

2026

SOLANO COUNTY TREASURER

**PARS 115 CALPERS RESERVE RETIREMENT
TRUST INTERNALLY MANAGED**

INVESTMENT POLICY



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Purpose

In accordance with Government Code §53646, this policy is intended to provide guidance, control, and direction for the PARS 115 CalPERS Reserve Retirement Trust funds entrusted to the care of the Solano County Treasurer. These funds are invested collectively and referred to as the PARS 115 CalPERS Reserve Retirement Trust Fund Internally Managed (the Trust Fund). These funds are invested within the scope of all applicable government codes, trust agreements, or other restrictions in effect at the time of the deposit and during the holding period. Any funds entrusted and invested outside the Trust Fund are accounted for separately.

Funds deposited in the Trust Fund will be invested to optimize their earnings, within acceptable risk parameters, as recommended by the Pension Advisory Committee and adopted by the Board of Supervisors. A portion of the PARS 115 CalPERS Reserve Retirement Trust is managed externally by PARS and governed by a separate investment policy.

The parameters, recommended for adoption by the Board, are no withdrawals of assets during the fiscal year through June 30, 2026, and an expectation that the funds may be invested with a longer duration target, additional credit risk, and principal risk, including exposure to equities or other non-fixed income investments. Investments of these types should be considered long-term holdings and will restrict the availability of Trust funds.

Scope

This policy applies to all PARS 115 CalPERS Reserve Retirement Trust funds over which the Treasurer has been granted fiduciary responsibility and direct control for managing.

Implementation

The guidelines and restrictions found herein shall be applied to all actions taken after its adoption by the Board of Supervisors and shall remain in effect until replaced.

Participants

This investment policy restricts deposits to those funds designated by the Solano County Board of Supervisors as self-directed PARS 115 CalPERS Reserve Retirement Trust Funds to be held in care of the Solano County Treasurer.

General Policy Statement

It shall be the policy of the Solano County Treasurer to manage the Trust Funds in accordance with all applicable Federal, State, or Local statutes, laws, regulations,

ordinances, or codes. The Treasurer will make every reasonable effort to maintain the profile of the Trust Fund within an acceptable risk–return profile based on the fund's purpose and objectives. To achieve and maintain said acceptable risk-return profile, and to manage the portfolio within the guidelines and objectives outlined in this policy, the Treasurer may direct investment purchases, sales, or other investment actions to adjust the credit risk, interest rate risk, liquidity risk, or other risks inherent in investment pools.

Objectives

It is the objective of the Solano County Treasurer to invest public funds in a manner that provides security of principal and sufficient liquidity to ensure the specific portfolio is able to meet its cash flow needs and generates returns commensurate with the inherent risks being managed. This practice is generally referred to as the “SLY” principle, which stands for Safety, Liquidity, and Yield.

It is the objective of this fund to be managed in a manner consistent with a retirement trust fund. Trust funds will be subject to additional risk levels beyond those found in the Treasurer’s Pool. This includes the purchase and holding of equities and other securities that may be subject to substantial changes in value.

Safety: The safety of principle seeks to ensure the preservation of capital within acceptable risk tolerances. These risk tolerances will be greater than those found in the Treasurer’s Pool. Some capital risk is deemed acceptable given the longer duration and intended purpose of the Trust Fund.

Within these higher risk tolerances, the Treasurer will employ management tools intended to mitigate and manage some of the credit and market risks. Credit risk, also known as default risk, is the risk that the issuer of a security may be unable to make timely principal, interest, or dividend payments, resulting in a default on a fixed income, or the value of the equity investment will decline to zero. This risk is mitigated through diversification, a process whereby funds are invested in multiple issuers as opposed to a single name.

Market risk is the risk an investment will be difficult or impossible to sell at a reasonable price relative to its potential return. Market risk increases or decreases based on several factors, including the notoriety of the issuer and the frequency at which they issue debt. The size, structure, and complexity of the particular security, and the size of the market in which it is issued, are also factors that impact the marketability of a security. Market risk is mitigated in the portfolio through the purchase and holding of securities issued by larger, more well-known, and higher-rated issuers, such as the United States Treasury, Federal Agencies, and larger, more widely recognized corporations. Purchases of equities, either individually or as part of a mutual fund, will be done in such a way as to provide earnings potential while managing overall portfolio risks.

Liquidity: The Trust Fund shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by purchasing

securities from large, well known, and highly rated issuers, as well as maintaining a ladder of investments whose maturities are timed to match the anticipated needs of the Trust Fund. As a longer duration retirement portfolio, it is anticipated that the Trust Fund will be maintained at a substantially lower liquidity position relative to a cash management pool.

Yield: The Trust Fund shall be managed with the objective of maintaining a rate of return commensurate with risk while bearing in mind that the funds are intended to be of longer duration and higher risk. However, as a consequence of purchasing longer maturity investments with higher yields and equity investments, the total return on the Trust Fund can be expected to fluctuate with changes in market conditions.

Standard of Care

The following policies are designed in accordance with Government Code §53216 et seq and the recommended best practices of the Government Finance Officers Association (GFOA) to provide transparency to Treasury operations while enhancing portfolio controls.

- a) **Mark to Market:** In accordance with Governmental Accounting Standards Board (GASB) Statement 40, the portfolio will be marked to market on a monthly or more frequent basis and treated as “Available for Sale” for reporting purposes.
- b) **Disbursements** will be made in accordance with the Trust agreement.
- c) **Prudent Investor:** Treasury staff will at all times be held to the “Prudent Investor Standard” when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds. The County Treasurer and his/her deputies shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investing funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the County and other depositors.
- d) **Indemnification:** The Treasurer and his or her staff, when acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes. Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation but for investments consistent with the stated objectives.

- e) **Ethics and Conflicts of Interest:** County officers, employees, agents, and any others who may be directly involved in the investment decision process shall adhere to all applicable laws regarding conflicts of interest and refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. The receipt of gifts is subject to the disclosure requirements and limitations set forth in sections §§87200 - 87210 and §§89503 - 89503.5 of the Government Code. In addition, the receipt of honoraria is prohibited.
- f) **Transactions Records:** All Treasury records will be maintained in accordance with the County's adopted records retention policy.

Safekeeping and Custody

Delivery vs. Payment: Purchased, or otherwise acquired, investment securities will be delivered by Fed Book Entry, DTC, or physical delivery, and to the extent feasible, held in third party safekeeping with a designated custodian. To the greatest extent possible, all transactions will be conducted on a Delivery Versus Payment (DVP) methodology where funds for payment are released simultaneously with the arrival of the investment.

Third-party Safekeeping: The trust department of a bank or other qualified provider will be designated as custodian for safekeeping specific securities. The custodian shall provide reporting and as needed real time access to financial records that show the specific instrument, selling broker/dealer, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information.

Reporting

In accordance with the recommendations of Government Code §53216.4, the Treasurer will publish on the County's public website, or make available through other electronic means, a detailed report of the investment transactions on at least an annual basis. The report will include a description of securities held, transactions made, expenses incurred, compensation paid, fees paid, and the net profit or loss of the portfolio. In addition, the report will include the acquisition cost, book value, market value, and total assets of the trust.

Transaction records, bank statements, account reconciliations, and associated accounting materials are filed and maintained in accordance with Government Code §27000 - §27013 inclusive and the County's adopted records retention policy.

Compensation

In accordance with Government Code 53216.6, the Treasurer may charge the Trust Fund an administrative fee of 5 basis points for administrative and overhead costs. Costs

include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees, and other direct and indirect costs incurred from handling or managing funds. The Trust Fund will also be charged any fees or direct costs related to its management imposed by the Trustee. The administrative fee will be subject to change annually.

Financial Dealers and Institutions

As a trustee of public funds held on behalf of other governing bodies, it is the Treasurer's policy to use those financial institutions and financial service providers who provide the greatest investment benefit to the agency whose funds are under management.

- a) Issues of public social concern and benefit will be evaluated on a case-by-case basis using the minimum criteria to be eligible to receive County funds. All banks, savings associations, or federally insured industrial loan companies must have received an overall rating of not less than "satisfactory" in their most recent evaluation by the appropriate federal financial supervisory agency of record. This evaluation ensures that they are meeting the credit needs of California's communities, including low and moderate-income neighborhoods pursuant to Section 2906 of Title 12 of the United States Code.
- b) Any decision to conduct financial transactions with an entity shall be made exercising care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs.
- c) Authorization of brokers/dealers to conduct business with the County is in the sole discretion of the Treasurer. In order to assist in the determination process, brokers/dealers must provide reasonable proof of qualifications. The criteria for authorization of brokers/dealers are as follows:
 - i. Any individual broker/dealer or broker/dealer firm that has made any political contribution to any agency, individual, or campaign within the potential scope of this policy at any time during the prior 48 months that exceeds the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, shall be barred from consideration.
 - ii. Individual brokers/dealers and broker/dealer firms must be in good standing with the NASD.
 - iii. Individual brokers/dealers and broker/dealer firms must be licensed to conduct business in the State of California.

Calculating and Apportioning Trust Fund Earnings

The Trust Fund is comprised of monies restricted by the Solano County Board of Supervisors for the funding of future retirement needs. All earnings from the fund, fees, costs, or expenses will be recorded and retained within the Trust Fund.

- a) Earnings are apportioned on a quarterly basis in accordance with the California Government Code §53646.
- b) When appropriate, earnings are calculated on an accrual basis for all investments in the Trust Fund.
- c) Management fees and related investment expenses will be deducted from the Trust Fund as needed.

Deposit and Withdrawal Requests

Deposits to and withdrawals from the Trust Fund will be made with the approval of the Solano County Board of Supervisors.

Authorized Investments and Restrictions

The Trust Fund Portfolio shall be governed by Government Code §53216 et seq. In addition, the portfolio is further restricted to the following criteria (percentages are based on market value at the time of purchase as of the close of the prior day's business):

Fixed Income Securities

Long-Term

Minimum Maturity:	7 Years
Maximum Maturity:	N/A
Minimum Credit Rating:	AA-
Maximum Credit Rating:	N/A

Intermediate Term

Minimum Maturity:	3 Years
Maximum Maturity:	7 Years
Minimum Credit Rating:	A-
Maximum Credit Rating:	N/A

Short Term

Minimum Maturity:	1 Day
Maximum Maturity:	3 Years
Minimum Credit Rating:	BBB-
Maximum Credit Rating:	N/A

Cash and Cash Equivalents

Minimum Maturity:	1 Day
Maximum Maturity:	14 Months
Minimum Credit Rating:	BBB-

Maximum Credit Rating:	N/A
Maximum Allocation:	100%
Convertible Debt	
Maximum Allocation	10%
Equity Securities	
Domestic Large Cap	
Maximum Allocation	60%
Domestic Mid Cap	
Maximum Allocation	40%
Domestic Small Cap	
Maximum Allocation	20%
International	
Maximum Allocation	20%
Real Estate	
Maximum Allocation	10%

Permitted Asset Classes and Security Types

Asset Class

Fixed Income

- Domestic including private placement 144A bonds
- Global

Equities

- Domestic
- Global
- Emerging Market
- Real Estate Investment Trusts (REITS)

Security Types

Fixed Income

- US Government
- US Government Sponsored Enterprises
- US Municipal Debt, including private placements
- Corporate Debt
- Mortgage-Backed Securities
- Asset Backed Securities
- Unit Trusts

International Bank of Redevelopment
World Bank

Fixed Income Mutual Funds

US Government
US Government Sponsored Enterprises
Corporate Debt
Mortgage-Backed Securities
Asset Backed Securities
Unit Trusts
International Bank of Redevelopment
World Bank
High Yield
International and Emerging Market
Convertible
Preferred

Closed End Funds

Cash and Cash Equivalents

Money Market Mutual Fund
Commercial Paper
Certificates of Deposit
Bankers' Acceptances

Equity Securities

Domestic listed and unlisted securities
Equity and equity related securities of non-US corporations, in the form of
American Depository Receipts (ADR's)

Equity Mutual Funds

Large Cap Growth and Value
Mid Cap Core
Small Cap Growth and Value
International and Emerging Markets
REIT's

Exchange Traded Funds

Prohibited Investments

Precious Metals
Venture Capital
Short Sales
Purchases of Letter Stock
Private Placement Stock
Direct Payments

Leveraged Transactions
Commodities
Puts, Calls, Straddles, or Similar Option Investments
Real Estate excluding REIT's
Derivatives excluding ETF's

Any investment currently held in the portfolio that does not meet the guidelines established in this policy is exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Other Policy Considerations

Disaster Recovery: The County Treasury maintains disaster recovery policies, procedures, and practices that are tested and updated on a regular basis as technologies and conditions change. These items are intended first and foremost to provide maximum protection to Treasury assets in the event of a natural or manmade disaster.

The Treasury also maintains contingency operating procedures to provide business continuity in the event that key County facilities or equipment are unavailable for extended periods of time.

California Government Code Sections Referenced:

§27000-27137
§53215-53224
§53630-53886
§87200-87210 & 89503-89503.5