

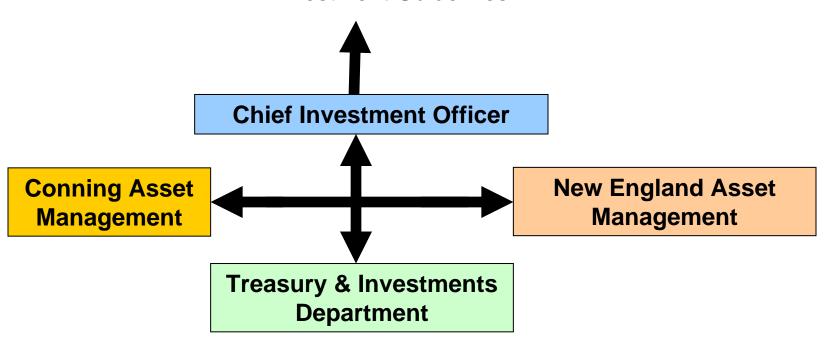
# Overview of the Selection Criteria and Management of Investments

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# Board of Directors

#### **Investment Committee**

- ➤Investment Charter
- ➤ Investment Guidelines



#### **Investment Charter**

- > Oversight
  - Oversee and approve all transactions
- Recommend
  - Develop selection criteria with CIO
  - Selection of Investment Managers
- > Evaluate (annually)
  - Investment Manager's performance, fees, service

### **Investment Policy/Guidelines**

- Purpose/Mission
  - Preservation of State Fund's principal and surplus while maximizing income
- Policy determines how State Fund can invest (subset of Insurance Code)
  - Security Type (Gov't, Agency, Canadian, MBS, Muni & Corp)
  - Credit rating

### The Investment Managers

- > Purchase Bonds per Investment Policy
- Monitor Portfolio to keep in Compliance with Investment Policy
- > Prepare Board Reports

#### **Treasury & Investments**

- Monitors State Fund's Cash-flow/Investment Income
  - Release Funds to each manager
- Weekly Meetings w/each manager
- Investment Accounting

# **Appendix**

#### **Investment Charter**

- > Oversight
  - Oversee and approve all transactions
- Recommend
  - Develop selection criteria with CIO
  - Selection of Investment Managers
  - Updates/Changes to Investment Policy
- Advise
  - Business, legal or legislative changes
- Evaluate (annually)
  - Investment Manager's performance, fees, service
  - Peer Company investments
  - State Fund's Investment Strategy
    - Allocations
    - Duration
    - Benchmark
- Powers President, CIO, CFO, CRO and Investment Managers may act on Investment Committee's behalf per the guidelines in the Investment Policy.

#### **Investment Policy/Guidelines**

- Purpose/Mission
  - Preservation of State Fund's principal and surplus while maximizing income
- ➤ Allowable Securities (subset of Insurance Code)
  - > Type (Gov't, Agency, Canadian, MBS, Muni & Corp)
  - Credit rating
    - > At time of purchase
    - > If downgraded
  - Maximum allocation per sector
  - Maximum allocation per issuer
- Duration of the Portfolio
- Benchmark

## The Investment Managers

- > Purchase bonds per Investment Policy/Guidelines
- > Computerized Compliance system
  - Sector allocation %
  - Individual issuer maximum %
  - Ratings restrictions on each "credit trade" trade
    - ➤ Approved List
    - > Pre-approved List
  - Monitor all rating changes
  - Out of compliance report
- ➤ Weekly Newsletter Market update
- > Board Reports
  - Quality distribution report (General; Muni; Corporate)
  - Out of compliance
  - Close watch list
  - Sector breakdowns (General; Muni; Corporate)
  - Cash-flow (Maturity)

## **Treasury & Investments**

- Monitors State Fund's Cash-flow/Investment Income
  - Release funds to each manager monthly
- Weekly Meetings w/each manager
  - Monthly strategic outlook
  - Special topics plus accounting issues
- Monitor/reconcile every trade
  - Cash (Money-manager; State Treasurer; Citicorp)
  - Ratings
  - > Insurance code
- > Check for ratings changes daily
- Portfolio breakdown
  - Munis (State; Type; Maturity; Calls; Ratings; Insurance)
  - Corporates (Type; Maturity; Sector; Ratings)
- Investment Accounting