

# ACTION ITEM

Finance and Investment Committee Meeting, December 10, 2019  
Board of Governors Meeting, December 11, 2019

<b>CONTRACT ID:</b>	<b>Investment Policy Changes</b>
<b>BUDGETED ITEM</b>	N/A
<b>CONTRACT AMOUNT</b>	N/A
<b>PURPOSE / SCOPE</b>	<p>Staff recommends an update to Citizens Investment Policies.</p> <p>Changes to all Taxable Investment Policies:</p> <ul style="list-style-type: none"><li>• Change the ratings requirement from average ratings of Baa2/BBB to minimum ratings of Baa3/BBB-<ul style="list-style-type: none"><li>○ Securities that have average ratings of BBB-/Baa3 shall not represent more than 7.5% of the Portfolio, with the securities of a single issuer representing no more than 1.0% of the portfolio</li></ul></li><li>• Increase the maximum allowed municipal securities from 20% to 25% within the portfolio</li><li>• Increase the maximum allowed Agency MBS, CMBS, RMBS, CMO from 7.5% to 15% within the portfolio</li><li>• Allow credit cards under ABS guidelines and increase the maximum allowed ABS for prime automobile, equipment loan and lease receivables, and credit card receivables from 5.0% to 7.5% of the Portfolio for the Taxable Liquidity Fund and from 7.5% to 10% of the Portfolio for the Taxable Claims-Paying Fund and Taxable Claims-Paying Long Duration Fund</li><li>• ABS for prime automobile, equipment loan and lease, and credit card receivables shall use the weighted average life as the final maturity date with a maximum weighted average life of 3 years and 6 months for the Taxable Liquidity Fund, 6 years for the Taxable Claims-Paying and 10 years for the Taxable Claims-Paying Long Duration Fund</li></ul> <p>Changes to the Taxable Claims-Paying Long Duration Fund:</p> <ul style="list-style-type: none"><li>• Increase the final maturity of the Fund from 15 years 1 month to 20 years 1 month with no more than 10% of the portfolio consisting of securities, excluding securities where weighted average life is used, with a final maturity between 15 years and 20 years 1 month.</li></ul>
<b>CONTRACT TERM(S)</b>	N/A
<b>PROCUREMENT METHOD</b>	N/A

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<b>RECOMMENDATION</b>	<p>It is recommended that Citizens' Finance and Investment Committee approve and recommends the Board of Governors:</p> <ul style="list-style-type: none"><li>a) Approve the changes to Citizens' Investment Policy duration, credit quality and composition for the Taxable Liquidity Fund, Taxable Claims-Paying Fund, and Taxable Claims-Paying Long Duration Fund. These changes will allow Citizens to take advantage of market conditions and provide additional diversification and incremental yield to Citizens' Investment Portfolio.</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li></ul>
<b>CONTACTS</b>	Jennifer Montero, Chief Financial Officer