



Finance, Audit, Insurance, and Real Property
Committee

Statement of Investment Policy and Authority to Invest

Item 7-4

June 13, 2023

Investment Policy and Authority to Invest

- Section 5114 of Metropolitan's Administrative Code requires the Treasurer to submit a Statement of Investment Policy to the Board for approval for the following fiscal year.
- Sections 53600 et seq. of the California Government Code expressly grant the authority to the Board to invest public funds and that authority may be delegated to the Treasurer for a one-year period.

Statement of Investment Policy – Change

	FY2022/23	FY2023/24	Rationale
§XIV	The investment portfolio is divided into liquidity, core and bond reserves and trust fund portfolios	The investment portfolio is divided into liquidity, core, and endowment fund portfolios	Combine trust funds into an endowment fund to enable a tailored investment strategy

Statement of Investment Policy – Change

	FY2022/23	FY2023/24	Rationale
Glossary	N/A	EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. $(\text{Total Earnings} / \text{Average daily balance}) \times (365 / \# \text{ of days in the reporting period})$	Add a definition of Effective Rate of Return

Statement of Investment Policy – Change

	FY2022/23	FY2023/24	Rationale
Glossary	<p>TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.</p>	<p>TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. (Net Invested Income/Time Weighted Invested Value) X (365/ # of days in the reporting period)</p>	<p>Add a formula of Total Rate of Return</p>

Board Options

Option #1:

- Approve the Statement of Investment Policy for fiscal year 2023/24; and
- Delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2023/24.

Option #2:

- Do not approve the Statement of Investment Policy for fiscal year 2023/24 and do not delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2023/24.

Staff Recommendation

Option #1



Questions

