



**Massachusetts Bay
Transportation Authority**

Investment Policy Update

Joint MassDOT Board & Fiscal and Management Control Board

May 24, 2021

Investment Policy Update

The MBTA investment policy was last updated in 2019. By its terms, the policy requires biennial review, and reauthorized as amended by the Board of Directors.

The investment policy provides guidelines for investment of operating funds, bond proceeds and debt service funds. Ensures effective and judicious fiscal and investment management.

Suggested changes are mainly administrative.

Highlights include:

- Updated information about the Governing Authority based on most recent information
- Removed references to the GANs Trust Agreement as this agreement is no longer in place
- Updated language relating to eligible financial institutions
- Increased the percentage of MBTA funds the Authority can maintain at MMDT to 60% from 50% (see next page).
 - Peer authorities (MWRA, Massport, MSBA) do not have a formal restriction on funds held at MMDT.

Primary Objectives
of the Investment
Policy
Safety, Liquidity,
Return and
Sustainability



MMDT Background

MMDT is overseen by the Massachusetts State Treasury. Today, 529 entities in Massachusetts take advantage of the MMDT Cash Pool investing over \$19 billion. Federated Hermes has been the investment manager for the MMDT pools since 2013.

Safety: The MMDT Cash Pool is stress-tested monthly accounting for credit events, redemptions, changes in interest rates and floating spread widening.

Liquidity: The portfolio maintains a dollar-weighted average maturity of 60 days or less and historically has maintained 10-20% daily liquidity.

Return: MMDT passes through the yield collected on the money market securities owned within the portfolio (minus the fee). Current rate: 0.12% (compared to 0.10% at Citizens and 0.03% for US Bank Sweep)

Sustainability: MMDT Cash Pool integrates Environmental, Social, Governmental (ESG) into the investment process. Currently, 89% of the MMDT Cash Pool's assets are being actively engaged on ESG factors.



Proposed Votes

VOTED:

That the Fiscal and Management Control Board ("FMCB") recommends that the Board of Directors of the Massachusetts Department of Transportation ("Board") approve the amended Massachusetts Bay Transportation Authority Investment Policy as presented at the May 24, 2021 Joint Meeting of the FMCB and the Board and as attached hereto as Appendix A.

VOTED:

That the Board of Directors of the Massachusetts Department of Transportation ("Board") approves the amended Massachusetts Bay Transportation Authority Investment Policy as presented at the May 24, 2021 Joint Meeting of the Fiscal and Management Control Board and Board and as attached hereto as Appendix A.

