

6011. ADMINISTRATIVE REGULATIONS ON INVESTMENTS

6011.1 The Vice President of Administrative Services or designee is responsible for administering these regulations.

6011.2 Authorized investments: Investments shall be in accordance with law, including but not limited to California Government Code Sections 53600, et seq.

6011.3 Investment Restrictions and Prohibited Transactions. The following types of transactions are restricted or prohibited:

- A. Borrowing for investment purposes (“leverage”) is prohibited.
- B. Reverse Repurchase Agreements, as defined by California Government Code Sections 53601(i) and 53636(i) or otherwise are prohibited.
- C. The District shall not invest in instruments known as Structured Notes (e.g. inverse floaters, range notes, mortgage-derived, interest-only strips, leveraged floaters, structured certificate, or deposit, equity-linked securities) or any security that could result in zero interest accrual if held to maturity. Investment in any instrument which is commonly considered a “derivative” instrument (e.g. options, futures, swaps, caps, floors, collars) is prohibited.
- D. No more than 10% of total assets may be invested in securities of any one issuer with the exception of LAIF, the LACIP or obligations of the U.S. Government and its agencies or instrumentalities.
- E. All investments will be U.S. dollar denominated.
- F. Securities that are downgraded below the minimum acceptable rating levels should be reviewed for possible sale within a reasonable amount of time following a downgrade.

6011.4 Diversification: It is the policy of the District to diversity its investment portfolio. Within each investment style, invested funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

- A. State of California Local Agency Investment Fund (LAIF)100%

- B. Los Angeles County Investment Pool (LACIP) 100%
- C. U.S. Treasuries and securities having principal and interest guaranteed by the U.S. Government 100%
- D. U.S. Government agencies, instrumentalities and government sponsored enterprises no more than 50%
- E. Corporate notes no more than 30%
- F. Asset-backed securities no more than 20%
- G. Commercial Paper no more than 25%
- H. Fully insured or collateralized CD's no more than 30%
- I. Negotiable Certificates of Deposit no more than 30%
- J. Repurchase Agreements no more than 50%
- K. Bankers Acceptances no more than 40%
- L. Money Market Fund no more than 10%
- M. The Superintendent-President, Vice President of Administrative Services, or the designated investment advisor shall also be required to diversify maturities, and to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk.

6011.5 Authorized Financial Dealers and Institutions:

- A. The Superintendent-President, Vice President of Administrative Services, or the designated investment advisor may place orders for the execution of transactions with or through such brokers, dealers, banks and repurchase agreement counterparties as may be selected from an approved list of broker/dealers.
- B. The District or designated investment advisor shall maintain a list of broker/dealers that are authorized to provide investment services to the District. Institutions shall provide their most recent "Consolidated Report of Condition" (call report) at the request of the District. At a minimum, the District or the authorized investment advisor shall conduct an annual evaluation of each institution's credit worthiness to determine whether it should be on the "Qualified Institution" listing.

- 6011.6 Performance Evaluation:
- A. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs of the District.
 - B. The District shall maintain an active investment strategy. Given this strategy, the basis used by the Vice President of Administrative Services to determine whether market yields are being achieved shall be to identify a comparable benchmark upon establishing the structure of the portfolio.
- 6011.7 Reporting: The Superintendent-President, Vice President of Administrative Services, and the designated investment advisor shall submit quarterly reports to the Board of Trustees. The quarterly reports shall state compliance of the portfolio to the statement of investment policy or the manner in which the portfolio is not in compliance.
- 6011.8 Safekeeping and Custody: All funds managed by a designated investment advisor shall be held by a third party custodian. All security transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. All securities will be held by a third party custodian except for LAIF, LACIP and money market fund because these securities are not deliverable. The Treasurer shall maintain evidence of delivery. Securities shall be held by a third party custodian designated by and approved by the Superintendent-President. The third party custodian shall be required to issue a safekeeping statement to the District listing the specific instrument, rate, maturity and other pertinent information.
- 6011.9 Collateralization: In order to anticipate market changes and provide a level of additional security for all funds, collateralization shall be required on the following types of investments:
- A. Repurchase Agreements: For repurchase agreements, the minimum collateralization level shall be 102% of the market value of principal and accrued interest.
- 6011.10 Bond Proceeds: The investment of bond proceeds shall be governed by the bond documents relevant to each specific bond issuance and the County Investment Policy Statement. If the bond documents are silent as to permitted investments, then this policy shall govern the investment of bond proceeds. In such case, Guaranteed Investment Contracts (GICs) shall be deemed permitted investments, solely for the purpose of bond proceeds and shall be limited in the following manner:

- A. Investment agreements with providers with claims-paying, financial strength, or whose obligations are fully guaranteed by a company, rated at least “AA-“ and “Aa3” by S&P and Moody’s, respectively or,
- B. Collateralized investment agreements with providers with claims-paying, financial strength, or whose obligations are fully guaranteed by a company, rated at least “A-“ and “A3” by S&P and Moody’s respectively.

6011.11 Retiree Benefits Fund: The irrevocable Futuris Public Entity Investment Trust will be invested under the direction of the Retirement Board of Authority.

Adopted: June 9, 2009