



TUOLUMNE JPA INVESTMENT POLICY STATEMENT

The purpose of this statement is to establish a clear understanding between Tuolumne JPA (the Authority) and the Investment Manager regarding investment objectives, goals, and guidelines for the portfolio. It is intended to provide meaningful guidance in the management of the portfolio and not be overly restrictive given the changing economic and investment market conditions. This policy statement should be reviewed on a periodic basis by the Authority and the Investment Manager. Any modifications should be immediately provided to the Investment Manager.

I. POLICIES

A. General Rule: The Authority operates its temporarily pooled idle cash investments under the prudent-man rule (CA Probate Code Section 16040). This affords the Authority a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California {Government Code Section 53600, et. seq.}.

B. Criteria for selecting investment and the order of priority are known by the California Municipal Treasurer's Association a "SLY":

- 1. Safety:** The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The Authority only operates in those investments that are considered very safe.
- 2. Liquidity:** This refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds appears occasionally.
- 3. Yield:** This is the potential dollar earnings and investment can provide, and sometimes is described as the "rate of return".

II. INVESTMENT OBJECTIVES

Preservation and protection of the Authority's capital is the guiding philosophy of the Investment Manager, which will manage each portfolio to meet the guidelines stated in the California Code 53600 and 53601. This is a fixed income portfolio comprised of domestic fixed income instruments and cash equivalents and is intended to be structured in accordance with the specific Authority objectives. This portfolio will be managed less aggressively than strictly discretionary fixed income portfolios. In accordance with the investment objectives stated below, assets in the portfolio will be managed in a conservative manner.

The primary investment objective is: **Preservation of Purchasing Power**

Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation, as measured by CPI (Consumer Price Index), in order to preserve the purchasing power of the Authority's assets.

The secondary, but also important investment objective is: **Growth of Capital**

Asset growth, exclusive of contributions and withdrawals, should also exceed the return of the Local Agency Investment Fund (LAIF) on a consistent basis. If the investment policies of LAIF should change, this objective will be re-evaluated.

Asset growth, exclusive of contributions and withdrawals, should provide a rate of return competitive with that of a customized index comprised of the **Merrill Lynch 1-3 Year Treasury Bond Index (40%)**, **Merrill Lynch 3-5 Year Treasury Bond Index (35%)**, and **Merrill Lynch U.S. 1-5 Year A-AAA-Rated Corporate Index (25%)**, while incurring similar or less risk than such index. Growth of capital shall be expected to be somewhat less than that of a more aggressively structured discretionary fixed income portfolio over time.

The above objectives are expected to be achieved over a minimum time horizon of 3-5 years. Given the cyclical nature of the financial markets, the success of the portfolio manager in achieving these goals should not be judged in any shorter time period.

III. INVESTMENT GUIDELINES

General: Subject to the limitations stated herein, the Investment Manager is given full discretion consistent with the investment objective of this portfolio. The asset allocation of the portfolio between fixed income and cash equivalents will vary according to the Investment Manager's outlook for the economy and the financial markets. A portion of the portfolio may be allocated to cash equivalents when the Investment Manager deems prudent.

No investment shall have a stated maturity greater than ten (10) years; with a limit not to exceed 25% of the portfolio with maturities greater than 5 years.

Fixed Income Investments: The fixed income portion of the portfolio will consist entirely of U.S. dollar denominated, investment grade issues. The portfolio will be well diversified, utilizing U.S. Treasuries, and securities issued by Federal Agencies, FDIC-insured certificates of deposit (CDs), and up to 30% of the portfolio may be invested in Corporate Securities with a minimum average rating of A by Moody's and S&P at time of purchase. Any corporate bond that is subsequently downgraded to a level below A- by both S&P and Moody's must be sold from the portfolio within 30 days.

Short-Term Investment: Short-Term investments will consist of U.S. Treasury Bills, floating rate notes or similar instruments and/or U.S. Govt. Money Market funds.

The maturity structure of the portfolio will vary according to the Investment Manager's interest rate outlook, tailored within the restrictions the Authority has specified. The Investment Manager is an active fixed income manager, and securities will not necessarily be held until maturity.

Cash flow and asset/liability matching information will be made readily available to the investment manager. Adequate liquid cash should be maintained by the Authority so that a forced sale of longer term securities at a loss is never necessary to cover short term cash needs. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. Losses are acceptable on a sale before maturity and should be taken only if the reinvested proceeds will earn a total return greater than would have been by the old investment considering any capital loss or foregone interest on the original investment. While active management of the account will be utilized to attain the highest returns with the least amount of risk the investment manager should only buy securities that could be held to maturity without loss to The Authority.

Portfolio Restrictions: Within the framework of the above stated objectives, the Authority has placed the following restrictions on the Investment Managers:

- 1) No equities will be allowed in the portfolio
- 2) No derivatives will be allowed in the portfolio

IV. INVESTMENT PERFORMANCE REVIEW

Monthly statements with positions marked to the market, including all transactions, and a summary of income shall be sent to the Treasurer by the independent custodian of the Authority's investments.

The portfolio performance results will be measured on a quarterly basis by the Investment Manager. Investment performance will be measured against commonly accepted market benchmarks which approximate the specific restrictions on the portfolio.

V. DELEGATION OF AUTHORITY

The Tuolumne JPA Executive and/or the TJPA Committee are authorized to:

- 1) Formulate any and all procedures necessary to implement this policy.
- 2) Determine the allocation of the TJPA's total available funds available for investment in conjunction with actuarial reports.
- 3) Engage consultants to assist in the investment, management, oversight, evaluation, or other services related to TJPA's investment
- 4) Take other actions, as appropriate, to implement and carry out this policy.

VI. ETHICS AND CONFLICT OF INTEREST

Officers, employees, and agents involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Officers, employees, and agents involved in

the investment process shall abide by the California Government Code Section 1090 et. seq. and the California Political Reform Act (California Government Code Section 81000 et. seq.)

VII. SUMMARY

All investments are to be made in a prudent manner. (Per Prudent Man rule CA Probate Code Section 16040).

The Investment Manager will manage the assets in strict adherence to California Government Code 53600 - 53601 and to any other restrictions set forth in the Authority's Policy Statement and the Authority's Investment Objectives.

This policy statement will be reviewed annually. Any addition, any modifications of objectives and goals on the part of The Authority shall be brought to the attention of the Investment Manager.

Duties & Responsibilities

The Investment Consultant

- Is expected to ensure that the Portfolio is managed in a manner consistent with this Investment Policy Statement and in accordance with the Authority and Federal law and the Uniform Prudent Investor Act.
- Is a Registered Investment Advisor and shall act as the Investment Consultant and fiduciary to the Authority until the Authority decides otherwise.

Shall be responsible for:

- Designing, recommending and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this policy.
- Recommending an appropriate custodian to safeguard the Authority's assets.
- Advising the Authority about the selection of and the allocation of asset categories.
- Identifying specific assets and investment managers within each asset category

Shall be responsible for:

- Ensuring that the custodian / investment manager provides the Authority with a current prospectus or ADV, for each investment proposed for the portfolio.
- Monitoring the performance of all selected assets.
- Recommending changes to any of the above.

- Periodically reviewing the suitability of the investments for the Authority, being available to meet with the Authority quarterly, and being available at such other times within reason at the Authority's request.
- Preparing and presenting appropriate reports.
- The Consultant will not take title to any assets nor shall the Consultant exercise discretionary control over any of the Authority's assets.
- The Consultant shall be responsible only to make recommendations to the Authority and to implement investment decisions as directed by the Authority.

The Board of Directors

- The oversight of the Portfolio.
- Defining the investment objectives and policies of the Authority.
- Providing direction and oversight to the Investment Manager/Consultant through the Authority's Treasurer and his/her agent.
- Monitoring and evaluating the investment results reported by the Investment Manager/Consultant.

The Investment Managers (Money Manager)

- Frequent and open communication with the Finance Committee, the Finance Officer and the Investment Consultant on all significant matters pertaining to the investment of the Authority's assets.
- The Finance Committee expects to be apprised of any significant changes in the investment outlook, portfolio strategy and asset allocation of these funds.
- The Finance Committee wishes to be informed of any significant changes in the investment manager's organizational structure and in the personnel assigned to the management of the Authority's assets
- Investment Manager is responsible for and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Investment Manager shall vote proxies accordingly to the guidelines and restrictions outlined herein where applicable and otherwise according to Advisor's best judgment.

Master Custodian

- Aggregation of data from all sub-custodians.
- Reconciling all transactions.

- Complete automated accounting, including calculation of realized/unrealized gains and losses.
- Accounting and reconciliation for all investments for Omnibus and Sub-accounts.
- Provide electronic interface with the Authority, Investment Advisors, Record keeper and any other authorized representative of the Authority.
- Preparation and coding of applicable tax forms.
- Check preparation for disbursements.
- Preparation of in-kind disbursements.
- Tax withholding administration and remittance to depository institutions.
- Statements of all sub-account transactions and account activity available to investment advisors, record keeper and the Authority.
- Statements of all assets with current market value, tax cost basis, and estimated annual income.
- Posting of dividends, accruals and corporate actions on all sub-accounts.
- Must have and offer for annual review, an external audited financial statement and a SAS 70 audit.

ADOPTED BY: Tuolumne JPA Board – May 6, 1999 minutes

REVISED BY: Tuolumne JPA Board – April 2, 2009 minutes

REVISED BY: Tuolumne JPA Board – April 10, 2014 minutes

REVISED BY: Tuolumne JPA Board – April 9, 2015 minutes

REVIEWED NC: Tuolumne JPA Board – April 7, 2016 minutes

REVIEWED NC: Tuolumne JPA Board – April 6, 2017 minutes

REVISED BY: Tuolumne JPA Board – May 11, 2017 minutes

REVIEWED NC: Tuolumne JPA Board – April 12, 2018 minutes

REVIEWED NC: Tuolumne JPA Board – April 11, 2019 minutes

REVIEWED NC: Tuolumne JPA Board – April 9, 2020 minutes

REVIEWED NC: Tuolumne JPA Board – April 8, 2021 minutes

REVIEWED NC: Tuolumne JPA Board – April 14, 2022 minutes

REVIEWED NC: Tuolumne JPA Board – April 13, 2023 minutes

 4/13/23

Zack Abernathy – Tuolumne JPA President Date

 4-13-23

Lisa Rico – Tuolumne JPA Treasurer Date