



Investment Plan (The Playbook)

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Investment Policy Objectives

- Safety: To safeguard the principal over which they have been granted stewardship
- Liquidity: To provide for liquidity- i.e., they must assure there is sufficient cash to meet the needs of the entity
- Return on Investments: To earn a reasonable market rate of return

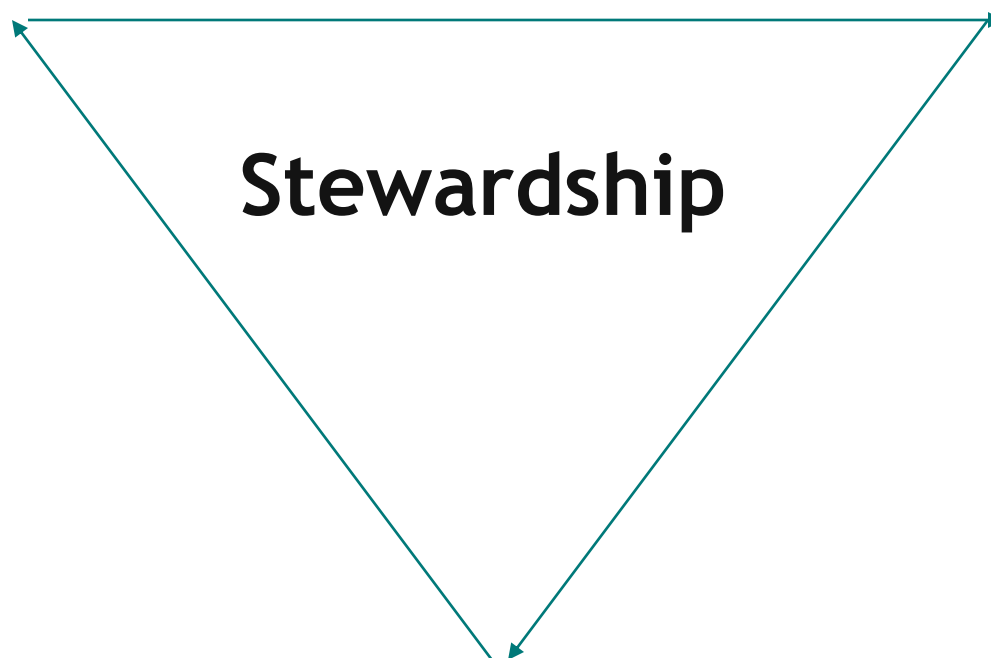
Investment Plan Objectives

- Adequate liquidity to meet obligations without needing to sell security
- Appropriate level of interest rate risk
- Diversified portfolio that also avoids concentration risk
- Consist of legal holdings
- Earn a market rate of return

Financial Stewardship

Policy
(Rulebook)

Plan
(Playbook)



Stewardship

Suitable Portfolio

¹Ben Finkelstein

Liquidity - Appropriate Level

- Three Scenarios
 - Perfect storm
 - Normal
 - Cumulative negative
- Apply Multiplier
- Funds:
 - Operating Fund
 - SCPA Balancing Account Fund
 - Geo Decommissioning Fund
 - GOR Fund
 - Hydro Capital Development Fund

Risk Tolerance

- Interest rate risk
- Credit risk
- Reinvestment risk
- Historically aligned with policy
 - Adequate liquidity
 - Hold to maturity

Diversified Portfolio

- Types of diversification
 - Sector
 - Issuer
 - Government investment pools

Legal Holdings

- State code
- Policy
- By fund

Market Rate of Return

Yield Recommended by GFOA Sample Investment Policy

*“The investment portfolio shall be designed with the objective of attaining a market rate of return throughout **budgetary** and economic cycles taking into account the **investment risk constraints** and liquidity needs. Return is of secondary importance compared to the safety and liquidity objectives”*

GFOA Sample Investment Policy

Market Rate of Return

- 12 month moving average 2-year Treasury notes
 - Risk/reward
 - Interest rate risk
 - Reinvestment risk
 - Compared to 30 year Treasury, only 11% of risk to achieve 45% of the return
 - Aligns with budget cycle/predictability
 - More realistic smoothing view of portfolio performance
 - In line with GFOA objective

Investment Plan Parameters

	FUND				
	Operating Account	SCPA Balancing Account	Hydro Capital Development Reserve	General Operating Reserve	Geo Decommissioning Reserve
Primary Liquidity	35.00%	5.00%	19.00%	30.00%	0.00%
Secondary Liquidity	5.00%	5.00%	12.00%	5.00%	0.00%
Total Liquidity	40.00%	10.00%	31.00%	35.00%	0.00%
Effective Duration	2.00	2.00	2.00	2.00	5.00
Composite Rating	AA3	AA3	AA3	AA3	AA3
Purchase Yield	1.399	1.399	1.399	1.399	1.911
Return Benchmark	2YrTsyCMT	2YrTsyCMT	2YrTsyCMT	2YrTsyCMT	5YrTsyCMT
Return Average Months	12	12	12	12	12

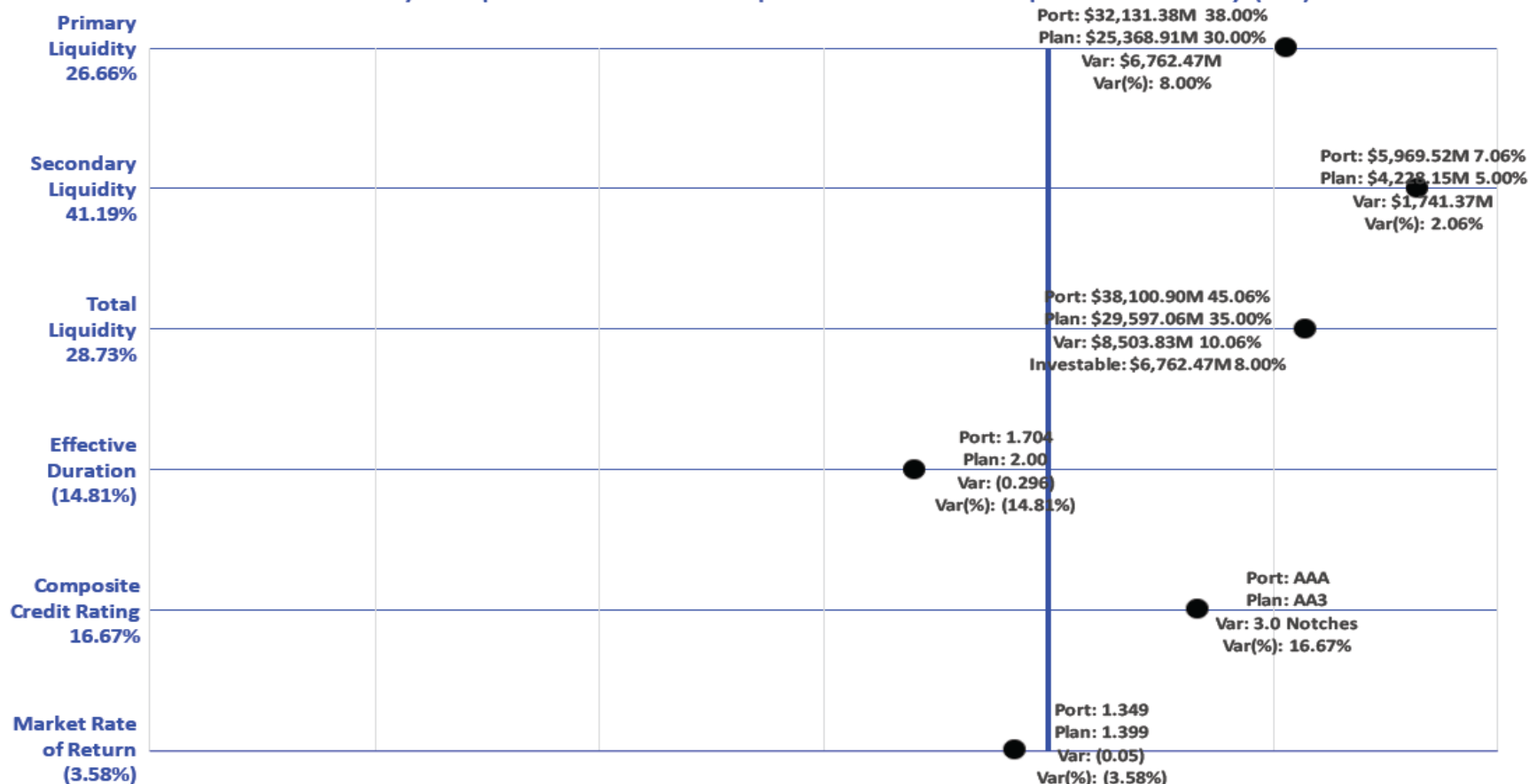
Sample Plan - GOR

Investment Plan Executive Summary: NCPA General Operating Reserve Fund-20171229 (12/31/17 Data)

CASH: 38.00% | Tsy:0.00% | AgyBlt:17.15% | AgyStep:0.00% | AgyClbl:44.85% | Corp:0.00%

Par Amount (\$000): \$85,221.37 | Mkt Vlu (\$000): \$84,563.04 | Gain/Loss (\$000) Using Amort Cost: (\$926.32)

Years To Maturity: 1.81 | Modified Duration: 1.77 | Effective Duration: 1.70 | Effective Convexity: (0.08)



Monitor Plan Versus Actual

- Review performance monthly
- Identify trends
- Rebalance as necessary
- Review annually
- Portfolio suitability benchmark