



CY 2022 NCPA Investment Policy Update

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Purpose and Scope & Investment Operations Guidelines

■ Purpose and Scope

- Exclusion for OPEB Trust

■ Investment Operations Guidelines

- Included language in passive management section that reflects Agency's portfolio management approach:

“The Agency purchases investments with the intention to hold to maturity. When it is in the best interest of its members and participants, the Agency may rebalance the portfolio consistent with its Investment Policy and Plan.”

Performance Benchmark

Designed to obtain a market rate of return during budgetary and economic cycles, taking into account the Agency's investment risk constraints and cash flow needs. The Finance Committee has elected to use the 12-month moving average Constant Maturity Treasury (CMT) Index for the performance standard of the portfolio's major funds with various maturities based on each fund's cash flow requirements.

Prohibited Investments

- **Prohibited investments**

- Exception for zero interest accrual if held to maturity for US Treasury issued or backed securities during periods of negative market interest rates.

List and Table of Permitted Investments

■ List

- New Attachment (3) supplements table (Attachment 4)
- Contains additional information on maximums, credit rating requirements, etc.

■ Table

- Statement of rating quality and portfolio composition at purchase
- Column with Government section codes
- Commercial paper limit reduced to 25%
- Added maximum maturity for Treasuries, Agencies, and Municipals

New Investment Type - Supranationals

- International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)
- Inter-American Development Bank (IADB)
- Securities will not exceed 5 years maturity
- No more than 20 percent of the par value of the portfolio

New Investment Type – Supranationals Cont'd

- No more than 5 percent of the par value with any one institution
- Minimum rating of AA or Aa2
- US denominated
- Senior unsecured unsubordinated obligations
- Issued or unconditionally guaranteed

Recommendation

Staff is seeking a recommendation from the Finance Committee to place this item on the consent calendar for the Commission approval of the revisions to the Investment Policy to include portfolio rebalancing, performance benchmark, and zero or negative interest accrual during periods of negative interest rates language, additional attachment for List of Permitted Investments, updated Table of Permitted Investments to included applicable government section codes, revise investment titles, reduce maximum investment in commercial paper, and update rating requirement and other language.