



FY 2024 INVESTMENT POLICY

(July 2023)

Texas Appraiser Licensing and Certification Board
Investment Policy

Section 2.00 Policy Statement.

It is the policy of the Texas Appraiser Licensing and Certification Board that the administration of its funds and the investment of those funds shall be handled in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the Board and conforming to all applicable state statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the Board to be in complete compliance with the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended.

Section 2.01 Scope.

The Board will endeavor to earn a return on funds invested at the optimum investment return after taking into account the primary goals of preservation of principal and liquidity of funds invested. A separate portfolio of investments may be created for each investment strategy and each portfolio will be managed in a manner consistent with the policy and applicable strategy objectives described below. This investment policy applies to all financial assets and funds held by the Board and include:

Educational Development Reserve; and Current
Operations and Contingencies Reserve.

Section 2.02 Prudence.

Investments shall be made with judgment and care under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by Investment Officers shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officers acting in accordance with written procedures, this Investment Policy, any applicable investment strategies, and exercising due diligence, shall be relieved of personal responsibility for an individual instrument’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. In determining whether an Investment Officer has exercised prudence with respect to an investment decision; the determination shall be made taking into consideration the investment of all funds over which the Officer had responsibility rather than consideration as to the prudence of a single investment; and whether the investment decision was consistent with this Investment Policy, the applicable Investment Strategy and written investment procedures.

Section 2.03 Objectives.

The Educational Development Reserve and Current Operations and Contingency Reserve funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Preservation and Safety of Principal

Safety of principal is the foremost objective of the Board. Investments of the Board shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio’s composition in order to minimize potential losses on the portfolio.

Liquidity

The Board’s investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.

Yield

The Board’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the Board’s investment risk constraints

and the cash flow characteristics of the portfolio. It is recognized that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, if adequate diversification has been implemented.

Section 2.04 Delegation of Authority.

Authority to manage the investment program is derived from the Act, specifically, Section 2256.005(f)-(h). Management responsibility for the investment program is hereby delegated to the Director of Finance, Accounting Manager, and Senior Budget Analyst of the Texas Real Estate Commission/Texas Appraiser Licensing and Certification Board, who for purposes of this Investment Policy, shall be referred to herein as the Investment Officers. The Investment Officers will be responsible for all transactions undertaken under this Investment Policy.

Section 2.05 Public Funds Investment Act Training.

In order to ensure qualified and capable investment management, each member of the Board and the Investment Officers shall attend at least one training session relating to the person's responsibilities under the Act within six months after taking office or assuming duties. The Investment Officers shall attend an investment training session not less than once each state fiscal biennium and may receive training from any independent source approved by the Board. Training to be received by the Investment Officers must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio assets, and compliance with the Act.

Section 2.06 Public Funds Investment Act Reporting.

The Investment Officers shall prepare and submit to each member of the Board and the Commissioner an investment report no less frequently than quarterly. In addition to the information required by the Act, the report shall contain sufficient information to provide for a comprehensive review of investment activity, current investment instruments and performance for that period, and shall include, at a minimum:

(For each individual investment)

- a. The book value at the end of the reporting period;
- b. The market value at the end of the reporting period;
- c. The maturity date of each investment,
- d. A statement of intent if some or all securities are intended to be held to maturity;
- e. Any variations from the Texas PFIA, this investment policy or the investment strategy of the Board; and
- f. Any recommended amendments to current specific investment strategies.

The investment report shall be prepared jointly and signed by all Investment Officers.

At least once every two years, the Board shall perform a compliance audit of management controls on investments and adherence to the established investment policies as set forth in this document.

Section 2.07 Safekeeping.

All securities purchased by the Board under this Investment Policy shall be designated as assets of the Board, shall be conducted on a delivery-versus-payment (DVP) basis, and shall be protected by a third-party custodian/safekeeping agent. As required by law, cash is held in the Texas Treasury Safekeeping Trust Company (Trust Company).

Section 2.08 Investment Strategy.

The investment strategy for the funds is to maintain a laddered approach to portfolio management. Having a relatively even distribution of securities maturing each year helps eliminate extreme interest rate exposure. Investments will be set to mature on a quarterly basis when possible. The maximum allowable stated maturity of investments is 10 years.

As required by law, cash is held in the Texas Treasury Safekeeping Trust Company (Trust Company). Cash is fully invested at all times and reinvested by the Trust Company in those investments authorized for state funds. Interest is compounded daily with earnings credited daily.

Section 2.09 Authorized Investments.

Authorized investments include primarily, Direct Obligations of the United States Treasury (i.e., Treasury Bills, Notes, and bonds). Occasionally, Indirect Obligations of the Treasury or Agency Securities may be considered an appropriate investment (example, Federal National Mortgage Association - FNMA). This is considered on a case-by-case basis. All investment transactions must be settled on a delivery versus payment basis. The securities are held by the Trust Company as trustee. The Trust Company monitors the market price of investments and updates them daily. The Trust Company invests cash as described by Sections 404.024 and 404.106, Texas Government Code using prudent investment standards.

Section 2.10 Account Balances and Expenses.

a. Current Operations and Contingency Reserves Account Balances

The Board will accumulate and maintain an Operations and Contingencies Reserve totaling not less than three months of current budget's estimated operating expenses, excluding all "pass through" expense items. These Reserves will be held in highly liquid overnight repurchase agreement (Repo). This type of repurchase agreement mature nightly and the instrument turns back into cash the next day. Once the target Operations & Contingencies Reserve is achieved, any other specifically approved reserves are funded at specific levels approved by the Board, as needed to provide for planned projects.

b. Education Development Reserve Account Balances

The balance of this reserve include Administrative Penalties collected from January 1, 2016, to August 31, 2019 that have not been expended. Effective September 1, 2019 all future Administrative Penalties collected by TALCB will be transferred to General Revenue. The proceeds of this fund may be used for the following purposes:

- Membership dues, registration fees, and other expenses related to the participation in the Association of Appraiser Regulatory Officials (AARO) to interact with federal oversight agencies and financial industry regulators, participate in and gain understanding of national regulatory trends and various state initiatives;
- Registration fees and other expenses for attendance at meetings of the Appraiser Qualifications Board (AQB), Appraiser Standards Board (ASB), Appraisal Subcommittee (ASC);
- Registration fees and other expenses for the attendance at meetings of the Association of Texas Appraisers (ATA), and the Foundation Appraisers Coalition of Texas (FACT); or any other similar organizations related to the appraisal industry;
- Expenses for the cost of educational presentations by Board members or staff to groups of license holders or other stakeholders;
- Expenses for the costs of education or training for issues concerning bias and discrimination in the appraisal industry or appraisal practice;
- Any other similar expenses reasonably related to educational purpose