



## **Investment policy revision considerations following additional investments permitted for all public corporations—local governments, school districts, and municipal authorities—through Act 10 of 2016**

**Last updated as of July 31, 2020**

*Note: If your entity does not have a board-approved investment policy separate from the relevant codes and statutes for your type of local government, school, or municipal authority, there are no changes or board action necessary to utilize any or all of the investments now permitted through Act 10 of 2016 (the “Act” or “Act 10”). If not, the following information is provided for your consideration, with the assistance of counsel, in undertaking an investment policy review and language revisions necessary to utilize any or all of the investments now permitted through Act 10.*

### **Any Board-Approved Investment Policy Statement or Permitted Investments Section of a Bond Indenture**

**If the investment policy references specific statutes, add the following:**

Act No. 10 of 2016, H.B. 1296, Gen. Assemb., Reg. Sess. (Pa. 2016)

**If an investment policy enumerates permitted investments: the following investments are now permitted through Act 10. *Note that this section lists all investments permitted by Act 10; an entity may choose to further limit their permitted investments through their policy.***

1. Obligations issued by the U.S. Government and its agencies which carry the full faith and credit guarantee of the United States;
2. Obligations, participations or other instruments of any Federal agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government-sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.

3. Obligations of the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities, provided such obligations are backed by the full faith and credit of the Commonwealth;
4. Obligations of any political subdivision of the Commonwealth of Pennsylvania, or any of the agencies or instrumentalities of such political subdivision, provided such obligation is backed by the full faith and credit of the political subdivision;
5. Commercial Paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days if the issuing corporation or business entity is rated in the top short term category by at least two nationally recognized statistical ratings organization.
6. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organization.
7. Negotiable Certificates of Deposit or other evidences of deposit issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state-licensed branch of a foreign bank, with a remaining maturity of 397 days or less. For obligations with a maturity one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligation of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations. A maximum length of maturity for an investment in any negotiable certificate of deposit is three (3) years from the date of purchase.
8. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government-sponsored enterprise.
9. Shares of an investment company registered under the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. § 80a-1 et seq.) whose shares are registered under the Securities Act of 1933 (48 Stat. 74, 15 U.S.C. § 77a et seq.), if all of the following conditions are met:
  - (i) The investments of the company are the authorized investments under this subsection.

(ii) The investment company is managed in accordance with 17 CFR 270.2a-7 (relating to SEC registered money market funds).

(iii) The investment company is rated in the highest category by a nationally recognized rating agency.

10. Local government investment pools, either state-administered or developed through intergovernmental agreement legislation, provided the local government investment pool restricts investments to those listed under this subsection.

11. Savings or demand deposits placed in accordance with the following conditions:

(i) The money is initially deposited and invested through a federally insured institution having a place of business in the Commonwealth, which is selected by the public corporation or municipal authority.

(ii) The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.

(iii) The full amount of principal and any accrued interest of each such deposit by the Federal Deposit Insurance Corporation.

(iv) On the same date that the money is redeposited pursuant to paragraph (ii), the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

**The following table may be added to the investment policy to further limit permitted investments. *Note: percentages are suggestions for consideration and may be edited as desired by the board of your entity based upon particular circumstances.***

Security Type	Maximum Allocation (at time of purchase)	Maximum Issuer (at time of purchase)
U.S. Government Securities	100%	N/A

U.S. Government Agencies & Instruments	100%	50%
Bank Deposits & Certificates of Deposit	100%	100%
G.O. Pennsylvania Municipal Bonds	25%	10%
Commercial Paper	30%	10%
Bankers' Acceptances	30%	10%
Negotiable Certificates of Deposit	30%	10%
Repurchase Agreements	50%	50%
SEC-Registered Money Market Funds	100%	N/A
Local Government Investment Pools	100%	N/A

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