

VPRA Investment Policy -- Basic Elements

Investment Objectives

- Capital Preservation
- Liquidity
- Optimize total return within the context of the first two primary objectives

Roles and Responsibilities

- Responsibility for approving and modifying the investment policy
- Roles of various parties such as Finance Committee, Board of Directors, Staff, Investment Manager, etc.
- Authority for special circumstances that arrive from time to time

Investment Constraints

- Liquidity Needs
- Time Horizon
- Bond proceeds

Investment Assets

- Eligible Investments – US short duration, fixed income
 - US Government Securities
 - Repurchase Agreements
 - Bank Obligations
 - Corporate obligations – commercial paper, notes, bonds
 - Asset Backed Securities
 - Mortgage Backed Securities
 - Money Market Funds
- Credit Ratings
 - All investment grade
 - Short-Term for commercial paper, CDs, etc.
 - Long-term for corporate bonds, asset-backed securities
- Concentration Limits
 - No limit for US government securities
 - Per issuer limit for all others with further refinement based on credit rating

Maturity/Duration

- Individual securities
- Average for the portfolio

Compliance Protocol

- Formal mechanism for reviewing compliance with the policy
- Process for dealing with a potential breach of policy (security downgrade)
- Manager notification and authority for remedy

Benchmark/Reporting

- Typically broadly available market indices that encapsulate all of the parameters from above
- Provides investment manager with a “market neutral” position
- Performance measurement
- Reporting of results and certain transactions to Finance Committee/Board