



1-888-NJ Pool 1

New Jersey Schools Insurance Group

6000 Midlantic Drive, Suite 300 North
Mount Laurel, New Jersey 08054
(609) 386-6060 • FAX (609) 386-8877
www.njsig.org

Board of Trustees Meeting of March 15, 2017

Action Item

Cash Management Plan

In conjunction with the implementation of the retention of Wilmington Trust as NJSIG's investment advisor, and because NJSIG's current cash management plan has expired, attached is a proposed updated cash management plan. To this end, it is proposed that the Board adopt the attached cash management plan.

Recommended Resolution: to approve the attached cash management plan.

William Mayo

William Mayo, CPCU, ARM
Executive Director



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NEW JERSEY SCHOOLS INSURANCE GROUP CASH MANAGEMENT AND INVESTMENT PLAN

1.) Cash Management and Investment Objectives

The New Jersey Schools Insurance Group (hereinafter referred to as “NJSIG”) objectives in this area are:

- a.) Preservation of capital;
- b.) Adequate safekeeping of assets;
- c.) Maintenance of liquidity to meet operating needs, claims settlements and grants/dividends;
- d.) Diversification of NJSIG’s portfolio to minimize risks associated with individual investments;
- e.) Maximization of total return, consistent with risk levels specified herein;
- f.) Investment of assets in accordance with State and Federal Laws and Regulations;
- g.) Accurate and timely reporting of interest earnings, gains and losses by line of coverage in each fund year; and,
- h.) Stability in the value of NJSIG’s economic surplus.

2.) Permissible Investments

All investments shall be made in accordance with this cash management plan and consistent with the statutes and regulations of the State Investment Council governing the investment of surplus public monies of the State of New Jersey. All investments shall be made in accordance with N.J.S.A. 18A:20-37, N.J.S.A. 18A:18B-4(b)(2) and N.J.A.C. 11:15-4.4(a). All investments shall comply with N.J.S.A. 18A:18B, et seq. (P.L. 1983, c. 108), State of New Jersey Joint Insurance Fund Statutes on purchasing of securities and be approved by the State of New Jersey, Department of Banking and Insurance (“DOBI”) and State of New Jersey, State Investment Council (“SIC”). Investments will be limited to the following (exceptions will be allowed if written approval is received from DOBI, SIC and by the NJSIG Finance Committee):



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- a.) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- b.) Government money market mutual funds;
- c.) Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors;
- d.) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- e.) Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investment of the Department of Treasury, the State Investment Council and the Department of Banking and Insurance for investment by local units;
- f.) Local government investment pools;
- g.) Deposits with the State of New Jersey Cash Management Fund; and,
- h.) Repurchase agreements of fully collateralized securities, subject to rules and conditions established by the State of New Jersey Department of Community Affairs, State of New Jersey Department of Banking and Insurance and the State of New Jersey State Investment Council.

3.) Authorized Depositories

In addition to the above, NJSIG's is authorized to deposit funds in certificates of deposit and other time deposits in banks covered by the Governmental Unit Depository Protection Act, N.J.S.A. 17:9-14, et seq. ("GUDPA"). Specifically authorized depositories are as follows:

- a.) TD Bank;
- b.) TD Wealth;
- c.) Investor's Bank;
- d.) Wilmington Trust; and,
- e.) New Jersey Cash Management Fund.

All such depositories shall acknowledge in writing receipt of the Plan by sending a copy of acknowledgement to NJSIG's Executive Director.



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4.) NJSIG for Investment Management

NJSIG's Executive Director (or retained asset manager) is directed by the NJSIG Finance Committee to authorize investments which are consistent with this plan and all appropriate regulatory constraints. When possible, federal securities shall be purchased directly from the U.S. Treasury. Transactions may also be processed through the New Jersey Division of Investment by NJSIG's Executive Director and/or a retained asset manager.

The following institution is hereby designated as the firm with whom NJSIG's Executive Director may deal for purposes of buying and selling securities identified in this Plan as "Permissible Investments" (permitted investments) or otherwise providing for Deposits:

- f.) TD Bank;
- g.) TD Wealth;
- h.) Investor's Bank;
- i.) Wilmington Trust; and,
- j.) New Jersey Cash Management Fund.

All such institutions shall acknowledge in writing receipt of the Plan by sending a copy of acknowledgement to NJSIG's Executive Director.

5.) Preservation of Capital

Securities shall be purchased with the ability to hold until maturity.

6.) Safekeeping

Securities purchased on behalf of NJSIG's shall be delivered electronically or physically to NJSIG's custodial bank, which shall maintain custodial and/or safekeeping of the accounts for such securities on behalf of NJSIG's. These securities will be covered by a custodial agreement with the financial institution in the State of New Jersey. The custodial agreement will comply with the required language in N.J.S.A. 18A:20-37-1(b) and the NAIC Financial Condition Handbook Guidelines on Custodian and Safekeeping Agreements. Such institution shall provide for the designation of such



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investment in the name of NJSIG's to assure that there is no unauthorized use of the funds or the Permitted Investments or deposits. The purchase of any Permitted Investments that involve securities shall be executed by a "delivery versus payment" method to insure that such Permitted Investments are either received by NJSIG's or by a third party custodian prior to or upon the release of NJSIG's payment

To assure that all parties with whom NJSIG's deals either by way of Deposits or Permitted Investments are aware of the authority and the limits set forth in this Plan, all such parties shall be supplied with a copy of this Plan in writing and all such parties shall acknowledge the receipt of that Plan in writing, a copy of which shall be on file with NJSIG's Executive Director.

7.) Reporting for Asset Managers

The asset manager will submit written statements describing the proposed investment strategy for achieving the objectives identified herein. The asset manager shall also submit revisions to strategy when justified as a result of changing market conditions or other factors. Such statements shall be provided to NJSIG's Executive Director and Comptroller. The asset manager shall provide NJSIG's Executive Director with a copy of the institution's annual National Association of Security Dealers' audit.

8.) Reporting Requirements

Asset managers will submit written statements to NJSIG's Executive Director and Comptroller describing the proposed investment strategy for achieving the objectives identified herein. Asset managers shall also submit revisions to strategy when justified as a result of changing market conditions or other factors. Such statements shall be provided to NJSIG's Executive Director and Comptroller. The statements shall also include confirmation that all investments are made in accordance with this plan. Additionally, the Asset Manager shall include a statement that verifies the reconciliation and determination of the appropriate fair value of NJSIG's portfolio based on valuation guidelines that shall be kept on file in NJSIG's Executive Director's office.



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NJSIG's Comptroller shall report to the NJSIG Board of Trustee at all regular meetings on all investments. This report shall include information on the balances in all bank and investment accounts, and purchases, sales, and redemptions occurring in the prior month.

9.) Audit

This plan, and all matters pertaining to the implementation of it, shall be subject to NJSIG's annual audit and to audits by DOBI.

10.) Cash Flow Projections

Asset management decisions shall be guided by cash flow factors and payout factors supplied by NJSIG's Actuary and reviewed by the NJSIG Finance Committee, NJSIG's Executive Director and NJSIG's Comptroller.

11.) Cash Management

All moneys turned over to NJSIG's shall be deposited within forty-eight (48) hours in accordance with N.J.S.A. 40A:5-15 and N.J.S.A. 18A:20-37.

NJSIG's Executive Director shall minimize the possibility of idle cash accumulating in accounts by assuring that all amounts in excess of negotiated compensating balances are kept in interest bearing accounts or promptly credited into the investment portfolio.

Cash may be withdrawn from investment pools under the discretion of NJSIG's Executive Director and/or NJSIG's asset managers and only to fund operations.

NJSIG's Comptroller shall escheat to the State of New Jersey checks which remain outstanding for three years or more after the date of issuance. However, prior to implementing such procedures, NJSIG's Comptroller, with the assistance of NJSIG's Claims Manager, shall confirm that the outstanding check continues to represent a valid claim against NJSIG's.



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12.) Authorized Signatories and Verification

Checks over \$5,000 require two (2) signatures. NJSIG's Executive Director is the primary signatory on all accounts. The alternate primary signatories on all accounts are NJSIG's Loss Control Manager and/or the NJASBO Representative to the NJSIG Finance Committee and/or NJSIG's Board of Trustee Chairperson. All wire transactions require initiation by NJSIG's Executive Director (or NJSIG's Loss Control Manager) and must be verified by NJSIG's Claims Manager, Underwriting Manager and/or Information Technology Manager.

The following is a listing of NJSIG's accounts and the authorized signatories on the accounts:

Concentration Account: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager serves as the permanent backup person to the Executive Director. Additional designations on these accounts will be the NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees.

Operating Account: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. The Claims Manager, the Underwriting Manager, the NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees are the additional signatories on this account.

Claims Account: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as permanent backup person to the Executive Director. The Office Manager, the Underwriting Manager, the NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees are the additional signatories on this account.



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Payroll Account: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. The Claims Manager, the Underwriting Manager, the NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees are the additional signatories on this account.

FSA/DCA Account: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. The Claims Manager, the Underwriting Manager, the NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees are the additional signatories on this account.

Lockbox Account: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. Additional designations on these accounts will be the NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees.

TD Bank CD's: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. Additional designations on these accounts will be NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees.

TD Wealth Management - NJSIG Capital Management Trust Fund: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. Additional designations on these accounts will be NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees.



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NJ Cash Management Fund: The Executive Director and the Loss Control Manager are the designated authorities on this account. The Loss Control Manager will serve as the permanent backup person to the Executive Director. Additional designations on these accounts will be NJASBO Representative to the NJSIG Finance Committee & the Chairperson of the Trustees.

13.) **Deviations/Amendments**

Any recommendation regarding a deviation or amendment to the Cash Management Plan (to the extent permitted by law then in effect), must first be approved by two-thirds (2/3) vote of the NJSIG Finance Committee, and then forwarded to the NJSIG Board of Trustees for action.

14.) **Term of Plan**

This Plan shall be in effect from 03/15/2017 to 3/31/2018 Attached to this Plan is a resolution of the NJSIG Board of Trustees approving this Plan for such period of time. The Plan may be amended from time to time. To the extent that any amendment is adopted by the NJSIG Board of Trustees, NJSIG's Executive Director will supply copies of the amendments to all of the parties who otherwise have received the copy of the originally approved Plan, which amendment shall be acknowledged in writing in the same manner as the original Plan was so acknowledged.



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Acknowledgement of receipt

I have received a copy of the NJSIG Cash Management Plan and I understand and agree that I must abide by the terms of this Cash Management Plan.

Signed: _____

Print Name: _____

Title: _____

Organization: _____

Date: _____