SOMERSET COUNTY JOINT INSURANCE FUND

Cash Management Plan

The following Plan constitutes the Cash Management and Investment policy of the Somerset County Joint Insurance Fund (herein referred to as the Fund).

I. Cash Management and Investment Objectives

The objectives are:

1. Preservation of capital.
2. Adequate safekeeping of assets.
3. Maintenance of liquidity to meet operating needs, claims settlements and dividends.
4. Diversification of the Fund's portfolio to minimize risks associated with individual investments.
5. Maximization of total return, consistent with risk levels specified herein.
6. Investment of assets in accordance with State and Federal Laws and Regulations.
7. Accurate and timely reporting of interest earnings, gains and losses by line of coverage in each Fund year.
8. Where legally permissible, cooperation with local municipal joint insurance funds, and the New Jersey Division of Investment in the planning and execution of investments in order to achieve economies of scale.
9. Stability in the value of the Fund's economic surplus.

II. Permissible Investments

A. Investments shall be limited by the express authority of the Local Fiscal Affair Law, N.J.S.A. 40A:5-15.1 and in compliance with NJSA40A:10-and except as otherwise specifically provided for herein, the Designated Official is hereby authorized to invest the public funds covered by this Plan, to the extent not otherwise held in Deposits, in the following Permitted Investments:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law,” P.L. 1983, c.313 (C40A:5A-1 et seq.). Other bonds or

obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts;

6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4);
8. Agreements for the repurchase of fully collateralized securities if:
   a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c.313 (C.40A:5A-1 et seq.);
   b. the custody of collateral is transferred to a third party;
   c. the maturity of the agreement is not more than 30 days;
   d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:9-41); and for which a master repurchase agreement providing for the custody and security of collateral is executed; or

B. Not withstanding the above authorization, the monies on hand in the following funds and accounts shall be further limited as to maturities, specific investments or otherwise as follows:

Money Market Accounts at:

Fulton Bank

State of New Jersey Cash Management Fund

Peapack Gladstone Bank

Unity Bank

III. Authorized Depositories

The following banks and financial institutions are hereby designated as official depositories for the Deposit of all public funds referred to in the Plan, including any certificates of Deposit which are not otherwise invested in Permitted Investments as provided for in this Plan:

Fulton Bank, Somerville Branch, 103 West End Avenue, Somerville, NJ 08876

Peapack Gladstone Bank, P.O. Box 178, Gladstone, NJ 07934

State of New Jersey Cash Management Fund c/o Citigroup Fund Services, P.O. Box 446, Portland, ME 04112

Unity Bank, 12 Mountain Ave., Somerville, NJ 08876

All such depositories shall acknowledge in writing receipt of this Plan by sending a copy of such acknowledgment to the "Designated Official".

IV. Authority for Investment Management

The "Designated Official" is directed to make authorized investments which shall be consistent with this plan and all appropriate regulatory constraints.

The following institution is hereby designated as the firm with whom the "Designated Official" of the Fund referred to in this Plan may deal for purposes of buying and selling securities identified in this Plan as Permitted Investments or otherwise providing for Deposits.

PFM Asset Management, LLC

The institution shall acknowledge in writing receipt of this Plan by sending a copy of such acknowledgment to the "Designated Official".

V. Audit

This plan, and all matters pertaining to the implementation of it, shall be subject to the Fund's annual audit. The Fund reserves the right to audit more frequently.

VI. Safekeeping custody payment and acknowledgment of receipt of plan

To the extent that any Deposit or Permitted Investment involves a document or security which is not physically held by the Fund, then such instrument or security shall be covered by a custodial agreement with an independent third party, which shall be a bank or financial institution in the State of New Jersey. Such institution shall provide for the designation of such investment in the name of the Fund 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 ensure that such Permitted Investments are either received by the Fund or by a third party custodian prior to or upon the release of the Fund's payment.

To assure that all parties with whom the Fund 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 the Designated Official.

VII. Reporting for Asset Manager (if applicable)

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 the "Designated Official". The asset manager shall provide the "Designated Official" with a copy of the institution's annual National Association of Security Dealers' audit.

VIII. Reporting Requirements to Fund Commissioners

At each scheduled meeting during which this Plan is in effect, the "Designated Official" hereof shall supply to the Executive Committee of the Fund a written report of any Deposits or Permitted Investments made pursuant to this Plan, which shall include, at a minimum, the following information:

1. The name of any institution holding funds of the Fund as a Deposit or a Permitted Investment.
2. The amount of securities or deposits purchased or sold during the immediately preceding month.
3. The class or type of securities purchased or Deposits made.
4. The book value of such Deposits or Permitted Investments.
5. The earned income on such Deposits or Permitted Investments. To the extent that such amounts are actually earned at maturity, this report shall provide an accrual of such earnings during the immediately preceding month.
6. The fees incurred to undertake such Deposits or Permitted Investments.
7. The market value of all Deposits or Permitted Investments as of the end of the immediately preceding month.
8. All other information which may be deemed reasonable from time to time by the Executive Committee of the Fund.

IX. Cash Flow Projections

Asset management decisions shall be guided by cash flow factors reviewed by the Finance/Investment Committee, Administrator and the "Designated Official".

X. Cash Management

All monies shall be deposited within forty-eight (48) hours in accordance with N.J.S.A. 4OA:5-15.

The "Designated Official" 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.

The method of calculating banking fees and compensation balances shall be disclosed to the Executive Committee at least annually.

Cash may be withdrawn from investment pools under the discretion of the asset manager only to fund operations.

XI. Authorized Signatories and Verification

A. All checks require two (2) signatures. Those being any two of the following positions:
   1. Custodian of Funds
   2. Chairperson
   3. Secretary
   4. Administrator

B. The "Designated Official" is authorized to effect electronic fund transfers to investment accounts. Verification is required by any one (1) of the following positions:
   1. Chairperson
   2. Secretary
   3. Administrator

C. The Administrator's staff designee(s) is granted limited electronic fund transfer authority from the Fund's operating accounts exclusive to the claims account to effect settlement.

The Executive Committee shall, by resolution, memorialize such authorities annually.

XII. 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 Finance/Investment Committee, then forwarded to the Executive Committee for action.

XIII. Term of Plan

This Plan shall be in effect from January 1 to December 31. Attached to this Plan is a resolution of the Executive Committee of the Fund 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 Executive Committee, the "Designated Official" is directed to 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.

XIV. Definitions

A. **Designated Official** shall mean the Custodian of Funds and shall hold the designation of Certified Municipal Finance Officer.

B. **Finance/Investment Committee** shall be appointed annually and shall mean an Advisory Committee comprised of at least three (3) Commissioners in addition to the Custodian of Funds.

C. **Government Money Market Mutual Fund.** An investment company or investment trust:

1. which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. sec. 80a-1 et seq., and operated in accordance with 17 C.F.R. sec. 270.2a-7.
2. the portfolio of which is limited to U.S. Government securities that meet the definition of any eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities; and
3. which has:
   a. attained the highest ranking or the highest letter and numerical rating of a nationally recognized statistical rating organization; or
   b. retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission pursuant to the "Investment Advisors Act of 1940," 15 U.S.C. sec. 80b-1 et seq., with experience investing in U.S. Government securities for at least the most recent past 60 months and with assets under management in excess of $500 million.

D. **Local Government Investment Pool.** An investment pool:

1. which is managed in accordance with 17 C.F.R. sec. 270.2a-7;
2. which is rated in the highest category by a nationally recognized statistical rating organization;
3. which is limited to U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities;
4. which is in compliance with rules adopted pursuant to the "Administrative Procedure Act, P.L. 1968, c.410 (c.52:14B -1 et seq.) by the Local Finance Board of the Division of Local Government Services in the Department of Community Affairs, which rules shall provide for disclosure and reporting requirements, and other provisions deemed necessary by the board to provide for the safety, liquidity and yield of the investments;
5. which does not permit investments in instruments that: are subject to high price volatility with changing market conditions; cannot reasonably be expected, at the time of interest rate adjustment, to have a market value

that approximates their par value; or utilize an index that does not support a stable net asset value; and

6. which purchases and redeems investments directly from the issuer, government money market mutual fund, or the State of New Jersey Cash Management Fund, or through the use of a national or State bank located within this State, or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L. 1967 c.9 (C.49:3-56) and has at least $25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S.Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.