

ACTION ITEM

Finance and Investment Committee Meeting, December 12, 2017
Board of Governors Meeting, December 13, 2017

CONTRACT ID:	Investment Policy Changes
BUDGETED ITEM	N/A
CONTRACT AMOUNT	N/A
PURPOSE/SCOPE	<p>Staff recommends an update to Citizens Investment Policies to be effective January 2, 2018.</p> <p><i>Changes to all taxable policies:</i></p> <ul style="list-style-type: none">• Change the ratings requirement from minimum ratings of Baa2/BBB to average ratings of Baa2/BBB with no ratings below Baa3/BBB-• Add publicly issued asset-backed securities for equipment lease receivables with ratings of Aaa/AAA/AAA (Moody's/S&P/Fitch). At original issuance, deal size must be at least \$500 million, and tranche size must be at least \$75 million. Maximum limit of 5%• Include a single issuer exposure limit of 0.75% of the portfolio for asset-backed securities• For the taxable claims-paying fund and taxable claims-paying long duration fund, increase asset-backed securities composition percentage from 5% to 7.5%• Increase duration for the taxable claims-paying fund and taxable claims-paying long duration fund<ul style="list-style-type: none">○ Increase percentage of taxable claims-paying fund portfolio from 20% to 25% for securities with final maturities between 85-121 months○ Increase percentage of taxable claims-paying long duration portfolio from 20% to 25% for securities with final maturities between 12 years and 15 years 1 month <p><i>Changes to the Taxable Liquidity Fund:</i></p> <ul style="list-style-type: none">• Increase corporate floating rate note composition percentage from 35% to 50% <p><i>Changes to the Taxable Claims-Paying Long Duration Fund:</i></p> <ul style="list-style-type: none">• Increase corporate composition from 70% to 75% and reduce Treasury/Agency composition from 30% to 25% <p>These changes will allow Citizens to take advantage of market conditions and provide additional diversification and incremental yield to Citizens' Investment Portfolio.</p>
CONTRACT TERM(S)	N/A
PROCUREMENT METHOD	N/A
RECOMMENDATION	Staff requests that Citizens Finance and Investment Committee recommend to the Board of Governors approval of 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 specified in this action item effective January 2, 2018
CONTACTS	Jennifer Montero, Chief Financial Officer