75-601.1 or other statutory authority, Rocky Mountain Risk Insurance Group, within such time as is reasonable to avoid suffering a loss on such investment, will divest itself of such investment within 6 months of the initial disclosure of the existence of the unlawful investment.

SECTION 7
INVESTMENT PARAMETERS

A. Diversification
The investments shall be diversified by:

• limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);

• limiting investment in securities that have higher credit risks;

• investing in securities with varying maturities, and

• continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

B. Maximum Maturities
To the extent possible, the Rocky Mountain Risk Insurance Group Funds shall be invested in order to attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Rocky Mountain Risk Insurance Group Funds will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes. The Board may elect to adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Board.

SECTION 8
COMPETITIVE QUOTES

The Investment officer or investment management firm shall obtain and document competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market. Investments will be made on the basis of the safety, liquidity, and yield of invested money with regard for the characteristics of quotes and the quoting institutions.

SECTION 9
SAFEKEEPING/CUSTODY

Securities will be held by an independent third-party custodian, which shall be an eligible public depository selected by the Rocky Mountain Risk Insurance Group, as evidenced by safekeeping receipts in the BOCES' name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

The investment officer or investment firm shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Board, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Rocky Mountain Risk Insurance Group.

SECTION 10
DOCUMENTATION

All purchases and sales of investments shall be authorized or confirmed in writing with the issuer and third-party safekeeping custodian. For investment transactions which are conducted electronically, confirmation in the form of annotated documentation and confirmation received should be retained.

SECTION 11
REPORTING

The investment officer shall submit quarterly an investment report that summarizes recent
market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, and

describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter: The report shall be in compliance with state law and shall be distributed to the investment committee and others as required by law.

Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies. Copies shall be transmitted to the independent auditor.

SECTION 12
AUDITING

The Pool Administrator shall conduct regular and/or unscheduled reviews of all of the investment transactions. Problems or concerns found in these reviews will be reported to the investment officer of the investment management firm.

C.R.S. 29-1-603(4) provides the entities listed in C.R.S. 29-1-602(5) (b) shall annually have an audit made by a certified public accountant and shall file a copy of the audit report made pursuant to such audit with the state auditor beginning with the audit for the year ending December 31, 1989, no later than 30 days after the report is received by the entity. Public Entity Insurance Pools formed pursuant to Colorado law, such as the Rocky Mountain Risk Insurance Group, are specifically listed in C.R.S. 29-1-602(5)(b).

C.R.S. 29-1-606 requires the certified public accountant to complete the audit and submit it to the Pool within 6 months after close of the fiscal year of the Pool. The Pool's audit report shall thus be filed with the state auditor no later than January 31 of each year.

C.R.S. 24-75-601.3 requires that the audit of the Pool's financial statement include a supplemental listing of investments held by the Pool as the date of the audited financial statement, beginning with the audit for the year ending and each year thereafter.