

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. ~~Asset~~Mortgage 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:

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H. Asset Backed Securities (page 5)

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The allowable types of Asset Backed Securities include the following:

13. Equipment lease back certificates.
24. Consumer receivable backed bonds.
35. Auto loan receivable backed bonds.

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

J. 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.

K. 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.

O. 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.

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| Asset Backed Securities | AAA | 20% | 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 |
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| Local Government Investment Pools (LGIPs) | | 10% | 5% Aggregate | |