

GEORGIA EXTENDED ASSET POOL INVESTMENT POLICY GUIDELINES

Objectives

Return Requirements: Georgia Extended Asset Pool (GEAP) was established as a second investment option for municipalities within the State of Georgia with longer-term investment needs. Georgia Extended Asset Pool is designed for investors seeking income higher than money market rates and willing to accept price fluctuations. Performance objective is to meet or exceed the Bank of America Merrill Lynch 1-year U.S. Treasury Note Index on a rolling 4, 12, and 20 quarter basis.

Risk Tolerance: GEAP has a low tolerance for risk. The 'S1' volatility rating designates that the fund possesses an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities. In addition, the 'S1' rating indicates the fund's low sensitivity to changing market conditions and is based on the fund's conservative investment policies, tight maturity restrictions and low historical risk profile.

Constraints

Liquidity: GEAP has moderate liquidity constraints. Currently, withdrawal of funds requires one day advance notice for participants. It is up to the portfolio manager to assess the market risks and cash needs in order to provide sufficient liquidity to meet the daily cash flow needs of the participants.

Duration: The duration of the pool will be managed between .5 and 1.5 effective duration. The maximum final maturity of any security purchased by the pool is limited to five years. An effective duration of 1.0 shall be considered neutral.

Laws and Regulations: GEAP is created by State Code Section 36-83-8. Authorized investments for pool assets shall be limited to those set forth in Code Sections 50-17-2 and 50-17-63.

Unique Preferences and Circumstances: The liquidity requirements, low risk tolerance and extensive regulation are all significant factors affecting the management of GEAP.

Authorized Investments: *All investments must adhere to the “credit quality” requirements prescribed by the current OST Investment Policy adopted by the State Depository Board and credit limits prescribed by the current OST Counterparty Risk Assessment.*

1. Repurchase agreements that meet the requirements of State Code Section 50-17-2.
2. Deposits with approved state depositories rated ‘A-2’/‘P-2’ or higher
 - Collateralized by Federal Home Loan Bank Letters of Credit (LOC), or
 - 110% collateralized, or
 - Secured through the Georgia multibank pledging pool program (Secure Deposit Program) with “Required Collateral” as defined therein, or
 - Fully insured by the FDIC; or
 - If non-collateralized, refer to “Counterparty Risk Assessment”. Only banks ‘A-2’/‘P-2’ or higher ranked in the top two risk categories (Very Low or Low) are eligible to offer a non-collateralized account. Within the two risk categories, the amount eligible to invest in these types of Demand Deposit Agreements (as defined by the OST Investment Policy adopted February 2014) is limited to the “CP limit” exposure. If OST holds CP or other obligations issued by the same counterparty, the amount eligible to invest in a Demand Deposit Agreement is reduced by these amounts
 - Certificates of Deposits are not to exceed one year and subject to prior approval by the State Treasurer
3. U.S. Treasury Obligations
4. Obligations issued by the following government sponsored entities (GSE’s)
 - Federal Farm Credit Bank (FFCB)
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal National Mortgage Association (FNMA)
 - Government National Mortgage Association (GNMA)
- A. Types of Agency Securities
 - Fixed Rate Notes and Bonds
 - Callable Notes and Bonds
 - Floating Rate Notes. The index should have a correlation of at least 95% of the effective Fed Funds Rate or 3-month LIBOR. The final maturity for sovereign floating-rate investments will not exceed two years.
5. Commercial Paper issued by domestic corporations carrying ratings no lower than P-1 by Moody’s Investors Service and A-1 by Standard & Poor’s Corporation. Five percent (5%) diversification limits are in place for corporate, bank, and other money market securities with maturities beyond overnight (excluding U.S. government securities). If OST holds obligations with the same counterparty or is invested in a non-collateralized deposit with the counterparty, the amount eligible to invest in CP is reduced by these amounts

6. Obligations of corporations rated no lower than A- by Standard & Poor's Corporation or A3 by Moody's Investors Service. Obligations must also have final maturities no longer than 6-months from the date of purchase. Issuers must be in the "Very Low" or "Low" risk level of the Counterparty Risk Assessment and the amount eligible to invest in these obligations is limited to the "CP Limit" exposure. If OST holds CP issued by the same counterparty or is invested in a non-collateralized deposit with the counterparty, the amount eligible to invest in obligations is reduced by these amounts
7. Corporate Floating Rate Notes
8. International Bank for Reconstruction and Development (IBRD) or the International Finance Corporation (IFC). Obligations issued, assumed, or guaranteed by the IBRD or the IFC must be rated A or higher by a nationally recognized rating agency