

RURAL COUNTY REPRESENTATIVES of CALIFORNIA

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A – 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supercedes: Policy dated 12/7/16 Approved: 12/6/17

INTRODUCTION

The investment policies and practices of Rural County Representatives of California (RCRC) are based upon state law and provide guidelines for the prudent investment of RCRC's reserve funds as well as temporarily idle cash. The primary goals of these policies are:

1. To safeguard the principal funds.
2. To provide sufficient liquidity to meet normal operating expenditures and expenditures beyond the ordinary budgeted expenses.
3. To generate investment income commensurate with the parameters of prudent risk management and consistent with the above policies.

Investments shall be made with judgment and care – under circumstances then prevailing – in the same manner that prudent investors, using discretion and intelligence, would exercise in the management of their own affairs when doing so for investment and not for speculation, and considering the probable safety of their capital as well as the probable income to be derived. The Investment Committee will use the “prudent investor” standard in managing RCRC's portfolio.

Investment Committee members acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and actions are taken to control adverse developments. Any deviations, once identified, should be documented and reviewed to determine whether replacing the security would be in the best interest of the organization.

OBJECTIVES

RCRC's investment policy shall be managed in a manner that emphasizes the preservation of capital. The long-term goal is to seek competitive returns while minimizing exposure to credit and market risk. The investment portfolio shall remain sufficiently liquid to meet anticipated cash requirements. RCRC's objective is to diversify its portfolio by investing funds among a variety of securities offering independent returns and financial institutions. This can be accomplished through diversity of instruments to include those with active secondary markets, maturities that match expected cash needs, and the Local Agency Investment Fund (LAIF) and CalTrust which includes diverse investment portfolios and immediate withdrawal provisions. The investment objective shall be to achieve a rate of return that is commensurate with safety and liquidity requirements of the organization. Management of the Investment portfolio will be directed by the objectives of Preservation of Capital – understanding that losses may occur on individual securities; Risk Aversion - understanding that risk is present in all types of investment; and Adherence to Investment Discipline, adhering to this policy.

The portfolio's target total return should meet or exceed all of the following over a full market cycle (at least 5 years):

- California's Local Agency Investment Fund (LAIF) rate for the same period.
- The 90 day Treasury Bill rate for the same period.

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DELEGATION OF AUTHORITY

Authority to manage RCRC’s investment program is derived from California Government Code Sections 53601 and 53607 and by annual actions of RCRC’s Board of Directors (Board). The Board has delegated management responsibility for the investment program to the Investment Committee consisting of RCRC’s President/CEO, Chief Financial Officer (CFO) and Vice President. The Investment Committee shall be responsible for all investment transactions undertaken.

RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

In the event the Investment Committee determines to utilize an Investment Consultant, the Investment Consultant’s role will be that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will monitor expected net cash flow requirements.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will determine the portion of assets that shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

MARKETABILITY OF ASSETS

The Investment Committee requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

AUTHORIZED AND SUITABLE INVESTMENTS

RCRC is empowered to invest in LAIF, CalTRUST and, as provided in Government Code (GC) Section 53601 and 53601.1 to invest in the following types of securities:

- Debt issued by RCRC or other public agencies
- Money market instruments within the limitations provided in GC Section 53601.1
- Debt and/or securities of affiliated companies when that debt or security meets the requirements of any of the securities listed in GC Section 53601.1

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Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds/Securities

3. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

ASSET ALLOCATION

Sections 53601 and 53601.1 of the California Government Code provide legal authorization for investment of funds of local agencies. All investments of RCRC shall conform to the restrictions of those laws and shall be consistent with prudent and conservative investment standards.

1. The Investment Committee will determine the Aggregate Fund Asset Allocation (allocation) giving consideration to resources, operating needs and economic conditions. The Investment Committee will monitor the allocation and take steps to balance the allocation as appropriate.
2. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Investment Committee shall consider rebalancing the portfolio, basing the decision, in part, on the expected length of time the portfolio will be unbalanced.
3. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency or particular industry should not be excessive as determined by the Investment Committee. The total allocation to treasury bonds and notes may represent up to 100% of the aggregate bond position

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ETHICS AND CONFLICTS OF INTEREST

Members of the Investment Committee shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Committee members shall disclose annually any material financial interests in financial institutions that conduct business with RCRC and they shall further disclose any large personal financial/investment positions that could be related to the performance of RCRC. The annual disclosure on California Fair Political Practices Commission Form 700 will suffice to meet this requirement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The CFO will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State of California laws.

All financial institutions and broker/dealers who desire to be approved for providing investment services must provide the Investment Committee with the following:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of State of California registration
- Certification of having read RCRC's investment policy and depository contracts

An annual review of the financial condition and registrations of approved security broker/dealers utilized by RCRC will be conducted by the Chief Financial Officer.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

The Investment Committee shall ensure that performance reports are compiled at least quarterly. The market value of the portfolio shall be calculated and an investment report shall be prepared at least quarterly for presentation to the Executive Committee. The report shall include the following:

- Listing of individual investments held at the end of the reporting period, showing institution, selling institution, date of maturity, amount of deposit, and current market value
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Return on investment expressed as an annual percentage rate
- Average weighted yield to maturity of portfolio as compared to applicable benchmarks
- Statement of current allocation of investments

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The Investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three year period.

INVESTMENT POLICY REVIEW

The investment policy shall be reviewed and approved annually by the Board of Directors in accordance with Government Code Section 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Investment Committee (consisting of the President/CEO, Chief Financial Officer and Vice President) in accordance with Government Code Section 53607. Such investment authority shall include authority to invest or to reinvest funds of RCRC and to sell or exchange securities so purchased. All investments require the approval of at least two members of the Investment Committee.