



# Decision on Investment Policy

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We completed a review of the investment policy and are proposing certain enhancements.

- Last reviewed in 2005
- Enlisted the support of an outside expert
- The current policy was sound overall, but certain improvements are warranted

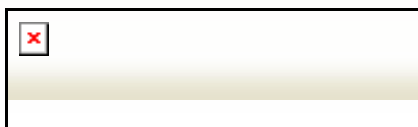


We proposed changes in three areas. Two areas are process oriented or relate to the entire portfolio.

## 1. Administrative updates

## 2. Enhancements to controls & safeguards

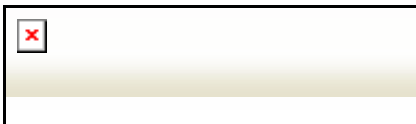
- Review policy periodically
- Enhance internal controls
- Provide reports to Corporate Management Committee
- Identify criteria for use of external managers
- Improve safekeeping/Custody
- Improve risk management tools / provide for third party portfolio review



The third category of changes specify the investments that we can or cannot purchase.

### 3. Authorized and prohibited investments

- Revisions and clarifications related to specific authorized investments
- Revise and expand list of prohibited investments
  - Specific types
  - More directly target compliance with FERC rules



# We recommend retaining the ability to invest in corporate bonds.

**Key policy question:** Are purchases of even highly rated corporate debt consistent with a policy that has as a first priority “safety of principal”?

- Non-callable obligations
- Yields significantly higher than “riskless” T-Bills



- Unrealized losses experienced in 2008
- Reliability of credit ratings

# Conclusion

- Policy has objectives of:
  - Safety of Principle
  - Liquidity
  - Earnings
- Proposed changes provide additional safeguards to ensure these objectives are met.

