

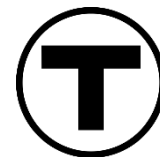


**Massachusetts Bay
Transportation Authority**

Updated Investment Policy

Overview and Request for Adoption

June 2017



- **Similar to the Debt and Swap Policies that were updated in June 2016, the Authority's Investment Policy needs to be amended**
- **Existing policy has significant shortcomings:**
 - Personnel responsible for investing no longer current
 - No investment purpose defined
 - Limited and outdated scope of investments
 - Requirements for banks and advisors not explicit
 - Poorly detailed scope of governance
 - No plan for updates
 - Lack of reporting requirements
 - No standards for trade settlement
- **With guidance from Public Financial Management (PFM), these shortcomings were addressed to create a best-in-class policy**

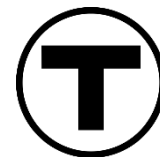
FMCB vote required for adoption of updated policy



Subsections of Updated Investment Policy

- 1) Governing Authority
- 2) Scope
- 3) Objectives
- 4) Standards of Care
- 5) Authorized Financial Institutions, Depositories, and Broker Dealers
- 6) Safekeeping and Custody
- 7) Suitable and Authorized Investments
- 8) Investment Parameters
- 9) Performance Standards and Evaluation
- 10) Investment Reporting

Updated Policy Establishes Investment Priorities



Safety

- Safety of principal is the foremost objective of the investment program.
- Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity

- The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated.

Return

- The portfolio shall seek to attain a reasonable market rate of return throughout budgetary and economic cycles, taking into account the nature of funds being invested and the previously stated priorities of safety and liquidity.

Sustainability

- Wherever possible, investment decisions shall take into account environmental, social and governance ("ESG") factors.
- Furthermore, minority, women and veteran-owned enterprises shall receive additional consideration in the selection of external asset managers.

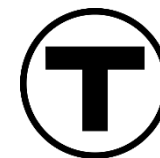


- PFM has significant industry experience, having written and/or updated hundreds of investment policies for peer organizations
- Authority's new policy incorporates best practices from such peers:

Example: MTA language adopted on Foreign Exchange risk

From time-to-time, the Authority acquires capital assets from providers not based in the United States. As a result, payments for such capital assets may not be denominated in U.S. Dollars. Such transactions expose the Authority to foreign exchange currency risk. In order to mitigate exposure to foreign exchange currency risk, the Authority is permitted to enter into financial contracts in the foreign currency that will be used to facilitate payment for the related capital assets.

New Investment Parameters



Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Maximum Maturity
U.S. Treasury	100%	100%	N/A
GNMA		40%	(10 year avg. life ⁴ for GNMA MBS)
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%	
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	75%	40% ³	N/A
Federal Agency/GSE other than those above		10%	
Corporate Notes and Bonds	50% ¹	5% ²	10 Years
Municipal Notes and Bonds	25%	5%	10 Years
Agency Mortgage-Backed Securities (MBS)	25%	40% ³	10 Year Avg. Life ⁴
Asset-Backed Securities (ABS)	25%	5%	5 Year Avg. Life ⁴
Negotiable Bank Certificates of Deposit (NCDs)	50% ¹	5% ²	5 Years
Collateralized Bank Deposits	50%	None, if fully collateralized	2 Years
FDIC-Insured Bank Deposits	25%	FDIC limit for insurance	2 Years
Commercial Paper (CP)	50% ¹	5% ²	270 Days
Bankers' Acceptances (BAs)	10% ¹	5% ²	180 Days
Repurchase Agreements (Repo or RP)	40%	20%	90 Days
Money Market Funds (MMFs)	100%	25%	N/A
MMDT Cash Portfolio	50%	50%	N/A

Notes:

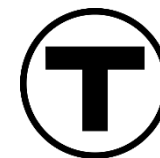
¹ Maximum allocation to all corporate and bank credit instruments is 50% combined.

² Maximum across all non-government permitted investment sectors (excluding Treasuries, U.S. Federal Agencies and Agency MBS) is 5% combined per issuer.

³ Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

⁴ The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

Current Investment Allocation



Asset Class	Maturity				% of Total
	<1 Year	1-3 Years	4-8 Years	>8 Years	
FDIC Insured Deposits	803,000	-	-	-	0.0%
Commercial Paper	6,280,000	-	-	-	0.4%
U.S. Agencies	167,525,000	6,018,000	-	30,514,000	11.9%
Money Market Funds	17,606,000	-	-	-	1.0%
Foreign Govt Bonds	94,449,000	-	-	-	5.5%
Municipal Bonds	-	-	4,510,000	42,008,000	2.7%
U.S. Treasuries	416,611,000	384,024,000	12,180,000	50,746,000	50.2%
Guarenteed Investment Contracts & Forward Delivery Agreements	-	-	13,511,000	5,729,000	1.1%
Collateralized Deposits	212,373,000	-	-	-	12.4%
MMDT	253,917,000	-	-	-	14.8%
Totals	1,169,564,000	390,042,000	30,201,000	128,997,000	100.0%

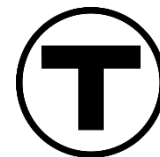
Current Financial Counterparty Pool



Broker Dealers*
Bank of America
Barclays Capital
Cantor Fitzgerald
Citibank
Goldman Sachs
JP Morgan
Morgan Stanley
<small>*The list of approved security broker/dealers shall be reviewed and updated every 24 months, if not more frequently.</small>

Safe-Keeping Institutions
Massachusetts Municipal Depository Trust
U.S. Bank (MBTA Trustee)

Investment Advisors
N/A



MASSACHUSETTS BAY TRANSPORTATION AUTHORITY FISCAL AND MANAGEMENT CONTROL BOARD

VOTED: That the members of the Fiscal and Management Control Board (the “FMCB”) hereby approve the Investment Policy of the Massachusetts Bay Transportation Authority in the form presented at this meeting.