

New Hampshire State Treasury

Turnpike System Bond Funds Investment Policy

PURPOSE

This policy is intended to accomplish the stated objectives while ensuring compliance with state and federal laws as well as approved resolutions and indentures related to the turnpike system. This policy is also designed to strengthen the internal controls over the safeguarding of turnpike system financial cash and investments.

INVESTMENT OBJECTIVE

State turnpike system funds will be invested to:

1. Preserve the value and safety of the principal,
2. Maintain liquidity appropriate for short-term cash needs, and
3. Optimize the rate of return on investments consistent with the goals of safety and liquidity.

When considering individual investments, the primary objectives will be risk rating, while optimizing liquidity, income, and maturity. Recognizing that income is a product of yield to maturity, fixed income securities may be purchased either at a discount to minimize initial cash outlay and benefit from capital appreciation, or at a premium to maximize cash flow when conditions warrant (i.e., a declining interest rate environment).

This policy applies only to funds (also known as moneys in the “Revenue Account” and the “General Reserve Account” or the turnpike toll account) received for the benefit of the New Hampshire Turnpike System. It does not apply to any other funds which are administered by the State or the New Hampshire.

LEVELS OF AUTHORITY

1. The Treasurer is authorized to invest the Turnpike System’s funds within the established guidelines and has also delegated this authority to the Deputy Treasurers and the Assistant Treasurer responsible for cash and investment management (“Assistant Treasurer”).
2. The Treasurer must approve purchases or sales of securities with a maturity of greater than 7 days. In the Treasurer’s absence, a Deputy Treasurer will provide such approval.
3. The Treasurer must approve any transfer of cash and investments equal to or greater than \$30 million in a single transaction. In the Treasurer’s absence, a Deputy Treasurer will provide such approval.
4. The Treasurer, Deputy Treasurers, or Assistant Treasurer are authorized to approve purchases or sales of securities. No formal approval is required for investments in overnight or weekend repurchase agreements, which would be acquired as part of an overnight sweep (investment) program.

ACCOUNTABILITY

1. The Treasurer or designee is responsible for ensuring the completion of all documentation related to the execution and confirmation of increases and decreases to money market funds held, maturities of CDs, and buy/sell orders for securities, and for the maintenance of all necessary records of current holdings. This documentation shall include, but is not limited to, appropriate accounting and internal documents required to track the movement of funds

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through the State's financial system and the Treasury's banking system.

2. The Treasurer or designee will document the rationale for each security transaction, including electronic communication.

PERMITTED INVESTMENTS

The following are approved investment vehicles as defined in RSA 6:8 and 383-B:3-303:

Certificates of Deposit (CDs):

CDs of State or federally chartered banking institutions with a branch in New Hampshire are approved (RSA 6:8). The maximum maturity of a CD will be one year and the bank must possess a minimum rating of Green and one star as assigned by Veribanc Inc.

Commercial Paper:

All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the primary rating agencies (Standard & Poor's, Moody's, and Fitch).

Fixed Income Mutual Funds:

Shares of open-ended, no-load short-term bond funds which hold a minimum of 90% investment grade securities and a maximum average duration of 3 years.

Federal Agency Securities:

Authorized pursuant to RSA 383-B: 3-303(c)(2).

Money Market Funds:

Shares in open-ended, no-load money market mutual funds which hold diversified portfolios and are registered under the Investment Company Act of 1940 in compliance with standard rules for such funds as regulated by the Securities and Exchange Commission. Non-collateralized or insured institutional money market funds to be considered are those funds invested in treasury, federal agency, or other securities commonly referred to as being "within first tier categories" with the highest ratings available from at least one nationally recognized rating agency.

Repurchase Agreements:

The underlying security must be U.S government or agency securities with a market value equal to 102% of principal, and executed through any bank qualified pursuant to RSA 6:8 that has a minimum rating of Green and one star assigned by Veribanc Inc. or has a long term debt rating of AA- or better as rated by Standard & Poor's and Fitch and Aa3 or better as rated by Moody's.

Repurchase Agreements may also be executed through any of the primary government security dealers designated by the Federal Reserve.

The New Hampshire Public Deposit Investment Pool (not to exceed 10% of total net assets of the pool at the time of investment and not to exceed \$10 million at any time).

United States Treasury Securities or securities with an unconditional guarantee of principal and interest by the federal government.

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PERMITTED INVESTMENTS AMONG TURNPIKE ACCOUNTS

INVESTMENTS	ACCOUNTS							
	Revenue Account	General Reserve Account	Debt Service Reserve Account	Debt Service Account, Interest Subaccount	Debt Service Account, Principal Subaccount	Rebate Account	Insurance Reserve Account	Special Redemption Account
As permitted by Treasury law/statute (RSA 6:8)	X	X						
U.S. Treasuries			X	X	X	X	X	X
Defeasance Obligations				X	X	X	X	X
Agencies				X	X	X	X	X
State Bonds rated AA or higher				X	X	X	X	X
Bank Time Deposits (banks rated AA or higher)				X	X	X	X	X
Repurchase Agreements				X	X	X	X	X
Bank/bank holding company investment agrmts (AA or higher)				X	X	X	X	X

CONSTRAINTS

Maturity/Liquidity:

Consideration is given to the cash flow and maturity characteristics of securities when evaluating liquidity. To facilitate the market liquidity of a future sale, individual security purchases should generally be a maximum current par value of \$10 Million. The weighted average maturity of the portfolio shall be less than 180 days.

Foreign Currency:

All investments will be denominated in United States Dollars.

Safekeeping:

Securities purchased by the State shall be delivered against payment and held by either the Federal Reserve Bank or in a custodian account at one of the State's principal banks.

OTHER CONSIDERATIONS

Cost of Banking and Investment Services

Costs associated with banking services are paid either through hard dollar fees or by maintaining a sufficient balance to compensate the bank for services rendered ("compensating balances"). In extremely low interest rate environments, it is likely the Treasury will incur bank service fees in an amount greater than the income generated from deposited funds. Bank service fees may settle monthly, quarterly, or annually. Fees will reduce any return realized.

Collateral

Pursuant to RSA 6:7, balances on deposit (which may include money market accounts and CDs), at a bank or banks may be collateralized at the discretion of the Treasurer. Although not statutorily required, uninsured bank balances are typically collateralized.

DEFINITIONS:

Discount:

The sale/purchase of a fixed-income security when the transaction price is lower than the face

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value.

Fixed-income security:

An investment that generates periodic interest payments, and identified as a security under the Securities Exchange Act of 1934.

Investment:

A commitment of dollars for a period of time with the expectation of receiving future payments and/or appreciation that will at least equal the rate of inflation and compensate the investor for the time that the funds are committed and the uncertainty of a future return.

Premium:

The sale/purchase of a fixed income security when the transaction price is greater than the face value.

Principal:

A single capital sum, separate and apart from interest, income, or expenses, which may be further defined as the amount borrowed, lent, or otherwise invested. Interest, income, or expenses may be expressed as a percentage of the principal.

Security:

A type of investment instrument that represents either an ownership interest in a government or corporate entity or an evidence of debt issued by such entity, and has a market value which may fluctuate.

Rate of Return:

The annualized cash inflow generated by a security divided by its purchase price.

Yield to Maturity:

The discount rate derived, such that the present value of future cash inflows equals purchase price.

Sweep Account:

Per the Securities Exchange Act of 1934, bank-facilitated transactions as part of a program for the investment or reinvestment of deposit funds into any no-load, open ended investment management company registered as a money market fund under the Investment Company Act of 1940.

Repurchase Agreements (REPO):

Per GFOA, an agreement with an approved broker/dealer that provides for the sale and simultaneous purchase of an allowable collateral security. The difference in the sale and purchase price is the earning rate on the agreement. A master repurchase agreement must be in place with the approved broker/dealer.

REVIEW

The Treasurer reviews and approves the investment policy at least biennially.

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This policy was last reviewed and approved on March 4, 2022.