



Investment Policy – Common Omissions California Pools and JPAs:

Identifying Key Components that are Often Missing from the Investment Policy Statement



STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Investment Policy Statement ‘Best Practices’

In working with gov’t risk pools and JPAs for 20+ years, we have developed and continue to enhance our Investment Policy Statement best practices. The best practices specify the components that should be included in a policy and how the policies should be organized and written. [View Full Overview >>](#)

To help California public entities, risk pools, and JPAs understand the components of a quality investment policy statement, we’ve provided an overview of components that are often missing from their policies.

Key Omissions

- Many CA Pools/JPAs do not explicitly state adherence to the ‘California Government Code’ – or lack specific details related to the code.
- While most CA Pools/JPAs state the desired goals for their portfolio return, they do not include supplemental details on yield, understanding of unrealized and realized losses, or usage of short-term investment pools.
- Almost all CA Pools/JPAs will list authorized dealers and/or parties with transaction authority, but do not explicitly list and define the roles & responsibilities of specific parties. *For example, the investment committee or the CFO.*
- Many will include prohibited investments, but not the specific asset classes / types.
- When listing allowed assets classes, many CA Pools/JPAs fail to include desired allocation targets or ranges, as well as maximum allocations allowed for each asset class.
 - *Additionally, many will include a section on diversification, but don’t explicitly state the specific asset types.*
- A specific benchmark(s) to evaluate portfolio performance is typically missing. Additionally, many do not include fixed income evaluation goals or requirements.
- Many CA Pools/JPAs do not include a section on portfolio risk tolerance. This includes limits and targets for the credit quality of investments.

For more information, please visit www.saa.com

This information is only intended for institutional investors, such as insurers or risk pools. Always contact a professional before making any investment decision.