



PA TURNPIKE COMMISSION POLICY

This is a statement of official Pennsylvania Turnpike Policy

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REVISED DATE: 08-08-2011

POLICY SUBJECT:

Investment Policy and
Guidelines

RESPONSIBLE DEPARTMENT:

Finance and Administration

A. PURPOSE:

To define guidelines and operational factors governing the investment of financial assets of the Pennsylvania Turnpike Commission.

B. INVESTMENT OBJECTIVES:

- A. The safety and preservation of invested funds.
- B. To maintain adequate liquidity to meet Commission cash flow requirements.
- C. Maximize the Total Rate of Return.
- D. Provide preference to Pennsylvania investments when the ROI is no less than equal to the non-Pennsylvania investment.

C. INVESTMENT GUIDELINES:

- 1. Eligible Securities (to the extent permitted by any applicable indenture of trust)
 - a. U. S. Treasury Bills, Notes, Bonds, Strips
 - b. Time Deposits issued by a banking association organized and doing business under the laws of the United States of America or of any state that have a combined capital and surplus of at least \$50,000,000.
 - c. Certificates of Deposit that are fully collateralized and issued by a bank, savings and loan or trust company organized under the laws of the United States or any state thereof.
 - d. Investment Agreements with a bank, a bank holding company or a financial institution that has outstanding long-term indebtedness rated "AA" or better by Moody's and S&P.

- e. Obligations of any of federal agencies which obligations are backed by the full faith and credit of the United States of America, including (but not limited to):
- Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Farmers Home Administration
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Dept. of Housing and Urban Development (PHAs)
 - Federal Housing Administration
- f. Senior debt obligations rated a minimum of “AA” by Standard & Poor’s Ratings Group (“Standard & Poor’s”) and “Aa2” by Moody’s Investors Service (“Moody’s”) issued by the following Government-Sponsored Enterprises (referred to as “Federal Agencies” throughout this policy):
- Federal Home Loan Bank
 - Federal Farm Credit Bank
 - Federal Home Loan Mortgage Corporation
 - Federal National Mortgage Association
- g. Mortgage-backed securities issued by an approved Federal Agency and Collateralized Mortgage Obligations, so long as such securities are rated a minimum of Aa2 by Moody’s and AA by Standard & Poor’s.
- h. Debt obligations of any state or local government entity, whether for itself, or as a conduit issuer, provided that the securities are rated in the Aa/AA category by at least two of Standard & Poor’s, Moody’s and Fitch Investors Service (“Fitch”) and do not have a rating from any of Standard & Poor’s, Moody’s and Fitch below the Aa/AA category (without regard to subcategories of ratings), and provided that if a short-term rating is provided for the securities that they are rated in the top tier by at least two of the three of Standard & Poor’s (A1 or better), Moody’s (VMIG1 or P1), and Fitch (F1) and do not have a rating from any of the three rating agencies below such levels.
- i. Commercial Paper rated by at least two of Standard and Poor’s, Moody’s and Fitch and not less than “A-1/P-1/F-1” by Standard & Poor’s, Moody’s and Fitch, respectively.

- j. Corporate Bonds rated “Aa3/AA-” or better by Moody’s and S&P.
- k. Asset-Backed Securities rated “AAA” by Moody’s and S&P.
- l. Repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York (“Repurchasers”), collateralized by investments with a minimum 102% valuation in securities described above in paragraphs 1, 5 and 6.
- m. Share or Certificates in any short-term investment fund that invests not less than 90% of its assets in obligations described in (1) or (2) above.

2. Diversification

- a. No limitations are placed on Investments carrying the full faith and credit of the U.S. Government, including repurchase agreements collateralized by such investments.
- b. Investments in any single Federal Agency not carrying the Full Faith and Credit of the U.S. Government are limited to 35% of the Portfolio.
- c. Investments in Certificates of Deposit or Investment Agreements in total are limited to 30% of the Portfolio.
- d. The combined exposure to Commercial Paper, Corporate Bonds and Asset-Backed Securities is limited to 35% of the total Portfolio.
- e. Investments in any one single issuer (excluding U. S. Treasury and Federal Agency securities) are limited to 5% of the Portfolio.

3. Quality

All Investments shall be made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.

All investment ratings shall be based on security ratings at the time of purchase. In the event of a downgrade in rating, the Portfolio Manager is to discuss such downgrade as soon as possible with the Chief Financial Officer or his designee with a recommendation on whether to sell or hold. The portfolio’s average credit quality should be rated Aa3/AA- or better by Moody’s / S&P.

4. Maturity

At the time of purchase, the maturity of each security in the Portfolio may not exceed five (5) years, taking into account any call, put, prepayment, or other features that may impact maturity. Similarly, the weighted average life of mortgages and asset-backed securities may not be more than 5 years.

5. Turnover

The Portfolio Managers shall follow a semi-active approach to investment management whereby investments are generally purchased with the intent of holding to maturity, but the Portfolio Managers have the flexibility to restructure and rebalance portfolio holdings to manage risk and take advantage of market opportunities.

D. PERFORMANCE BENCHMARK:

The Portfolio Manager shall work with the Chief Financial Officer or his designee to develop appropriate benchmarks for the various funds invested by the Commission, and shall compare the returns of the individual Portfolio segments to such benchmarks.

E. PERIODIC REVIEW:

The Investment Policy Committee of the Commission shall prepare an investment report to the Commissioners on a quarterly basis, including a management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the latest reporting period. Both Investment performance and conformity with this Investment Policy shall be reported.

F. AMENDMENTS:

This Investment Policy shall be reviewed annually by the Investment Policy Committee. Any amendments to the Investment Policy must be approved by the Commission.

This Policy Letter supersedes all previous Policy Letters on this subject.