CAJPA 2026 Annual Conference

SEPTEMBER 15-18, 2026 | LAKE TAHOE

WELCOME!

CAJPA
California Association of Joint Powers Authorities

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
ASCIP

STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Case Study: California Code - Stop Limiting Investment Results

Diversifying a California JPA's Investment Portfolio Within the Limits of the Government Code

Alton Cogert, CFA, CPA, CAIA, CGMA, President & CEO, Strategic Asset Alliance

Jeffrey C. Grubbs, CPA, MST, Chief Financial Officer,
Alliance of Schools for Cooperative Insurance Programs

WELCOME

What You'll Walk Away With

One JPA's real portfolio transformation;
and what any California risk pool can borrow from it.

1

Know the Boundaries

What the California Government Code allows — and prohibits.

2

Diversify Within Limits

From cash concentration to a diversified, investment-grade portfolio.

3

Borrow the Playbook

Governance steps, benchmark design, and board education tools.

AGENDA

Our 60 Minutes Together

1. **The Government Code Box**
   What's allowed, what isn't, and why
2. **Case Study: A JPA's Journey**
   Starting point, turning point, and the rebuild
3. **The Diversified Framework Today**
   Sector mix, duration discipline, compliance monitoring
4. **Board Education: Unrealized Losses**
   The conversation every JPA board eventually has
5. **Lessons Learned**
   A practical checklist for any California JPA
6. **Q&A**
   Open floor

CAJPA 2026
Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

SECTION 1

The California Government Code Box

What's permitted, what's prohibited, and why the rules exist

CAJPA 2026
Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

THE LEGAL FRAMEWORK

California Government Code §53601

Public money: the Code trades upside for strict downside protection.

GENERALLY PERMITTED

- U.S. Treasury & federal agency obligations
- Investment-grade corporate notes
- State & municipal bonds
- Agency & select non-agency MBS / ABS
- Supranationals
- Money markets, commercial paper, LAIF, county pools

GENERALLY PROHIBITED (for pooled JPA funds)

- ✕ Equities (common & preferred)
- ✕ Real estate
- ✕ Hedge funds, private equity, alternatives
- ✕ Below-investment-grade credit
- ✕ Speculative leverage
- ✕ Speculative derivatives

Note: Your own investment policy may be more restrictive than the Code.

THE CORE TENSION

Safety Mandate Meets Real Operating Needs

A well-run portfolio supports rates, reserves, and member confidence.

Capital Preservation

Protect member contributions and claims-paying capacity above all.

Liquidity for Claims

Claims arrive on unpredictable timelines — tails can run 10+ years.

Return to Support Rates

Investment income is premium members don't have to pay.

Diversification within the Code's fixed-income universe resolves this tension.

THE CORE TENSION

Investment-Related Risks

Finance Staff are Risk Managers too…

Interest Rate Risk *(Federal Reserve raises the Fed Funds Rate.)*

Credit Risk *(Corporation or bank goes out of business.)*

Liquidity Risk *(Large settlement forces us to sell something early at a loss.)*

Inflation Risk *(Cost of living & social inflation.)*

Market Risk *(Entire Financial market goes down causing loss of value.)*

REACHING NEW PEAKS
ELEVATING OUR IMPACT
CAJPA 2026
Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

SECTION 2

Case Study: A JPA's Investment Journey

From cash concentration to a diversified, governed fixed-income program

REACHING NEW PEAKS
ELEVATING OUR IMPACT
CAJPA 2026
Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

MEET THE JPA

ASCIP:
Alliance of Schools for Cooperative Insurance Programs

A California JPA pooling property & liability and workers' compensation coverage for member school districts.

$420M	4	AA	3.0 yrs
Consolidated portfolio market value (6/30/2023)	Distinct insurance pools + strategic liquidity sleeve	Average portfolio credit quality	Consolidated portfolio duration

Governed entirely within Gov. Code §53601 — investment-grade fixed income only.

Case study drawn from real portfolio and governance materials; some details generalized.

REACHING NEW PEAKS
ELEVATING OUR IMPACT
CAJPA 2026 Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

WHERE IT STARTED

The Starting Point: Concentrated and Unadvised

~$85M parked in a short term govt pools and cash at ~2% — the rest with a single outside manager, and no independent oversight.

1.7 vs. 2.7 yrs

P&L asset vs. liability duration (Q3 2019)

2.6 vs. 6 yrs

Workers' Comp asset vs. liability duration

≈ 56 / 18 / 4 / 22

% in gov't / corporate / MBS-ABS / short-term (combined pools)

Source: prior fixed-income manager's strategy review, Q3 2019 (sector mix normalized to 100%).

- **Concentration risk:** Large cash balances parked by default, not by strategy.
- **No independent advisor:** The asset manager was also the only source of investment guidance.
- **Liability-matched benchmark needed review:** Both pools ran short of their liabilities.

WHAT WAS GOING WRONG

A Classic Misalignment: Manager vs. JPA

THE MANAGER'S VIEW

Managed for total return — selling at a loss to extend duration and pick up yield.

Read the JPA's caution about realized losses as a change of mandate.

Felt “constrained from managing to the benchmark” — and stopped taking losses altogether after 2018.

THE JPA'S VIEW

Had ~$100M in cash sitting idle — wanted that deployed before selling anything at a loss.

Never opposed realized losses in principle — wanted cash and holdings viewed holistically.

Realized the manager and the advisor had always been the same phone call. **Don’t let the students grade their own exams.**

No bad faith on either side — a communication gap with no referee.
A process failure, not a performance one.

IN THEIR OWN WORDS

The 2020 SWOT: Manager Evaluation

An independent SWOT of the whole investment value chain surfaced the gap. Real findings, manager anonymized.

STRENGTHS

- Manager with insurance-specific expertise
- Low, competitive fees

WEAKNESSES

- Allowed asset classes underused (corporates ~18% vs. 30% limit; munis ~1% vs. 100%)
- Not beating benchmark net-of-fees over 3 and 5 years

OPPORTUNITIES

- Real room to improve performance — entirely within the Code
- More insurance-specific analytics

THREATS

- 25+ years of tenure risked a disengaged relationship
- Internal management vs. outsourcing pressure

THE TURNING POINT

Bringing in Independent Oversight

ASCIP engaged an independent, insurance-focused investment consultant on two tracks:

"We have chosen Strategic Asset Alliance. They specialize in JPAs and insurance companies and were highly recommended by AGRiP."

PROJECT ENGAGEMENT

Manager Evaluation & Search

- Review the incumbent manager's process & performance
- Screen candidates with insurance/pooling expertise
- Confidential RFP and finalist due diligence
- Negotiate fees; set service standards & benchmark

Fixed project fee, credited toward a retainer.

ONGOING PARTNERSHIP (RETAINER)

Independent Investment Advisory

- SWOT of the entire investment value chain
- Asset allocation review & stress testing
- Investment policy review; benchmark design by pool
- Quarterly reporting, peer analysis, board education

Annual retainer — independent of any manager.

THE DIAGNOSTIC

Before Changing Anything: Diagnose First

1

SWOT Investment Process

Governance, policy, managers, reporting — the whole process, not just returns.

2

Test the Current Mix

WC duration (3.5 yrs) well short of its liability tail; P&L had ~1 year of room to extend.

3

Model Alternatives

Every scenario 100% investment-grade — extending WC toward 5.5–6 yrs improved income.

4

Recommend & Right-Size

Duration limits instead of maturity limits; explicit compliance tables; unlisted = prohibited.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. Premiums and investment revenue:										
Earned	$ 38,103	$ 33,770	$ 31,528	$ 37,407	$ 37,711	$ 22,472	$ 14,997	$ 36,768	$ 49,450	$ 68,376
Ceded	(1,558)	(1,595)	(1,601)	(1,824)	(5,632)	(4,080)	(2,164)	(2,253)	(2,415)	(2,725)
Net earned	36,545	32,175	29,927	35,583	32,079	18,392	12,833	34,515	47,035	65,651
2. Unallocated expenses	$ 5,350	$ 9,139	$ 6,341	$ 6,175	$ 6,309	$ 6,385	$ 7,468	$ 12,642	$ 12,642	$ 17,173
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 32,051	$ 31,414	$ 31,679	$ 34,640	$ 33,815	$ 23,221	$ 32,582	$ 46,754	$ 50,987	$ 59,862
Ceded	(9,957)	(9,370)	(10,903)	(11,497)	(11,328)	(9,936)	(7,732)	(11,487)	(10,632)	(16,627)
Net incurred	22,094	22,044	20,776	23,143	22,487	13,285	24,850	35,267	40,355	43,235
4. Paid (cumulative) as of:										
End of policy year	$ 2,981	$ 2,615	$ 2,750	$ 3,054	$ 3,107	$ 1,448	$ 4,738	$ 5,682	$ 6,544	$ 5,434
One year later	6,432	6,076	5,912	7,567	5,763	4,221	9,950	12,509	13,411	
Two years later	8,692	8,162	7,964	9,964	8,036	6,136	13,299	17,147		
Three years later	10,026	9,244	9,682	11,385	9,396	8,174	16,544			
Four years later	11,064	10,197	10,507	12,487	10,348	8,937				
Five years later	11,643	10,879	11,548	13,767	11,027					
Six years later	12,059	11,505	11,981	14,455						
Seven years later	12,524	11,854	12,128							
Eight years later	12,864	12,131								
Nine years later	13,171									
5. Reestimated ceded losses and expenses	$ 5,460	$ 7,067	$ 7,112	$ 10,321	$ 7,443	$ 6,875	$ 10,333	$ 9,842	$ 12,007	$ 16,627
6. Reestimated incurred claims and expense:										
End of policy year	$ 22,094	$ 22,044	$ 20,776	$ 23,143	$ 22,487	$ 13,285	$ 24,850	$ 35,267	$ 40,355	$ 43,235
One year later	23,614	20,438	19,430	24,857	18,852	13,359	26,822	36,204	40,526	
Two years later	21,518	21,461	17,577	23,931	16,112	13,897	27,960	36,975		
Three years later	19,972	18,216	17,768	20,672	15,852	13,613	29,326			
Four years later	17,140	17,987	15,673	19,081	15,715	14,163				
Five years later	17,076	15,371	15,238	19,105	16,070					
Six years later	15,717	15,248	14,801	19,659						
Seven years later	15,440	15,303	14,802							
Eight years later	15,209	15,551								
Nine years later	15,145									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ (6,949)	$ (6,493)	$ (5,974)	$ (3,484)	$ (6,417)	$ 878	$ 4,476	$ 1,708	$ 171	$ -

THE REBUILD

Diversifying Within the Fixed-Income Universe

Actual sector allocation by pool, 6/30/2026 — still 100% investment-grade fixed income.

Includes ~$35M of cash and county pool investments allocated pro-rata by pool. Source: AAM quarterly report, 6/30/2026.

THE REBUILD

Redesigning the Workers' Comp Benchmark

WC's benchmark was extended to reflect its long claims tail — entirely within the Code's universe.

WC BENCHMARK — 9/30/2020

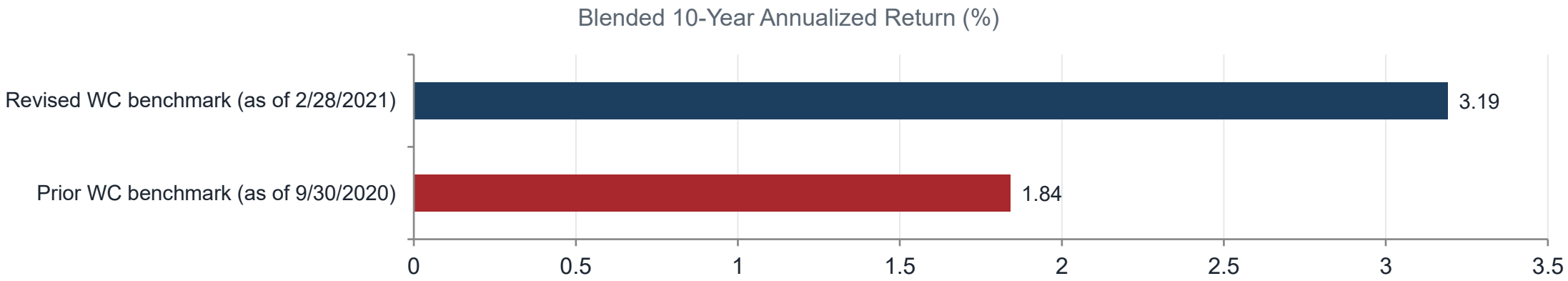
75% 1–5 Yr Gov't/Corp (A or better) • 25% 1–3 Yr Treasury

≈2.5 yrs effective duration — vs. a ~4.4-yr liability tail

REVISED WC BENCHMARK — MARCH 2021

30% 1–5 Yr Gov't/Corp (A or better) • 30% 5–7 Yr Treasury • 40% 7–10 Yr Treasury

5.8 yrs effective duration (2/28/2021)



Sources: 9/30/2020 performance summary (ICE BofAML custom benchmark); prior manager's Revised Benchmark Discussion, March 24, 2021. Prior-benchmark duration estimated from index components; return as-of dates differ.

THE REBUILD

Duration Matched to Each Pool's Liabilities

Each coverage line has its own claims tail — and its own duration target.

Pool	Target Duration	Actual Duration	Avg. Credit Quality
Property & Liability	3.5 yrs	2.3 yrs	AA
Workers' Compensation	6.0 yrs	4.2 yrs	AA

Short of target on purpose: each pool extends toward its benchmark gradually — a disciplined, board-visible decision, not passive drift.

Actuarial liability durations: ~3.1 yrs blended; ~4.4 yrs Workers' Comp.

THE NEXT CHAPTER

A Disciplined, Competitive Manager Search

With the framework in place by 2022, the manager relationship itself was the next test.

THE SEARCH — AUGUST 2022

- A formal, documented RFP — not a default renewal
- 8 candidate firms evaluated
- Scored on risk-adjusted performance and service — not lowest fee
- AAM hired as manager of record, Dec. 2022

THE PAYOFF — DECEMBER 2025 REVIEW

- Three years of live results reviewed candidly with the board
- Top peer quartile across all three pools
- Volatility lower than peer managers
- Manager CEO transition disclosed and monitored

WHERE IT STANDS TODAY

From All-Cash to an Intentional, Layered Structure

$240M

Workers' Compensation pool

$200M

Property & Liability pool

$40M

Cash & LA County Treasury Pool — a deliberate liquidity sleeve, ~10%

2026 update

CONSOLIDATED PORTFOLIO

$420M

Market Value, 6/30/2023

90% actively managed diversified fixed income

10% strategic LAIF / county-pool liquidity

3.0 yrs blended duration

GOVERNANCE IN PRACTICE

Guideline Compliance, Checked Daily

Every pool, every quarter — a clear Pass/Fail read the board can act on.

Guideline	Policy Limit	Workers' Comp	Property & Liability
Minimum Avg. Credit Quality	AA-	AA ✓	AA ✓
U.S. Treasury & Agency (excl. MBS)	≤ 100%	76% ✓	69% ✓
Agency MBS / CMBS	Issuer Caps	1% ✓	2% ✓
Municipal Bonds	≤ 100%	3% ✓	3% ✓
Corporate Bonds	≤ 30%	18% ✓	14% ✓
Largest State Exposure (muni)	≤ 10%	2% ✓	2% ✓

2026 update: WC and P&L each 27 of 28 guidelines in compliance

BOARD EDUCATION

The Conversation Every JPA Board Eventually Has: “Why Are We Underwater?”

THE MISUNDERSTANDING

“The portfolio shows a $40 million unrealized loss — did we lose $40 million?”

Rising rates pushed bond prices down — and red ink on a statement reads like a real loss.

THE EXPLANATION THAT WORKS

1. A mark-to-market snapshot — nothing has been sold.
2. Held to maturity, high-quality bonds pay full face value.
3. The JPA isn't a forced seller — claims are funded from laddered cash flows.
4. Higher rates mean higher reinvestment yields ahead.

WHERE THINGS STAND

The Portfolio Today, at a Glance

$480M
Consolidated market value

6
Distinct asset classes represented

AA
Average portfolio credit quality

90%
Actively managed & diversified

The Code didn't change — the discipline inside it did.

Three years on: top-peer-quartile performance, below-peer volatility (Dec. 2025 review).

REACHING NEW PEAKS
ELEVATING OUR IMPACT
CAJPA 2026 Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

TAKEAWAYS

A Checklist for Any California JPA

1. Consider getting an advisor independent of your manager. Can be one-time or ongoing.
2. SWOT the whole investment process, not just returns.
3. Quantify cash / local-pool concentration risk.
4. Match each pool's benchmark to its liability duration.
5. Diversify by sector, issuer, and maturity — within the Code.
6. Put compliance in front of the board every quarter. Perform annual peer review of investment manager.
7. Ongoing Board education, including briefing the board on unrealized losses before rates move and other market variables. **Consider Board member turnover.**

REACHING NEW PEAKS
ELEVATING OUR IMPACT
CAJPA 2026
Annual Conference
SEPTEMBER 15-18, 2026 | LAKE TAHOE

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
ASCIP

STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Questions & Discussion

Thank you for joining us!

Alton Cogert, CFA, CPA, CAIA, CGMA
President & CEO
Strategic Asset Alliance
acogert@saai.com

Jeffrey C. Grubbs, CPA, MST
Chief Financial Officer
Alliance of Schools for Cooperative Insurance Programs
grubbs@ascip.org