



Memorandum

To: ISO Board of Governors

From: Ryan Seghesio, Chief Financial Officer & Treasurer

Date: July 9, 2015

Re: **Decision on Investment Policy**

This memorandum requires Board action.

In 1999, Management developed and the Board approved the Investment Policy for ISO corporate funds. The policy was developed to reflect the ISO's conservative investment objectives (safety of principal, liquidity and earnings). Notwithstanding substantive changes, the Board is responsible for reviewing and approving the policy not less than once every three years. The Board last reviewed and approved the investment policy at their September 2012 meeting.

The majority of the changes involve updating language, formatting, and style to eliminate ambiguities and improve readability. A redline copy of the policy is attached for reference. Additionally, the following proposed changes, while not material, may impact the way the ISO invests corporate funds:

- Reduces minimum credit rating on securities issued or guaranteed by sovereigns or supranationals to A- from AA- to be consistent with minimum ratings on corporate bonds;
- Removes overly restrictive language on allowable fixed income mutual funds to instead require the Corporate Management Committee to review and approve these investments on a case-by-case basis; and
- Clarifies minimum credit rating language to be certain to allow securities in which two of the rating agencies meet the minimum credit rating while one does not.

The proposed modifications to the policy are consistent with the original objectives noted above, as well as current best practices.

Moved, that the ISO Board of Governors approves the amended Investment Policy as attached to the memorandum dated July 9, 2015.