



Statement of Investment Policy and Authority to Invest

Finance & Insurance
Item 8-1
June 10, 2018

Investment Policy and Authority to Invest

- Section 5114 of the Metropolitan's Administrative Code requires the Treasurer to submit a Statement of Investment Policy for the following fiscal year for approval by the Board.
- Sections 53600 et seq. of the California Government Code expressly grants the authority to the Board of Directors to invest public funds and that authority may be delegated to the Treasurer for a one year period.

Statement of Investment Policy

- Primary objectives - Safety, Liquidity, and then Return
- Establishes the following:
 - Eligible securities
 - Credit ratings
 - Percentage limitations
 - Liquidity and Core portfolios managed on a total return basis measured against indices
 - Current Liquidity portfolio index – ICE BAML 3-Month Treasury Bill
 - Current Core portfolio index - ICE BAML Corporate and Government, 1-5 Years, A rated or better

Statement of Investment Policy – Key Changes

- Authorizing investments and deposits in Supranationals, the CAMP, and Placement Service Deposits
 - Allowed by California Government Code but not previously included in the District's policy
- Performance Standards
 - Consolidated provisions, clarify intent
- Duration of the liquidity portfolio is revised to the index \pm 0.5 years
 - Wider band provides flexibility to manage cash position throughout the annual cash cycle
- Treasurer may change benchmarks, with report to the Board
- Statement regarding ethics and conflict of interest for the Treasurer and designees

Statement of Investment Policy – Credit Risk

- Any Nationally Recognized Statistical Rating Organization (NRSRO):
 - Table provided for Moody's, S&P and Fitch
 - Credit rating requirements for eligible securities specify the minimum credit rating category required without regard to modifiers
- If a security in the portfolio is downgraded below minimum specified, Treasurer will determine a course of action on a case-by-case basis
 - Noted in monthly report

Investment Policy, Authority to Invest, and Investment in the Local Agency Investment Fund

- Option #1:
 - Approve the Statement of Investment Policy for fiscal year 2019/20;
 - Delegate authority to the Treasurer to invest Metropolitan's Funds for fiscal year 2019/20; and,
 - Adopt a resolution authorizing investment of monies in the California State Treasurer's Local Agency Investment Fund.

Investment Policy, Authority to Invest

- Option #2:
 - Do not approve the Statement of Investment Policy for FY 2019/20, and
 - Do not delegate the authority to the Treasurer to invest Metropolitan's funds.

Investment Policy and Authority to Invest

- Staff Recommendation
Option #1

