

The following edits/amendments are proposed for the 2016 Investment Policy:

- Changing title “Certificates of Deposit” to “Collateralized Time Deposits” (p. 5)
- **Original Statement:**

G. Asset Backed Securities (page 5)

The issuer of these securities must be rated “AAA” by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities shall have a maximum remaining maturity of five years. Purchases of Asset Backed Securities will not exceed 20% of the pool.

The allowable types of Asset Backed Securities include the following:

1. U.S. Government Agency Mortgage pass-through securities.
2. Collateralized Mortgage Obligations (CMO) where the underlying mortgages have U.S. government backing.
3. Equipment lease back certificates.
4. Consumer receivable backed bonds.
5. Auto loan receivable backed bonds.

Proposed Change:

G. Mortgage Backed Securities and Asset Backed Securities (page 5)

A. Mortgage Backed Securities

The issuer of these securities must be rated “A” or higher and the issue itself must be rated “AA” or higher by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Mortgage Backed Securities and Asset Backed Securities will not exceed 20% of the pool.

The allowable types of Mortgage Backed Securities include the following:

1. U.S. Government Agency Mortgage pass-through securities.
2. Collateralized Mortgage Obligations (CMO) where the underlying mortgages have U.S. government backing.

B.. Asset Backed Securities (page 5)

The issuer of these securities must be rated “AAA” by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Asset Backed Securities and Mortgage Backed Securities will not exceed 20% of the pool.

The allowable types of Asset Backed Securities include the following:

1. Equipment lease back certificates.
2. Consumer receivable backed bonds.
3. Auto loan receivable backed bonds.

- **Additions under Section VII. Authorized Investments:**

- I. US Instrumentalities (page 6)**

United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated “AA” or higher by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Purchases of US Instrumentalities are not to exceed 30% of the pool.

- J. CA Municipal Obligations (page 6)**

Registered state warrants or municipal notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state, including debt issued by the University of California with a maximum maturity of five years or less and not to exceed 30% of the pool, 5% aggregate.

- N. Local Government Investment Pools (LGIPs) (page 7)**

Shares of beneficial interest issued by a joint power’s authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized by the Government Code. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. Purchases are limited to LGIPs that seek to maintain a stable share price and will not exceed 10% of the pool, 5% aggregate.

Removal:

- K. Registered Warrants (page 6)**

In accordance with Government Code §17202 – All registered warrants issued by the state are legal investments for all:

1. Trust funds.
2. Funds of all insurers.
3. Funds of savings and loan associations.
4. Funds of all banks, including any legal combination of commercial banks, savings banks and trust companies.
5. Funds of all counties, municipal corporations, districts, public corporations, political subdivisions, or state agencies.

- **Original Statement:**

X. Diversification and Maturity Restrictions

It is the policy of the Treasurer to diversify the Fund's portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer or a specific class of securities. Diversification strategies shall be established by the Treasurer and Assistant Treasurer.

INSTRUMENT	RATING	% of Fund	LIMITATIONS % of Fund per Issuer	Maturity
U.S. Treasury Obligations		100%	100%	7 years
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100%	40%	7 years
U.S. Agencies Callables	AA		25%	7 years
Bankers Acceptances *Domestic: (\$5 billion minimum assets) *Foreign: (\$5 billion minimum assets) (two agencies)	A-1 / P-1/ F1	15% 15%	5% Aggregate 5% Aggregate	180 days 180 days
Collateralized Time Deposits within the state of CALIFORNIA	A-1/P-1/ F1	15%	5% Aggregate	1 year
Negotiable Certificates of Deposit (\$5 billion minimum assets) (two agencies)	A-1/P-1/ F1	30%	5% Aggregate	5 years
Commercial paper (two agencies)	A-1/P-1/ F1	40%	5% Aggregate	270 days or less
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100%	See limitations for Treasuries and Agencies above	92 days
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	AA/A A	30% 25% of the 30% above	5% Aggregate	5 years

INSTRUMENT	RATING	% of Fund	LIMITATION S % of Fund per Issuer	Maturity
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601 (Mutual Funds)	Money Market A-1/P-1	10%	5% Aggregate	
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	A	20%	5% Aggregate	5 Years
Asset Backed Securities	AAA	20%		5 Years

Proposed Changes:

X. Diversification and Maturity Restrictions (page 10)

It is the policy of the Treasurer to diversify the Fund's portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer or a specific class of securities. Diversification strategies shall be established by the Treasurer and Assistant Treasurer.

INSTRUMENT	RATING	% of Fund	LIMITATION S % of Fund per Issuer	Maturity
U.S. Treasury Obligations		100%	100%	7 years
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100%	40%	7 years
U.S. Agencies Callables	AA		25%	7 years
Commercial paper (two agencies)	A-1/P-1/ F1	40%	5% Aggregate	270 days or less

INSTRUMENT	RATING	% of Fund	LIMITATION S % of Fund per Issuer	Maturity
Negotiable Certificates of Deposit (\$5 billion minimum assets) (two agencies)	A-1/P-1/ F1	30%	5% Aggregate	5 years
Bankers Acceptances *Domestic: (\$5 billion minimum assets) *Foreign: (\$5 billion minimum assets) (two agencies)	A-1 / P-1/ F1	15% 15%	5% Aggregate 5% Aggregate	180 days 180 days
Collateralized Time Deposits within the state of CALIFORNIA	A-1/P-1/ F1	15%	5% Aggregate	1 year
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	A (issuer rated) AA (issue rated)	20% Combined total	5% Aggregate	5 Years
Asset Backed Securities	AAA		5% Aggregate	5 Years
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	AA/A A	30% 25% of the 30% above	5% Aggregate	5 years
US Instrumentalities	AA	30%		5 Years
CA Municipal Obligations	AA	30%	5% Aggregate	5 Years
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100%	See limitations for Treasuries and Agencies above	92 days

INSTRUMENT	RATING	% of Fund	LIMITATIONS % of Fund per Issuer	Maturity
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601 (Mutual Funds)	Money Market A-1/P-1	10%	5% Aggregate	
Local Government Investment Pools (LGIPs)		10%	5% Aggregate	