

## MEMORANDUM

To: Administration, Operations, and Finance Subcommittee, MSBA  
From: James MacDonald, First Deputy Treasurer, Chief Executive Officer  
John K. McCarthy, Executive Director, Deputy Chief Executive Officer  
Date: December 13, 2022  
Subject: Investment Management Policy

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The State Finance Governance Board (“SFGB”) regulations 976 CMR 2.01-2.08 require certain Massachusetts entities issuing debt to periodically approve and file an investment management policy with the SFGB. The regulations require that the governing board of the issuer formally adopt the policy every two years. The MSBA’s Board of Directors (“Board”) voted to adopt the Authority’s current investment management policy at its December 2020 Board meeting. The SFGB regulations require issuers to file the debt management policies in odd-numbered years beginning in 2011.

Staff has reviewed the current policy and policies of other issuers. At this time, staff feels the current policy meets the overall needs of the Authority but is proposing revisions to the current investment management policy to more clearly define the types of MSBA funds (i.e. those subject to its Trust Agreement and other funds and revenues received by the MSBA such as from the Smart Fund and other sources not held in trust by its Trustee). The recommended draft policy also better reflects the MSBA’s primary investment objectives as well as includes updated language with respect to Standards of Care, the role and certifications for Investment Advisors and better aligns the Authority’s investment process with specific types of investments permitted pursuant to its Investment Management Policy. Finally, the recommended draft policy has not made any changes to the types of permitted investments contained in its current policy. A redlined version of proposed changes to the current Investment Management Policy has been included with the meeting materials.

Staff will continue to review the MSBA’s Investment Management Policy on an annual basis to ensure that the policy continues to include key aspects of effective investment management, as well as stays up to date with changes in regulations, best practices and the like.

A meeting of the Administration, Operations & Finance Subcommittee was held on December 12, 2022 to review the draft proposed Investment Management Policy. Staff recommends the Board vote to adopt the Investment Management Policy at its December 21, 2022 meeting. Staff will file the updated policy with the SGFB, prior to March 31, following an affirmative vote of the Board.