

# Memorandum

**To:** ISO Board of Governors

**From:** Ryan Seghesio, Chief Financial Officer & Treasurer

**Date:** June 21, 2016

**Re:** **Decision on amendment to Investment Policy**

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***This memorandum requires Board action.***

As part of the annual review of the Investment Policy for ISO corporate funds, Management proposes two changes that, while not material, may impact the way the ISO invests corporate funds.

## ***Money market funds***

The first proposed change is in response to the U.S. Securities and Exchange Commission (SEC) new rules around money market funds that will be implemented October 2016. Under these rules, institutional prime money market funds must price and transact based on a floating net asset value (NAV). In addition, institutional prime money market funds may be subject to liquidity fees and redemption gates that are designed to limit cash outflow in the event of a market disturbance. These rules do not impact treasury and government money market funds.

Management has assessed the impact of these new rules on the ISOs various portfolios and has transitioned the majority of money market fund holdings to treasury and government money market funds. However, the impacts of a floating NAV and potential brief periods of illiquidity are minimal and can be withstood by certain longer-term portfolios, including the unrestricted funds that are governed by this policy.

## ***Minimum credit rating on government agencies***

The second change reduces the minimum credit rating on securities issued U.S. government agencies to A- from AA- to be consistent with the minimum ratings on foreign government agencies and corporate bonds.

All other proposed changes are not substantive and involve updating language, formatting, and style to eliminate ambiguities and improve readability. A redline copy of the policy is attached for reference.

Management recommends the following motion:

***MOVED, that the Board of Governors approves the amended Investment Policy as attached to the memorandum dated June 21, 2016.***