

Overview of the Selection Criteria and Management of Investments

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Board of Directors



Investment Committee

- Investment Charter
- Investment Guidelines



Chief Investment Officer



**Conning Asset
Management**



**New England Asset
Management**



**Treasury & Investments
Department**

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**