



Mississippi Office of the State Treasurer

Statement of Investment Policy

As of May 8, 2023

Introduction and Overview

The purpose of this Statement of Investment Policy is to identify and describe the policies and procedures governing the investment activities of the General Fund of the State of Mississippi, managed by the Office of the State Treasurer, operating pursuant to Miss. Code Ann. § 27-105-33.

The goal of this investment policy is to clearly describe the duties of the Office of the State Treasurer pertaining to the investment of the excess funds of the State General Fund. This policy will set guidelines for the prudent management of the General Fund, describe realistic investment parameters and goals to protect principal, provide guidance to ensure investments conform to all state statutes governing the investment of public funds, and establish expectations for generally acceptable returns at a suitable level of risk that matches the nature of the General Fund.

Governing Authority

The Office of the State Treasurer Investment Division shall be responsible for developing and reviewing the investment process and objectives of the Office of the State Treasurer within the framework provided by the statutes of the State of Mississippi (Miss. Code Ann. §27-105-33). The Office of the State Treasurer shall be responsible for monitoring policies and all transactions undertaken, shall establish a system of internal controls to regulate the activities of the Investment division, and set general strategies for the investment of the General Fund. Investment officers shall endeavor to identify and select authorized investment options that meet statutory criteria and fall within the framework of the investment objectives.

Delegation of Authority and Investment Responsibility

The State Treasurer of Mississippi, who shall be responsible for all investment transactions, may delegate trading authority to qualified Treasury staff. The titles of the individuals currently authorized to make investments and to order the receipt and delivery of investment securities for this account on behalf of the State include: the State Treasurer of Mississippi, Deputy Treasurer, Chief Investment Officer, and Lead Investment Officer.

The State Treasurer may engage one or more outside firms to provide advice or to assist with the investment management of the General Fund. Should any firm be hired to provide advice or assistance regarding the management of the General Fund, that firm shall be a registered investment advisor under the Investment Company Act of 1940 and have extensive experience in the investment management of state and local government funds.

External investment managers must have the approval of the State Treasurer and the Executive Director of the Department of Finance and Administration (DFA). Investments are limited to those listed as Authorized Investments in the Investment Policy.

Scope of the Investment Policy

The provisions of this Investment policy apply to all financial assets and funds held in the General Fund for the Office of the State Treasurer.

Primary Investment Objectives

The General Fund shall be managed in a manner consistent with the requirements set forth in Statement Nos. 31 and 59 of the Governmental Accounting Standards Board ("GASB") and to accomplish the following hierarchy of objectives:

1. Preservation of Principal – 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 by adhering to all restrictions of the funds established by law and this policy. The objective will be to mitigate interest rate risk and credit risk. The portfolio will be structured so that security maturities provide cash requirements for ongoing operations. Investments will be limited to those listed in the Authorized Investments section of this Investment Policy.
2. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active markets.
3. Yield – The investment portfolio shall be managed with the objective of obtaining a market rate of return taking into consideration cash flow requirements of the General Fund.

Ethics and Conflicts of Interest

Authorized investment officers and employees in investment-making roles shall refrain from personal business activity that could (a) conflict or give the appearance of a conflict or (b) impair their ability to make impartial investment decisions. Further, no Investment Department staff member involved should use the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the public official or employee with respect to that person's duties.

Standard of Prudence

1. The standard of prudence to be applied by their personnel of the Investment Division is the prudent investor rule as stated from Miss. Code Ann. § 91-9-601, et. seq.
2. The authorized investment officers will conduct themselves in conformance with the Chartered Financial Analyst (CFA) Code of Ethics and Standards of Professional Conduct (Code and Standards), as current at the time of their transactions.

All investment activities within the General Fund shall be conducted with judgment and care, under circumstances currently prevailing that 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 their capital as well as the probable income to be derived.

All participants in the General Fund investment activities shall act responsibly as custodians of the public trust. Investment officials shall recognize that the Fund is subject to public review and evaluation. The portfolio shall be designed and managed with a degree of prudence and professionalism that is worthy of the public trust.

Internal Controls

The Office of the State Treasurer has established a system of internal controls designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees of the Office of the State Treasurer. Everyone within the Office of the State Treasurer assumes a role with respect to internal controls. The roles vary depending upon an individual's level of responsibility and nature of involvement. Controls include: Separation of duties, separation of transaction authority from compliance oversight, minimized number of authorized investment officials, documentation of transactions and strategies, and established policy and procedures.

The Office of the State Treasurer is audited annually by the Office of the State Auditor to test internal controls and compliance to state laws, regulations, contracts, and grant agreements. The State Auditor conducts the audit in accordance with *Government Auditing Standards* and produces an annual Financial Audit Management Report.

Authorized Investments

The Investment Department staff is authorized to invest in the asset classes described in Mississippi Code Ann. § 27-105-33, subject to any additional conditions specifically set forth in this Policy:

1. Certificates of Deposit – Deposits at financial institutions in the State of Mississippi that are Qualified Public Depositories, invested and allocated on a pro rata basis per Miss. Code Ann. §27-109-9, and no depository shall be more than 4% of the depositor's Mississippi based deposits, unless, in the discretion of the Treasurer, the best interest of the State can be served to increase its earnings and decrease its expenses in the handling of the state funds.
2. United States (U.S.) Treasury Obligations – U.S. Treasury bills, notes, bonds or any other obligations issued by the U.S. Treasury or any other obligation guaranteed as to principal and interest by the U.S
3. Stable Net Asset Value Government or Treasury Only Money Market Mutual Funds as defined in §27-105-33 (e)
4. U.S. Government Agencies, Instruments and Government Sponsored Enterprises (GSEs) – Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality. For example, but not limited to, FNMA, FHLMC, FFCB, FHLB, GNMA, FAMCA, and SBA.
5. Direct Security Repurchase Agreements – Repurchase agreements and reverse repurchase agreements may be transacted with authorized dealers and banks that are rated investment grade by one or more nationally recognized rating agency or are determined by the Treasurer to have adequate capital and liquidity, with maximum exposure per institution determined by the Office of the State Treasurer. Repurchase agreements must be collateralized by U.S. Treasuries or U.S. Government Agencies, Instruments and Government Sponsored Enterprises (GSEs) and must have a market value of at least 102% of the investment. Collateral must be held by a third-party custodian approved by the Treasurer and marked-to-market daily.
6. Bonds issued by Country of Israel – Investments in such instruments shall be denominated in U.S. currency; must be of investment grade as rated by at least one nationally recognized statistical rating organization.
7. Corporate Bonds – Bonds, notes or other obligations issued by entities organized under the laws of the United States or a state thereof which, at the time of purchase, have a long-term rating of

at least 'A+' by Standard & Poor's and an equivalent rating by at least one other Nationally Recognized Statistical Rating Organization (NRSRO) provided that the issue is not of a subordinated nature.

8. Taxable Municipal Bonds – Bonds, notes and other obligations of any state or political subdivision thereof, provided that, at the time of purchase, have a long-term rating of at least 'A+' by Standard & Poor's and an equivalent rating by at least one other Nationally Recognized Statistical Rating Organization (NRSRO), and are not of a subordinated nature.
9. Corporate short-term obligations of corporations or of wholly owned subsidiaries of corporations (Commercial Paper), whose short-term obligations are rated A-1 or better by Standard & Poor's, rated P-1 or better by Moody's Investment Service, F-1 or better by Fitch Ratings, Ltd; or the equivalent of these ratings if assigned by another U.S. Securities and Exchange Commission designated Nationally Recognized Statistical Rating Organization.

Securities Lending

The Office of the State Treasurer may lend any securities in the General Fund considering first probable safety of capital and then probable income to be derived. The Office may utilize its custodian bank to conduct securities lending activities.

Prohibited Investments and Transactions

The General Fund is expressly prohibited from the following investments and investment practices (this is not an exclusive list)

1. Derivative Securities such as futures, options, and swaps.
2. Short Sales (selling a specific security before it has been legally purchased).

Diversification Parameters

The General Fund portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or a specific type of security. The maximum percentage of the portfolio permitted for each type of security, based on the book value of the portfolio at the time of purchase (unless otherwise specified) is as follows:

U.S. Treasuries	100% maximum
U.S. Government Agencies, Instruments and GSEs	100% maximum, each issuer is limited to no more than 40% of the book value of the portfolio
Stable Net Asset Value Government or Treasury Only Money Market Mutual Fund	Total dollar amount of funds invested in all money market mutual funds at any one time shall not exceed 20% of the total dollar amount of funds invested. The General Fund cannot make up more than 10% of any money market mutual fund
Repurchase Agreements	100% maximum, each counterparty is limited to no more than 25% of the book value of the portfolio
Bonds issued by country of Israel	Not to exceed \$20,000,000 at any time
Corporate Bonds	Not to exceed 30% of the book value of the portfolio, issuer limited to 5% of the book value of the portfolio– Total

	corporate debt, including commercial paper, not to exceed 30%
Taxable Municipal Bonds	Not to exceed 10% of the book value of the portfolio, issuer limited to 5% of the book value of the portfolio
Commercial Paper	Not to exceed 30% of the book value of the portfolio, issuer limited to 5% of the book value of the portfolio – Total corporate debt, including corporate bonds and commercial paper, not to exceed 30%
Certificates of Deposit	Subject to the limitations set forth in §27-105-33 (a)

Maturity Parameters

To provide for the safety and liquidity of the General Fund, no investment shall have a maturity date at the time of purchase longer than:

U.S. Treasuries	Not to exceed 10 years
U.S. Government Agencies, Instruments and GSEs	Not to exceed 10 years
Repurchase Agreements	Not to exceed 90 days
Bonds issued by country of Israel	Not to exceed 3 years
Corporate Bonds	Not to exceed 5 years
Taxable Municipal Bonds	Not to exceed 5 years
Commercial Paper	Not to exceed 270 days
Certificates of Deposit	Not to exceed 1 year

When referring to mortgage-backed security types, including but not limited to Agency Mortgage-Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs) or Agency Commercial Mortgage-Backed Securities (CMBS), and to those issued by the Small Business Administration (SBA); the maximum maturity will be evaluated as the Weighted Average Life (WAL) not to exceed ten (10) years at time of purchase.

Investment Transaction Parameters

All investment transactions by Office of the State of Treasurer (including, but not limited to, repurchase agreements, CDs, purchases and sales of U.S. government and agency obligations, and purchases and sales of obligations of corporations) shall be transacted by competitive bidding whenever possible and follow the established Internal Trading Policy guidelines.

Investments longer than 30 days must yield no less than the equivalent bond yield for comparable U.S. Treasury obligations, at time of purchase.

Safekeeping and Custody

All securities in the General Fund portfolio shall be held in the name of the Office of the State Treasurer and, with the exception of securities lent pursuant to a securities lending policy, shall be free and clear of

any lien. Further, all investment transactions will be conducted on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the State Treasurer listing the specific instrument, rate, maturity, and other pertinent information. On a monthly basis, the custodian will also provide reports which list all securities held for the General Fund portfolio, the book value of holdings and the market value as of month end.

Authorized Financial Institutions and Broker/Dealers

The Office of the State Treasurer, per the requirements of Miss. Code Ann. § 27-105-5, will annually certify financial institutions as a qualified public funds depository, eligible to hold public deposits such as certificates of deposits for the General Fund. Approved banks must collateralize all public funds at a minimum of 105%, unless approved to participate in the public funds guaranty pool and collateralize per the guidelines established by the Guaranty Pool Board, under the authority of Miss. Code Ann. § 27-105-6.

A list shall be maintained of approved security broker/dealers, which shall be utilized by authorized investment officers. The list may include primary, super-regional and/or regional dealers that qualify under SEC rules. Such security brokers and dealers will be subjected to an appropriate investigation by the staff of the Office of the State Treasurer, including but not limited to, a review of the firm's financial statements and the background of the sales representative. All broker/dealers who desire to become qualified for investment transactions must supply the following, initially and on a periodic basis upon request to Treasury staff:

1. Annual audited financial statements (financial strength and capital adequacy of firm or publish statement of condition)
2. Proof of FINRA numbers for firm and the individual broker
3. Written acknowledgement of this policy
4. Services provided by firm, including research services
5. Signed copy of Treasurer's trading authority
6. Other documentation deemed necessary by the Office of the State Treasurer

Collateralization

All certificate of deposits held with qualified public depositories must be collateralized at 105% market value of the investment at an approved safekeeping facility or 75% market value of the investment if the public depository is a member of the Guaranty Pool.

Investment Program Reporting

The Office of the State Treasurer Investment Division shall maintain accurate, complete, and timely records of all investment activities. An investment report shall be submitted to the State Treasurer summarizing the previous month's activity. This report shall include a listing of the existing portfolio in terms of investment securities, book value, maturity date, coupon rate, yield, durations, and market value.

Compliance monitoring and reporting shall be performed monthly to confirm adherence to the investment policy and state statute independent of the Investment Division.

Investment Policy Adoption

This policy is adopted as of July 3, 2023

A handwritten signature in blue ink, appearing to read "David McRae", written over a horizontal line.

David McRae

State Treasurer