



**Request for Qualifications  
Investment Accounting, Analytics,  
and Compliance Software**

RFQ #04-21

September 2021



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**I. INTRODUCTION & SUMMARY OF KEY DATES**

The California Earthquake Authority (“CEA”) is seeking a software solution to meet its investment accounting, investment analytics, and investment compliance needs. The general qualifications of the successful proposer are summarized below and are described with more particularity in the “Services to be Provided” section of this RFQ.

The following schedule is subject to modification by the CEA, in its sole discretion. Questions must be submitted as described in Section IV.

<b>Date</b>	<b>Planned Activity</b>
September 2, 2021	Issue Date for RFQ #04-21: Investment Accounting, Analytics, and Compliance Software
September 13, 2021	Deadline for questions. Questions must be emailed to: <a href="mailto:RFQ04-21@calquake.com">RFQ04-21@calquake.com</a>
September 17, 2021	Questions and answers will be posted on the CEA’s website.  NOTE: Any CEA delay in posting Q&As will not extend the deadline to submit proposals
September 24, 2021	Final date for the CEA to post addenda for which proposers are responsible
October 1, 2021	Submission Deadline
3-4 weeks after Filing Date	Proposal evaluation and announcement of finalists by the CEA
TBD	Finalist virtual software demonstration
TBD	Announcement of Selection. The CEA will announce the successful proposer; that proposer will be awarded an opportunity to negotiate a contract to provide services and products to the CEA.

## II. BACKGROUND OF THE CALIFORNIA EARTHQUAKE AUTHORITY

### A. Description

The California Earthquake Authority (CEA) is a publicly managed, privately funded, not-for-profit organization whose mission is to provide residential earthquake insurance and encourage Californians to reduce their risk of earthquake damage and loss through effective risk education, damage mitigation, and insurance protection. The CEA offers earthquake insurance policies through its participating residential insurance providers.

The CEA Organizational and Departmental Structure is as follows:

- Executive Office
- Information Technology
- Finance
- Insurance Operations (including Claims Administration)
- Insurance Education & Sales Support (IESS)
- Communications & External Affairs
- Legal & Compliance
- Internal Operations
- Mitigation & Research

Additional information and a list of participating insurers is available at:  
[www.EarthquakeAuthority.com](http://www.EarthquakeAuthority.com).

### B. How the CEA was formed; Governance

Following the unprecedented losses from the 1994 Northridge earthquake, many insurance companies either ceased or severely restricted the sale of new homeowner earthquake insurance policies in California. In response, the California Legislature created the CEA to provide earthquake coverage throughout California. The CEA began writing residential earthquake insurance effective December 1, 1996.

Overseeing the CEA is a Governing Board composed of the Governor, State Treasurer, and Insurance Commissioner as voting members; the Speaker of the Assembly and President pro Tempore of the Senate serve as non-voting members. The Advisory Panel consists of consumer and insurance-industry representatives who advise the Governing Board.

### C. What the CEA offers

Most residential insurance policies do not cover earthquake damage; a separate policy is required. Without earthquake insurance to help cover the costs of repairs and other expenses that come with catastrophic earthquake damage, homeowners must pay out of pocket to fix or rebuild their house, replace their personal property, and live and eat elsewhere.



### III. PURPOSE

The CEA is seeking vendors capable of providing an investment accounting, investment performance and analytics, and investment policy compliance software for the CEA investment portfolios and the California Wildfire Fund (“CWF”).

See Services to be Provided for the specific requirements.

### IV. SUBMITTING QUESTIONS

Any questions that potential proposers might have about the RFQ are to be submitted solely by email. In submitting questions, proposers must follow the timeframes in Section I, Introduction & Summary of Key Dates.

Submit all questions by email to: [RFQ04-21@calquake.com](mailto:RFQ04-21@calquake.com)

The CEA will respond to questions it receives in a single Addendum to this RFQ, which will be posted on the CEA’s website [www.EarthquakeAuthority.com](http://www.EarthquakeAuthority.com); the questions that have been submitted and the responses thereto may be viewed by following the links found under the “Contracting & Employment” section of the home page. All questions (without attribution to or identification of the person or entity asking the question), and all responses to those questions, will be posted.

As noted above any CEA delay in posting responses to questions will not extend the deadline for submission of proposal.

### V. PROPOSER’S RESPONSIBILITIES REGARDING ADDENDA

The CEA reserves the right, in its sole discretion, to modify any part of this RFQ by issuing one or more written addenda.

Addenda to this RFQ issued by the CEA, if any, will be posted solely to the CEA’s website, [www.EarthquakeAuthority.com](http://www.EarthquakeAuthority.com). Each proposer should continue to check the CEA website for any addenda that may be posted. Each proposer is required to acknowledge, as part of the proposer’s cover letter (see Section VIII, Proposal Submission Instructions and Requirements), that the proposer has reviewed any addenda that are posted one week or more prior to the final proposal submission date.

Each proposer acknowledges and accepts the affirmative responsibility to inquire regarding, and seek clarification of, any part or provision of this RFQ that the proposer does not understand or that the proposer believes is reasonably susceptible to more than one interpretation. If a proposer discovers any ambiguity, conflict, discrepancy, omission, or error in the RFQ, the proposer must immediately notify the CEA via [RFQ04-21@calquake.com](mailto:RFQ04-21@calquake.com) and may request clarification through submitting a question in

accordance with Section IV. In its sole discretion, the CEA may issue clarifications in the form of written addenda to this RFQ and will post the written addenda to [www.EarthquakeAuthority.com](http://www.EarthquakeAuthority.com).

In its sole discretion, the CEA may disregard any and all claims of ambiguity, conflict, discrepancy, omission, or other error received by the CEA after the final submission date for proposals.

Unless otherwise specifically stated by the CEA, no additional time to meet any deadline will be allowed due to corrections or clarifications made by the CEA.

The provisions of any addendum formally issued by the CEA are deemed to be incorporated into this RFQ and in addition and as appropriate, that addendum may be made a part of or otherwise reflected in any contract awarded as a result of this RFQ.

## **VI. SERVICES TO BE PROVIDED**

### **Overview**

The CEA is seeking a vendor that will provide a valuable resource to carrying out the fiduciary responsibility to oversee and report on the invested assets of the CEA and CWF. The proposing firm should assist staff in making sound financial decisions by providing the tools necessary to efficiently, accurately, and comprehensively account for all securities, evaluate portfolio performance, risk, and compliance.

The CEA is seeking a system solution that provides access to high-quality technology, seamless delivery of services, and strong client service/support. The system must be provided through a SaaS solution, must provide for automated data processing, including support for automated receipt of data from more than one custodial bank, and must provide the CEA with a dedicated client servicing team consisting of knowledgeable, experienced, and responsive individuals. The services are more fully described below.

The CEA will contract with the vendor to ensure it receives the optimal service and system for its investment accounting, performance and risk analytics, and compliance needs.

All vendors should be prepared to provide a demonstration of the system in order to be selected to move into the negotiation phase of the solicitation.

All vendors should familiarize themselves with all requirements of this solicitation before submitting a Proposal.

### **Scope of Work**

The specific goals of this RFQ are to identify and engage a vendor to provide the best value to the CEA based on several factors, including (i) prior relevant experience, (ii) quality of personnel and resources used to provide services, (iii) proposed methods for delivering

services, and (iv) contractual terms and pricing for the services. The criteria for evaluating and selecting vendors are more fully described herein.

The selected vendor should provide access to all functionality within the system on a 24/7 basis. The vendor should have a primary point of contact that the CEA's staff will interact with, as well as customer service staff on hand to receive calls between the hours of 8am and 5pm Pacific Standard Time.

All future improvements and updates to the system should be communicated to CEA staff and implemented in such a way as to avoid any disruptions in the daily work between the hours of 8am and 5pm Pacific Standard Time. When disruptions are unavoidable, the vendor should coordinate with staff in order to minimize any downtime during our normal working hours.

### **Description of Services**

The following system functionality, services, and deliverables are expected to be provided by vendors responding to this RFQ. Any exceptions should be clearly identified in the Vendor's Reply. The CEA is seeking a software as a service solution (SaaS) that enables CEA staff to perform accounting, fixed income analytics at the security, sector, and portfolio level:

#### **A. Investment Accounting**

The solution should perform and deliver the following functions, in the proposal include documentation of the functionality and if the system is unable to provide the functionality indicate the exception in your proposal:

##### **General Accounting Features**

1. Support a 12-month fiscal year and allow for an optional period fiscal year. While the CEA primarily adheres to a 12-month fiscal year ending December 31, special circumstances may arise that would require the CEA to use a 13-month or other accounting period for prior-period adjustments.
2. Support multiple open fiscal periods. CEA staff must be able to input trade information into a new accounting period without the need to close the previous accounting period. This is important to allow CEA staff adequate time to properly reconcile accounts and post adjustments prior to closing an accounting period.
3. Maintain access to unlimited historical reporting periods. It may be necessary for the CEA to provide financial reporting information for previous accounting periods. The solution must allow CEA staff to run standardized and customized reports from any previous accounting period without having to archive reports from that period.
4. Support a general ledger accounting code structure and chart of accounts, with an unlimited number of accounts for multiple reporting units, departments, locations,

- investment managers (indicate if there is any limitation to the number allowed related to units, departments, locations or investment managers).
5. Support a user-friendly process for changing the accounting code structure. The CEA may want to add or delete reporting units, combine or separate existing reporting units, or change the account code structure to affect how accounts post to the general ledger.
  6. Maintain audit trails of all changes to the chart of accounts, reporting templates, amortization methods, day count conversion, accounting dates, pricing methods, and any other administrative changes that would affect the calculation or reporting of investment transactions.

### ***Initiating Investment Accounting Transactions***

7. The solution must have the capability to receive automatic feeds from investment managers and custody banks. The CEA will not enter investment transactions into the investment accounting solution manually. Feeds may be imported into the solution on a continuous basis or on a scheduled batch approach.
8. The solution must maintain an unlimited number of investment transaction records and report transaction history across all portfolios or a user-defined group of portfolios. Transaction history must include pending, completed, or reversed trades.
9. The solution must allow users the option to review and verify investment transactions received through the automatic feed. The CEA must have the option to be able to review transactions uploaded by the investment manager or the custody bank in real time, or on a daily basis with the capability to edit individual transactions (i.e. a "pending" or "pre-production" queue for transactions uploaded but not yet reviewed).
10. The CEA utilizes several investment managers who use non-standardized abbreviations for security type or other transaction-identifying characteristics on trade tickets. The solution must allow the CEA to set standard definitions for these abbreviations so that a trade ticket or blotter information with different abbreviations can be mapped to the correct transaction-identifying characteristic (e.g., security type abbreviations of "TRSY" or "TBL" will be assigned to the standard security type, "U.S. Treasuries").
11. The system should have a pricing component that is consistent with the performance analytics and compliance that allows securities to be priced daily for current market value. Indicate which pricing services the system uses or is compatible with.

### ***Processing Investment Accounting Transactions***

12. The solution must automatically reconcile daily transactions received from the investment managers and custody bank and prepare a daily security holdings and

- cash reconciliation report. This involves matching investment transactions received from the investment manager to the investment transactions posted by the custody bank, and identifying any reconciling or unmatched transactions.
13. The solution must have the capability to validate trade ticket information received from investment managers and generate a variance report for any items such as:
    - a. CUSIP, Security Description Par Value, Price, Interest Rate, Accrued or Purchased Interest, and Maturity Date as compared to independent market sources (e.g., Bloomberg), and
  14. The CEA tracks its investments by both trade date and settlement date for accounting and other reporting purposes. The solution must:
    - a. record both trade date and settlement date for each CUSIP per lot, and allow the user to specify on which date investments will be recorded and reported;
    - b. calculate accrued interest for all securities according to the day count conversion indicated on the trade ticket;
    - c. allow users to edit the day count conversion if necessary, and review detailed accrued interest schedules at the individual lot level;
    - d. calculate amortization and accretion for all securities;
    - e. allow users to edit the amortization/accretion method for any individual security or group of securities;
    - f. allow users to review detailed amortization/accretion schedules at the individual lot level;
    - g. account for multiple-lot holdings according to the average cost, tax lot, or any other user-defined method; and
    - h. allow users to establish the appropriate accounting method and apply the method to all multiple-lot holdings.
    - i. The system should be able to manage trade fails and report which trades are still pending settlement at the custodian bank.

### ***Reporting Investment Accounting Transactions***

15. Due to the regulatory environment surrounding the CEA, investments must be reported according to financial reporting standards of the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and Statutory Accounting Principles (SAP) adopted by the California Department of Insurance. The solution must have the capability to create financial reports based on GASB, FASB, and SAP.
16. As part of month-end reporting for investment transactions, the solution must generate journal entries according to FASB, GASB, and SAP financial standards for recording in the general ledger.
17. Special circumstances may require the CEA to post journal entries for non-standard adjustments or write-downs for impairment. The solution must have the capability

to prepare month-end journal entries as well as other user-defined reporting for these transactions.

18. The solution must generate supporting schedules detailing any transactions or calculations used in preparing journal entries. Supporting schedules must have drill-down functionality to the detailed investment transaction level.

### ***Investment Accounting Reporting***

19. Standardized and/or customizable reports for user-defined periods at the individual security (lot or CUSIP) level or summary level including, but not limited to the following standardized and/or customizable reports:
  - a. Transaction Report
  - b. Income Transaction Report
  - c. Earned Income Report
  - d. Collected Income Report
  - e. Book Value Reconciliation Report (beginning-period book value, ending-period book value)
  - f. Sales Report, including realized gains/losses
  - g. Unsettled Trades Transaction Report
  - h. Unrealized Gain/Loss Report
  - i. Amortization and Accretion Report
  - j. Principal Payments Report
  - k. Past Due Principal Payments Report
  - l. Interest Payments Report
  - m. Past Due Interest Payments Report
  - n. Days to Maturity Reports (trade date to maturity date, end-of-period to maturity date, or report date to maturity date)
20. Generate month-end journal entries to record the month's investment activities in the CEA's general ledger:
  - a. Acquisitions
  - b. Disposals
  - c. Accrued Interest
  - d. Interest Earned
  - e. Interest Received
  - f. Amortization and Accretion
  - g. Realized Gain/Loss
  - h. Unrealized Gain/Loss
21. Necessary reports to produce California statutory financial statements, specifically but not limited to the following reports:
  - a. Schedule D – Summary by Country
  - b. Schedule D – Verification Between Years
  - c. Schedule D – Part 1A – Section 1 – Quality and Maturity Distribution of Bonds

- d. Schedule D – Part 1A – Section 2 – Maturity Distribution of Bonds
- e. Schedule D – Part 1 – Long-Term Bonds
- f. Schedule D – Part 3 – Long Term Bonds and Stocks Acquired
- g. Schedule D – Part 4 – Long Term Bonds and Stocks Sold
- h. Schedule DA – Verification Between Years
- i. Schedule DA – Part 1 – Short Term Investments
- j. Schedule E – Verification Between Years – Cash Equivalents
- k. Schedule E – Part 2 – Cash Equivalents

## **B. Investment Analytics**

The solution should perform and deliver the following functions, in the proposal include documentation of the functionality and if the system is unable to provide the functionality indicate the exception in your proposal:

1. Have the capability to deliver key summary reports via a dashboard or similar reporting feature. These reports should be available for both standardized and custom reporting and should be available at any time with current updated information.
2. Have the capability to produce performance reports on an ad-hoc basis allowing the CEA to review portfolio performance at any point in time for making timely investment decisions.
3. Have the capability to compare portfolio performance to user-defined constraints, and alert users via an e-mail or other electronic means of notification of portfolios that do not meet minimum/maximum performance standards as defined by the CEA, such as minimum rate of return for a portfolio, maximum portfolio durations, etc.
4. Have the capability to retrieve market data from independent sources and compare a portfolio(s) to any of the published indices, to a custom weighted index, or to a benchmark portfolio.
  - (a) Describe your ability to calculate custom benchmark returns and report performance relative to the custom benchmarks.
  - (b) Describe how your investment performance calculation methodology accounts for transaction flows and the timing of such flows?
5. Have the capability to project cash flows over a user-defined period, test solvency under different interest rate scenarios, and report the results of cash flow testing enabling the CEA to manage cash flow, which is essential to the CEA's overall investments strategy.
6. The CEA's investment portfolio is comprised of fixed income securities. The solution must have the capability to perform interest rate shock analysis and report maturities, coupon payments, interest on assets, accrued interest, average market

- yield, average book yield, market value, and book value for the portfolio under the user-defined interest rate scenario.
7. Monitor the CEA's investment portfolio throughout the day as well as at the close of each business day to assess the CEA's position with regard to risk parameters as defined by the CEA. Notification should be sent via an e-mail or other electronic means of notification to designated CEA personnel as the CEA's portfolio approaches defined risk parameters.
  8. Generate a month-end report stating the CEA's total portfolio as well as each investment manager's exposure to counterparty risk, exposure to volatile markets, weighted average maturity, weighted average credit rating, and leverage.
  9. The solution must be able to run stress tests of the liquidity of various portfolios for varying interest rate scenarios including any user-defined fields.
  11. Compare portfolio performance to daily, weekly, monthly bond market indices.
  12. Report distributions by maturity, effective duration, coupon, sector, quality, and call features for the selected portfolio and benchmark.
  13. Provides a detailed "portfolio vs. benchmark" analysis that is specific to corporate bond holdings at the security type and CUSIP levels.
  14. Show the weighted average option adjusted spread (OAS) (Treasury and LIBOR-based), the contribution to OAS, and percentage of total OAS aggregated by sector and/or corporate issuer.
  15. Compute the present value of the total cash flow for the portfolio and benchmark along the term structure of interest rates.
  16. Calculate the price sensitivity of the portfolio and benchmark to independent shifts along the yield curve.
  17. Measure the expected deviation of portfolio returns against a benchmark.
  18. Calculate the expected return difference between the portfolio and the benchmark, or absolute change in the portfolio's market value, given volatility assumptions for changes in interest rates, yields curve slope, and spreads.
  19. Estimate the change in relative total return (portfolio vs. benchmark) over the specified horizon given changes in the level of interest rates and/or changes in the parallel (effective) duration of the portfolio.
  20. Compute the contribution to return and convexity of the portfolio and each CUSIP in the portfolio vs. the corresponding values for the index.
  21. Describe the process for calculating performance using cash and asset transfers data on the trade date and/or settle date.

### **C. Investment Compliance**

The solution should perform and deliver the following functions, in the proposal include documentation of the functionality and if the system is unable to provide the functionality indicate the exception in your proposal:

1. Monitor and evaluate the CEA's investment portfolio throughout the day, as well as at the close of each business day, to determine whether each current-day trade and the portfolio holdings at the end of the day comply with the Investment Policies, including, but not limited to maximum maturities, maximum concentrations by security type, issuer and issue, and minimum credit ratings.
2. Send compliance related notifications to designated CEA personnel, identifying the portfolio not in compliance with the Investment Policies, the policy section violated, and the investment manager involved.
3. Generate an end-of-day report that specifies whether the trading activity complied with the Investment Policies, and a violation report detailing the non-compliant items with the reasons for non-compliance.
4. Generate a month-end report that lists the CEA's investments by portfolio and investment manager that indicates whether the investments comply with the Investment Policies, lists each investment manager's non-compliant trades, and provides a description of the nature and resolution of the non-compliant trades.
5. Monitor the CEA's investment portfolio throughout the day, as well as at the close of each business day, to assess the CEA's holdings with regard to assigned rating changes (especially downgrades). Notification should be sent via an e-mail or other electronic means of notification to designated CEA personnel if there is an assigned rating downgrade of any investment portfolio holdings.
6. Generate a month-end report summarizing the portfolio's concentrations in different market capitalizations, issuers, asset types, and currencies.
7. Violation history summary identifying violations by type of violation.
8. Violation trend analysis identifying violations by type of violation, type of transaction (purchase, sale, maturity, call, corporate action), trader, investment manager, broker/dealer, portfolio, etc.
9. Liquidity report by security type, issuer, and issue compared to the minimum/maximum constraints established in the Investment Policy.
10. Credit Quality report by security type, issuer, and issue compared to the minimum/maximum constraints established in the Investment Policy.
11. Report identifying trader ID for each transaction that can be compared to a approved list of authorized personnel. Also, identify trader name or brokerage firm on the trade ticket to an approved trader or broker/dealer list provided by the CEA.
12. Transactions report comparing issuers to a set approved issuer list.
13. Ability to monitor, adjust, and review individual rules coded for compliance. Does coded rules have the ability to be tested.
14. Compliance rules should have the ability to set constraints for portfolio duration, maximum maturity, % allowable per issuer, % allowable per sector, % of credit quality allowable, % allowable for length of maturity, and % allowable of credit.

15. What vendors is the system compatible with to verify credit ratings outlined in the investment policies. Does the system have the ability to test short term, long term, and underlying, parent and program ratings from Moody's, S&P and Fitch.

#### **D. Reporting**

The following applies to all types of reporting (investment accounting, analytics, and compliance):

1. The solution must be able to perform and report on multiple business entities such as the CEA and CWF.
2. Reports must include individual investment transactions detailed by user-defined fields as well as summary reports.
3. The solution must have the capability to generate custom reports based on user-defined fields and constraints. Custom reports must include query selection criteria on the report.
4. All reports must have drill-down functionality to the detailed investment transaction level. The solution must be able to compute and run reports for any user-defined reporting period.

#### **E. Training and Support**

1. The selected proposer must train CEA personnel to use the solution during implementation.
2. The selected proposer must provide technical support during the CEA's normal business hours 8-5 Pacific Time.
3. The selected proposer must modify the solution to reflect changes as required by the CEA.
4. The CEA should be provided annual system functionality training for staff.
5. The selected proposer should provide a test environment to allow the CEA to test changes that may be needed to the system setup or automated feeds.

#### **F. Solution Architecture, Design, and Specifications**

1. The CEA requires that the investment accounting, analytics, and compliance solution be web-based and hosted, maintained, upgraded and supported by the selected proposer.
2. If the solution is modular, all modules must be fully integrated and use the same architectural software platform.
3. The CEA prefers to have no limit on the volume of data stored and have it accessible to the CEA in an electronic transferable format. Upon termination of the relationship, comprehensive raw and calculated data will be provided to the CEA in

a format specified by the CEA. Please describe your ability to meet this requirement.

4. Provide desktop or other requirement needs to use the proposed software
5. Provide the browser requirement for most efficient performance of proposed software
6. Does the software allow single sign-on and auto account provisioning?
7. The solution must offer multiple levels of access and data security.

## **VII. MINIMUM QUALIFICATIONS**

Each proposer must meet, to the CEA's satisfaction, all or materially all of the following minimum qualifications to be considered for a contract award. The proposer must affirmatively attest to each of the minimum qualifications in its cover letter. Failure to satisfy all minimum qualifications, in the CEA's sole judgment, may result in rejection of the proposal.

- 1) The proposing firm must have been in business for at least the past five consecutive years.
- 2) The proposing firm must provide 3<sup>rd</sup> party attestation to the information security controls in place and their effectiveness, e.g. SOC 2, type II, ISO27001, or other industry-standard security certification. (Section XIII: Required Exhibits-Exhibit 3).
- 3) The CEA requires that the investment accounting, analytics, and compliance solution be web-based and hosted, maintained, upgraded and supported by the vendor.

Attachment B to this RFQ provides the format that must be followed for responding to the above minimum qualifications that must be followed by the respondent and must be submitted as an attachment to the respondent's submission.

## **VIII. PROPOSAL SUBMISSION INSTRUCTIONS AND REQUIREMENTS**

### **A. Submission Format**

In submitting proposals in response to this RFQ, each proposer must comply with the following deadlines and format requirements.

1. Proposals must be emailed:
  - a. As an attachment in PDF format, to the listed email address:  
[RFQ04-21@calquake.com](mailto:RFQ04-21@calquake.com)
  - b. Subject: Response to The CEA Request for Qualifications #04-21: Investment Accounting, Analytics, and Compliance Software
2. Should a proposal contain confidential proprietary information, a statement to that effect must be included in the cover letter, and each and every page containing confidential proprietary information must be so designated on the upper right-

hand corner. The CEA will use reasonable efforts to protect the marked pages from public disclosure, except to the extent provided in any resulting contract and to the extent required by law. The CEA makes no representations or warranties that its efforts will be successful. Proposers are reminded that many of the CEA's records are subject to public disclosure under the California Public Records Act.

- \*\* Please note that no proposal can be considered confidential and proprietary in its entirety.
3. If, before the final filing date, a proposer discovers an error or omission in a proposal already submitted to the CEA, the only method of correction or modification is to withdraw the proposal in its entirety (via email) and resubmit the corrected or modified proposal before the final filing date and time. Corrections or modifications offered in any other manner will not be considered.
  4. All proposals become the property of the CEA upon receipt.
  5. All costs to develop proposals and participate in the RFQ process are entirely the sole responsibility of the proposer and cannot be charged to the CEA.
  6. The CEA accepts absolutely no responsibility for lost, misplaced, mishandled, or late delivered proposals, regardless of the reason or explanation.
  7. Only one proposal per individual, firm, partnership, or corporation, or combination of such entities formed to propose under this RFQ, will be considered. Any reasonable grounds for believing a proposer has submitted multiple proposals under more than one name is good cause for rejection by the CEA of all proposals in which the proposer is involved.
  8. Proposals must be clearly identified "RFQ #04-21: Investment Accounting, Analytics, and Compliance Software".
  9. Proposers must review all addenda posted on the CEA's website before submitting proposals.
  10. Each proposal must state the proposer's name and "The CEA RFQ #04-21: Investment Accounting, Analytics, and Compliance Software" on each page of the proposal.

## **B. Required Components of Submission**

The cover letter must be signed by a person authorized to bind the respondent contractually. The CEA will reject any submission that contains an unsigned cover letter. The letter must contain all the following:

1. **Cover Letter (signed).** The CEA will reject any submission that contains an unsigned cover letter. The cover letter must contain the following:
  - a. The respondent's name, and the respondent's contact address, telephone number, and email address.

- b. The name, title or position, telephone number, and email address of the person signing the cover letter and any other persons authorized to make representations for the respondent regarding the RFQ.
- c. A statement that the signer's signature constitutes unrestricted authority to bind the respondent contractually.
- d. A statement that the submission is a firm and irrevocable offer valid for a period no less than 90 days following the deadline for proposal submission.
- e. A statement of whether any licensed professionals will perform any aspect of the work under any eventual contract and a statement of the licensed professional's willingness to be subject to license verification.

**2. Overview of the proposer** (and any named, proposed subcontractors), including:

- a. length of time in current business (the CEA requires a minimum of five consecutive years);
- b. core products and services provided;
- c. location of main office, including hours of service and time zone;
- d. number of employees;
- e. applicable coverage amounts for candidate's insurance: errors and omissions, general liability, umbrella, and any other applicable insurance;
- f. organizational structure (e.g., individual, partnership, corporation); proposer must name affiliated companies and parent organizations, and identify owners who hold management positions;
- g. a description of proposer's financial standing, including a statement of confirmation that the proposer is willing to provide financial statements upon the CEA's request;
- h. number of instances the proposer has provided services equivalent to, or substantially like, those called for in this RFQ;
- i. proposer's product roadmap for the next 18 to 24 months, and description of user groups and knowledge-management strategy.

**3. Representative Clients**

A description of representative clients for which proposer has provided services for projects comparable to this project. Include:

- a. references from clients for services performed within the past five years, including a description of services provided (representative clients must have operations comparable in size and scope to the CEA's operations); and
- b. a description of the services provided to each such client.

**4. Diversity Certification**

Proposer must include the following list in the proposal and identify all applicable designations. If no designations are applicable, please confirm by selecting "None." (Section XIII – Required Exhibits – Exhibit 5)

- |  |   |
|--|---|
| <input type="checkbox"/> Women Business Enterprise (WBE)             | <input type="checkbox"/> Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE) |
| <input type="checkbox"/> Minority Business Enterprise (MBE)          | <input type="checkbox"/> Multi-Certified Business Enterprises (MCBE)                      |
| <input type="checkbox"/> African American                            | - <i>check all that apply</i>   |
| <input type="checkbox"/> Asian/Pacific Islander                      | <input type="checkbox"/> WBE  |
| <input type="checkbox"/> Hispanic/Latino                             | <input type="checkbox"/> MBE  |
| <input type="checkbox"/> Native American                             | <input type="checkbox"/> DVBE   |
| <input type="checkbox"/> Multi-Ethnic                                | <input type="checkbox"/> VOBE   |
| <input type="checkbox"/> Disabled Veteran Business Enterprise (DVBE) | <input type="checkbox"/> LGBTBE   |
| <input type="checkbox"/> Veteran Owned Business Enterprise (VOBE)    | <input type="checkbox"/> None   |

## 5. Work Plan and Methodology

The work plan must describe, in narrative fashion, how the proposer will perform the proposed contract. The proposal should be specific and avoid generalizing. The work plan should address, without limitation, the following components and should be organized so that it is clear, comprehensive, and concise.

- a. Identification of Key Personnel for the contract. For each key member of the team assigned to the CEA account, proposers must
  - 1) provide a brief resume that outlines the person's education and relevant experience, including relevant certifications or credentials and the length of time each has been held; and
  - 2) identify whether any Key Personnel have previously worked for the CEA, either as employees or contracted staff, including the dates and length of time worked.
- b. Description of the proposer's understanding of the work to be performed under this RFQ, as that work is detailed in Section VI of this RFQ, and a thorough description of the steps and processes the proposer would use to perform that work.
- c. Propose any alternatives that conform to this RFQ's intent, which the proposer believes would lead to a better, more efficient, or more cost-effective result for the CEA, but which may vary from the specific description of the services of this RFQ.
- d. Identification of any "value-added" services the proposer would provide to the CEA.
- e. Identify details of any conflict of interest, or apparent or potential conflict of interest, that could be created by the proposer contracting with the CEA and propose how to address or resolve the conflicts.
- f. Description of the proposer's policy for ensuring the confidentiality of its clients' matters.

- g. If the proposer intends to use subcontractors to deliver any of the services outlined in this RFQ, it must provide all relevant information regarding the proposed subcontractor(s).
- h. A thorough description of the proposer's business continuity plan (or a separate attachment of the proposer's written business continuity plan), describing the proposer's plan for protecting the CEA and project-related data and maintaining a continuity of business operations and services following natural or human-caused emergencies or disasters.
- i. Does your firm have internal resources, or a specialty group dedicated to and/or focused solely on serving insurance and/or quasi-governmental clients? If so, please describe these resources including how long the group has been operating and the number of professionals (analyst level or above, full-time employees) specializing in property and casualty insurance.
- j. Describe the firm's participation in industry initiatives in all areas of service contemplated by this RFQ.
- k. Describe your firm's customer help desk environment, including help desk hours and type of online chat, telephone, or other support availability where applicable.
- l. Provide the location of the office that will staff the resources to fulfill the services described herein and work on the CEA and CWF accounts.
- m. Vendors should provide a timeline for implementation of the Vendor's system.
- n. Providing electronic feeds and time needed to code in the CEA and CWF's compliance rules from its investment policies (See Attachments C and D).
- o. Describe how you would ensure a smooth transition.
- p. Provide a detailed overview of your firm's experience in providing systems that support investment accounting, performance measurement, compliance evaluation, and risk analysis. In particular, the CEA is interested in unique experiences and services offered by your firm that distinguish you from others.
- q. Describe your firm's policy and procedures regarding system upgrades. Include schedules where applicable. Identify any standards for advance notice, ability to opt out or other flexibility options related to system upgrades.
- r. What policies and procedures do you have in place to ensure that your data feeds are accurate and reliable? How do you handle discrepancies?
- s. Describe how these resources are used to fulfill the requirements of the service being provided.

## 6. System Functionality and Deliverables

Include all documentation to show the functionality of the solution requested above in Description of Services (**Section VI – Description of Services**)

## **7. Pricing**

- a. Proposal Costs - All costs and expenses incurred by each respective proposer are the sole responsibility of that respective proposer and cannot be charged to the CEA.
- b. All submissions must include estimated pricing for all work, services, products, licensing, hosting, implementation, consulting, training, maintenance and related expenses, separating rates, hours, and extended fees from costs and expenses. If applicable, submissions must also include a comprehensive schedule of hourly rates or fees, or both (or other periodic or project-based rates or fees for the services described in the RFQ).
- c. All submissions may be rejected if the CEA determines, in its sole discretion, that they are not competitive, or the cost is unreasonable or excessive. The CEA reserves the right to suspend or cancel, without notice and at any time, this procurement process if the CEA deems suspension or cancellation to be in its interests.

## **8. Required Exhibits**

- 1) Summary Back-up and Recovery Plan (Exhibit 1)
- 2) List of Standardized Reports (Exhibit 2)
- 3) 3<sup>rd</sup> party attestation to the information security (SOC 2 Type II, ISO27001, or Industry security Certification) (Exhibit 3)
- 4) Audited Financial Statements (Exhibit 4)
- 5) Diversity Attestation (Exhibit 5)
- 6) Drug-Free Workplace Certification (Exhibit 6)
- 7) Minimum Qualification Form (Exhibit 7)
- 8) Form Licenses and Legal Staff Contact Information (Exhibit 8)

## **IX. PROPOSAL EVALUATION AND SCORING CRITERIA**

The purpose of the proposal-evaluation process is to: (1) determine whether the proposal has satisfied the minimum qualifications, content, and format requirements; (2) identify the proposers most likely to satisfactorily perform the services described; and (3) determine the extent of each proposer's demonstrated commitment to diversity. The evaluation process will be conducted in a comprehensive and impartial manner.

Each proposal package will be electronically date-and time-stamped when received. Any proposal received after the final-filing time on the final-filing date will be received and a statement may, in the CEA's sole discretion, be sent to the proposing firm stating that the

proposal did not meet the submission deadline, and that the proposal will be deemed not eligible.

Each timely-submitted, or accepted, proposal will be reviewed to determine whether it satisfies the Minimum Qualifications specified in Section VII. Proposals that meet the Minimum Qualifications will be evaluated and scored. The highest possible score is 100 points.

The CEA is committed to inclusion, diversity, equity, and accessibility (“IDEA”), within the CEA and also as part of its evaluation of external providers. The CEA values organizations that equitably distribute their employment and work opportunities among all populations. With that in mind, one of the factors on which every potential goods and services provider will be evaluated is a demonstrated commitment to IDEA. Whenever reasonably practical, the CEA expects that commitment to be reflected in the provider’s staffing, both within the provider’s entire workforce, and particularly among the staff assigned to CEA projects.

The CEA will invite finalists for a virtual demonstration of the software proposed. All costs and expenses associated with preparing and submitting this RFQ, together with all travel costs, if any, related to the virtual demonstration and contract-negotiation processes, are the sole responsibility of the proposer.

CRITERION	POINTS
Work Plan and Methodology	10
Investment Accounting	25
Investment Performance and Analytics	25
Investment Compliance	25
Pricing	15
<b>◆ POINTS POSSIBLE for Proposal</b>	<b>100</b>
Virtual Demonstration (Finalists’ only)	25

**X. AWARD OF OPPORTUNITY TO CONTRACT**

If, at any time during or at the conclusion of the RFQ process, the CEA determines that, in its opinion, the results or prospects of this RFQ process are unsatisfactory, the CEA reserves the right to wholly discontinue this process and decline to award a contract to any proposer.

The opportunity to contract will be awarded to the proposer scoring the highest total points. The final approval of the right to contract will be determined by the CEA’s Governing Board. All proposers will be notified of the outcome of the RFQ. News releases pertaining to this RFQ must not be made without the CEA’s prior written approval.

## **XI. TERMS AND CONDITIONS**

Any contract that the CEA proposes to enter into as a result of this RFQ process will include standard terms and conditions satisfactory to the CEA.

## **XII. COMMENCEMENT DATE**

The commencement date of services is TBD.

## **XIII. ATTACHMENTS AND EXHIBITS**

### **Attachments**

- 1) Drug Free Workplace Certification (Attachment A)
- 2) Minimum Qualification Form (Attachment B)
- 3) The CEA Investment Policies (Attachment C)
- 4) CWF Investment Policies (Attachment D)
- 5) Data Security (Attachment E)

### **Required Exhibits**

- 1) Summary Back-up and Recovery Plan (Exhibit 1)
- 2) List of Standardized Reports (Exhibit 2)
- 3) 3<sup>rd</sup> party attestation to the information security (SOC 2 Type II, ISO27001, or Industry security Certification) (Exhibit 3)
- 4) Audited Financial Statements (Exhibit 4)
- 5) Diversity Attestation (Exhibit 5)
- 6) Drug-Free Workplace Certification (Exhibit 6)
- 7) Minimum Qualification Form (Exhibit 7)
- 8) Form Licenses and Legal Staff Contact Information (Exhibit 8)



**Drug-Free Workplace Certification**

**ATTACHMENT A**

**The California Earthquake Authority**

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The respondent named above hereby certifies that, if awarded a contract, it will comply with Government Code Section 8355 in matters relating to providing a drug-free workplace. The above named respondent will:

1. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, by Government Code Section 8355(a), subdivision (1).
2. Establish a Drug-Free Awareness Program as required by Government Code Section 8355(a), subdivision (2).
  - a) The dangers of drug abuse in the workplace,
  - b) The person’s or organization’s policy of maintaining a drug-free workplace,
  - c) Any available counseling, rehabilitation and employees assistance programs, and
  - d) Penalties that may be imposed upon employees for drug abuse violations.
3. Provide as required by Government code Section 8355(a), subdivision (3), that every employee who works on the proposed contract:
  - a) Will receive a copy of the company’s drug-free statement, and
  - b) Will agree to abide by the terms of the company’s statement as a condition of employment on the contract or grant.

**CERTIFICATION**

I, the official named below, hereby swear that I am duly authorized legally to bind the respondent to the above-described certification. I am fully aware that this certification, executed on the date and in the county below, is made under penalty of perjury under the laws of the State of California.

**Respondent’s Authorized Signature**

\_\_\_\_\_

**Title**

\_\_\_\_\_

**Date Executed**

**In the County of**

\_\_\_\_\_

\_\_\_\_\_

**Federal Identification Number**

\_\_\_\_\_



**Minimum Qualifications Response Form**

**ATTACHMENT B**

**The California Earthquake Authority**

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1. The proposing firm must have been in business for at least the past five consecutive years.
2. The proposing firm must provide 3<sup>rd</sup> party attestation to the information security controls in place and their effectiveness, e.g. SOC 2, type II, ISO27001, or other industry-standard security certification. (Section XIII: Required Exhibits-Exhibit 3)
3. The CEA requires that the investment accounting, analytics, and compliance solution be web-based and hosted, maintained, upgraded and supported by the vendor.



**Minimum Qualifications Response Form**  
**The California Earthquake Authority**

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**ATTACHMENT C**

The CEA Investment Policies follow



**Minimum Qualifications Response Form**  
**The California Earthquake Authority**

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**ATTACHMENT D**

CWF Investment Policies follow

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## **Attachment E: Data Security**

1. **Definition.** For purposes of this Agreement, "Client Data" includes any and all data in any form or format that the CEA provides or makes accessible to [Contractor Name] ("Contractor") under this Agreement, including, without limitation, confidential information, Restricted Information, personally identifiable information, or any data or documents created as a result of the processing of Client Data, regardless of whether the Client Data is actually used by Contractor.
2. **General Practices.** Contractor acknowledges and agrees it has implemented, and will maintain and follow, appropriate and reasonable administrative, technical, and physical security measures and related policies. These measures are intended to protect Client Data against accidental, unauthorized, or unlawful access, disclosure, alteration, loss, or destruction.
3. **Security Incidents.** If Contractor becomes aware of any unauthorized access to any Client Data stored on Contractor's equipment, in Contractor's contracted third-party facilities, or on Contractor's contracted third-party cloud services, or any unauthorized access to any of those equipment, facilities or cloud services, resulting in loss, disclosure, or alteration of Client Data (each, a "Security Incident"), Contractor will:
  - a. as soon as reasonably practicable, but in no event later than seven business days after becoming aware of a Security Incident, notify the CEA of the Security Incident according to section 4 below;
  - b. promptly investigate the Security Incident;
  - c. take reasonable steps to mitigate the effects of, and to minimize damage resulting from, the Security Incident.
4. **Notice.** Contractor will deliver notification(s) of Security Incidents to the CEA by email to the CEA's Chief Information Officer at Security@calquake.com. Notification(s) will include a description of:
  - a. the affected data and any confidential information or personally identifiable information involved;
  - b. the date Contractor believes the Security Incident occurred;
  - c. the circumstances under which Contractor believes the Security Incident occurred;
  - d. any risks known to Contractor resulting from the Security incident; and
  - e. any follow-up or corrective actions taken or planned to be taken by Contractor.

Contractor will provide the CEA with periodic updates regarding a Security Incident.





# California Earthquake Authority

## Investment Policies

Adopted: June 10, 2021  
Revised: 09/12/18 (Format Change Only)  
Revised: 12/16/15  
Revised: 08/01/02  
Revised: 06/20/02  
Revised: 10/28/99  
Revised: 05/28/98  
Revised: 10/09/97  
Revised: 11/01/96  
Adopted: 10/07/96

### **DEFINITIONS**

“Applicable Laws and Regulations” or “Legal Restrictions” means California Insurance Code section 10089.6, subdivision (b)(1), California Government Code section 16430, and California Code of Regulations, Title 10, section 2697.4, as well as any amendments or successor provisions to those sections.

“Business Day” or “Business Days” means a day or days other than Saturdays, Sundays, or state holidays.

“CEA Portfolio” or “Portfolio” means the entirety of all the individual Funds of the California Earthquake Authority Fund collectively, i.e., the Primary Fund, the Liquidity Fund, the Claim-Paying Fund, the Reinsurance Fund, and the Mitigation Fund.

“Daily” refers to Business Days.

“Financial Advisor” means a firm contracted by the CEA to provide analysis for the CEA concerning debt issuance and that may, if contracted to do so, provide services related to oversight of the CEA’s Investment Managers.

“Fund” means a fund within the California Earthquake Authority Fund such as, but not by way of limitation, the CEA’s Primary Fund, Liquidity Fund, Claim-Paying Fund, Claims-Paying Fund, Reinsurance Fund, and Earthquake Loss Mitigation Fund.

“Investment Manager” means a firm or firms contracted by the CEA to invest monies on its behalf, in accordance with all Applicable Laws and Regulations and the CEA’s Investment Policies.

“Investment” refers to a Security purchased for, and owned by, the CEA.

“Modified Duration” is the average length of time to receive the present value of bond cash flows.

A “Security” is a financial instrument before it is purchased for, or owned by, the CEA.

## **PHILOSOPHY**

The California Earthquake Authority (CEA) is an insurance provider whose primary business is to pay policyholder claims in a timely manner while maintaining quality customer service and a sound financial posture. In furtherance of those goals, the CEA should have Investment Policies that provide for the following prioritized goals:

- 1) Safety and preservation of principal;
- 2) Liquidity, so that claims can be paid in a timely manner; and
- 3) Competitive returns (yield).

As a public instrumentality, created by act of the California state government, the CEA discloses much of its operations and investment activity. The integrity of the CEA’s investment activities should be above that of private sector organizations conducting comparable business operations. Therefore, the CEA has the social and ethical obligation to require that Investments made on its behalf and held in its accounts be in corporations and entities that meet a high standard of conduct in their operations. Still, the investment of CEA assets should appropriately reflect sound judgment that each Investment will produce an attractive rate of return, within the bounds of all Applicable Laws and Regulations and these Investment Policies.

## **PRINCIPLES**

After the primary goals of safety and preservation of principal and attention to appropriate liquidity requirements are met, rate of return must be considered. Safe and prudent investment management will be the primary and underlying criterion for the selection of Securities and retention and disposition of Investments.

Non-economic factors will supplement profit factors in making investment decisions. Non-economic factors are defined as those considerations not directly related to providing for the safety of principal, maintaining adequate liquidity, and maximizing income, but which seek to ensure that in making or holding its Investments, the CEA does not, either through action or inaction, promote, condone, or facilitate social or environmental injury.

Social or environmental injury may be said to exist when the activities of a corporation serve to undermine basic human rights and dignities, or when the CEA perceives that the practices of a corporation result in undesirable side effects for others and that those side effects are

substantial in nature. Side effects that may be deemed undesirable and substantial include, but are not limited to, the following:

- A. Subject to current federal, state, and local law, any practice that is known to endanger, directly or indirectly, human health or the environment:
- B. Practices that result in the suppression of human rights, including:
  - 1) The sale of weapons and technology to governments known to engage in the systematic suppression of human rights; and
  - 2) The sale of goods to, or the purchase of goods from, countries known to employ forced labor.
- C. Practices that endanger human health, including:
  - 1) The sale and distribution of known contaminated products;
  - 2) The sale and distribution of dangerous drugs; and
  - 3) The sale of goods to, or the purchase of goods from, companies known to disregard worker safety.

In addition, it is the CEA's policy not to invest in expatriate companies. Expatriate companies are defined as U.S. corporations that relocate their "principal office," for tax purposes only, to offshore tax havens.

Investments shall not be selected or rejected based solely on non-economic factors. In general, non-economic factors, to the extent known after reasonable investigation, should be considered after all relevant financial criteria and Legal Restrictions have been satisfied.

The CEA Portfolio will be managed to ensure the safety of the Portfolio by investing in high-quality fixed-income Securities with limited durations.

### **PRUDENT INVESTOR STANDARD**

In addition to complying with the Investment Policy and all Applicable Laws and Regulations, all CEA Portfolio Investments and evaluation of such Investments shall be made with regard to the "prudent investor" standard of care, that is, with the care, skill, prudence, and diligence under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital, including liquidity of the Investment, as well as the probable income to be derived.

### **ETHICS, AVOIDANCE OF CONFLICT OF INTERESTS, AND COMPLIANCE WITH INVESTMENT ADVISERS ACT OF 1940**

No officer or employee of the CEA, or of any firm contracted with the CEA involved in the investment of CEA Portfolio, shall engage in any personal or business activity that may conflict

with proper execution of the CEA's investment program or that may impair his or her ability to make impartial investment decisions for the CEA. Any personal investments in entities that do business with the CEA, either by contract or where the CEA has Investments with that entity, shall be disclosed as required in regulations of the Fair Political Practice Commission (using its Form 700, which shall be filed according to law) and the CEA's Conflict of Interest Code.

The CEA's Financial Advisor and Investment Managers shall ensure that they are registered with, and comply with the rules, advice, rulings, and regulations of, the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 that is licensed to choose investments for clients. The CEA's Financial Advisor and Investment Managers shall procure and fully and currently maintain the permits and licenses, if any, necessary to advise the CEA on investments and to make investments on the CEA's behalf.

### **PERMISSIBLE INVESTMENTS**

In accordance with California Insurance Code section 10089.6, subdivision (b), paragraph (1), Investments made by the CEA or on behalf of the CEA shall be made in compliance with California Government Code section 16430, as section 16430 is in effect at the time the Investment is made. California Government Code section 16430 may be amended from time to time, and the CEA's Financial Advisor and Investment Managers shall be responsible for being aware and informed of any amendments to section 16430 and to all Applicable Laws and Regulations.

The CEA's Portfolio may be invested in any of the following securities listed below and detailed in the Permitted Investments section:

- Treasury securities including TIPS and Floating Rate Notes;
- Federal Agency securities including Floating Rate Notes;
- Other Agency securities;
- International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation ("Supranationals");
- Commercial Paper;
- Certificates of Deposit;
- Bankers Acceptances; and
- Corporate Bonds including Notes and Floating Rate Notes

### **COMPLIANCE**

These Investment Policies, and all Applicable Laws and Regulations, shall be observed by the CEA's Independent Financial Advisor and acted on by all Investment Managers in the course of their administration of CEA Funds. All Investment Policies are subject to continual monitoring and review by the CEA's Chief Financial Officer ("CFO").

A trade executed for the CEA's Portfolio shall be deemed to be in compliance with these Investment Policies if, as of the trade date, the trade met both (A) the requirements of the Investment Policy and (B) all Applicable Laws and Regulations. Notwithstanding, however, the

deemed trade-day compliance of any individual trade, if at the close of any day any fund maturity or duration exceeds the limit stated in these Investment Policies or the ratings are below the minimum ratings requirement as stated in the Investment Policy, the Investment Manager must, within one business day, consult with the CEA in order that the CEA in its sole discretion, may provide a directive to correct maturity or duration limit or any other action needed for correction of ratings downgrade; if the CEA (or his or her designee) provides no such directive, the Investment Manager must bring the exceeded maturity or duration limit or ratings back into compliance with these Investment Policies as soon as reasonably possible.

The CEA will perform Daily quality-assurance checks of the Portfolio and of each Fund (or portion of a Fund in the case where an Investment Manager is managing a defined portion of a Fund) to ensure compliance with these Investment Policies and with all Applicable Laws and Regulations. If the CEA becomes aware of any noncompliance with any Investment Policy, the CEA will contact the Investment Manager immediately to discuss the situation so that the CEA may determine the appropriate actions to be taken by the Investment Manager and CEA to bring the Fund into compliance; if an Investment Manager or the Financial Advisor becomes aware of any noncompliance with any Investment Policy, it shall contact the CEA immediately to discuss the situation so that the CEA may determine the appropriate actions to be taken by the Investment Manager and CEA to bring the Fund into compliance.

The performance by CEA of a Daily quality-assurance check does not relieve any CEA Investment Manager of its respective independent duties to ensure that all Investments made and held for the CEA comply with these Investment Policies and all Applicable Laws and Regulations. CEA's failure to discover, or failure to report the discovery to the CEA's Financial Advisor or Investment Managers (or any of them), any noncompliance, does not constitute (A) CEA's acceptance or ratification of that noncompliance or (B) any waiver by CEA of its right to require compliance by Investment Managers with these Investment Policies and all Applicable Laws and Regulations.

### **THE CEA PORTFOLIO**

For the purposes of these Investment Policies, the "CEA Portfolio" consists of the following Funds:

- Mitigation Fund
  - This fund consists of one custody account, which fund mitigation-related activities.
- Liquidity Fund
  - This fund consists of one custody account, which provides funds used for CEA's operational cash-flow.
- Primary Fund
  - This fund consists of a number of custody accounts, which primarily provide funds for paying CEA claims and claim expenses.
- Claim-Paying Fund
  - This fund consists of a number of custody accounts, which receive the proceeds of CEA's debt issuances.
- Reinsurance Fund
  - This fund may consist of one or more custody accounts, which receive reinsurance recoverables collected after earthquake events.

## RATINGS AND MATURITY LIMIT

- Treasury securities
  - Mitigation: Maturity limit of 91 days
  - Liquidity: Maturity limit of 1 year
  - Primary and Claims: Maturity limit of 10 years and one month
- Federal Agency securities, other Agency securities
  - Mitigation: Maturity limit of 91 days
  - Liquidity: Maturity limit of 1 year
  - Primary and Claims: Maturity limit of 10 years and one month
- Supranationals
  - Mitigation: Maturity limit of 91 days
  - Liquidity: Maturity limit of 1 year
  - Primary and Claims: Maturity limit of 10 years and one month
- Commercial Paper
  - Mitigation: Not permissible
  - Liquidity, Primary, and Claims: Maturity limit of 270 days
- Certificates of Deposit
  - Mitigation: Not permissible
  - Liquidity, Primary, and Claims: For those issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union and with a maturity limit of 1 year
- Bankers Acceptances
  - Mitigation: Not permissible
  - Liquidity, Primary, and Claims: Yes, for those that are eligible for purchase by the Federal Reserve System, maximum maturity of 1 year
- Corporate Bonds/Notes
  - Mitigation: Not permissible
  - Liquidity, Primary, and Claims
    - Maturity limit of 1 year for Liquidity, 10 years and one month for Primary and Claims and no more than 20% of maximum corporate allocation may have maturities greater than 8 years but less than 10 years
    - Ratings from at least two of three rating agencies of at least:
      - “A-” from S&P, “A-” from Fitch, or “A3” from Moody’s for long-term securities (securities rated “A-”/“A3”, “A”/“A2”, “A+”/“A1” should be not represent more than 30% of the total portfolio and securities rated “A-”/“A3” should not represent more than 10% of the total portfolio and will be part of the total portfolio limit of 30% for “A” ratings category) - *No ratings below “A-” or “A3” is allowed*
      - “A-1” from S&P, “F-1+” from Fitch, or “P-1” from Moody’s for short-term securities - *No ratings below “A-1” or “F-1+” or “P-1” is allowed*
    - 2% limit per issuer and 20% industry / sector limit of the corporate portfolio

The “maximum maturity” requirement summarized above and listed in detail in the table in the Permitted Investments section is defined as the number of days from trade date to maturity date, including the trade date but excluding the maturity date.

The minimum rating requirement for each Security is further defined within the Permissible Investments section, above, and in the Fund Permitted Investments section, below.

If any Investment held in any CEA Fund is downgraded below the credit quality required by the Applicable Laws and Regulations, or below the credit quality required by these Investment Policies, the CEA, in consultation with its Financial Advisor, will determine whether to retain the Investment or to divest CEA of the Investment. Evaluation of divestiture of Investments will be made on a case-by-case basis.

## **DURATION**

The Mitigation Fund shall have a maximum Modified Duration of no greater than 91 days. The Liquidity Fund shall have a maximum Modified Duration of no greater than 181 days. The Primary Fund shall have a maximum Modified Duration of no greater than five (5) years. The Claims-Paying Fund shall have a maximum Modified Duration of no greater than six (6) years.

## **COMPOSITION**

### ***Mitigation Fund***

- Treasury securities should represent at least 50% of the portfolio
- Federal Agency and Other Agency securities and Supranationals should not represent more than 50% of the portfolio with no one agency representing more than 5% of the portfolio

### ***Liquidity Fund***

- Treasury securities should represent at least 50% of the portfolio
- Federal Agency and Other Agency securities and Supranationals should not represent more than 25% of the portfolio with no one agency representing more than 5% of the portfolio
- Commercial Paper shall not exceed 25% of the total portfolio
- Corporate securities should not represent more than 50% of the portfolio (including Certificates of Deposit, Commercial Paper, and Banker Acceptances) with a 2% issuer limit and 20% industry / sector limit

### ***Primary Fund***

- Treasury securities should represent at least 50% of the portfolio
- Federal Agency and Other Agency securities and Supranationals should not represent more than 25% of the portfolio with no one agency representing more than 5% of the portfolio
- Commercial Paper shall not exceed 10% of the total portfolio

- Corporate securities should not represent more than 50% of the portfolio (including Certificates of Deposit, Commercial Paper, and Banker Acceptances) with a 2% issuer limit and 20% industry / sector limit

### ***Claims-Paying Fund***

- Treasury securities should represent at least 40% of the portfolio
- Federal Agency and Other Agency securities and Supranationals should not represent more than 25% of the portfolio with no one agency representing more than 5% of the portfolio
- Commercial Paper shall not exceed 10% of the total portfolio
- Corporate securities should not represent more than 50% of the portfolio (including Certificates of Deposit, Commercial Paper, and Banker Acceptances) with a 2% issuer limit and 20% industry / sector limit

### **CUSTODY**

All CEA Investments shall be secured or held by a custody bank.

### **UNINVESTED CASH**

Each Investment Manager shall seek to minimize the amount of cash remaining at the end of a Business Day that is not invested in a manner consistent with the Investment Policy.

Any un-invested moneys in the Portfolios may be held un-invested pending cash investment, distribution, resolution of a dispute, or for other operational reasons and may be deposited in the associated sweep account prior to the Fed wire cut off time.

### **NEGATIVE YIELDS**

The Investment Managers are encouraged to hold cash until an allowable Security with a positive yield becomes available. The Investment Managers must notify the CEA when yields are negative.

### **MINIMUM TRADE RETURN**

Subject to guidance from the CEA, Investment Managers should not execute a trade if the expected return is less than the cost of executing the trade. If any Investment Manager believes that circumstances warrant making such a trade, it must contact the CEA.

### **INVESTMENT GOALS**

Consistent with the CEA's published Investment Philosophy, and in order of priority, the CEA's investment goals are:

- 1) Portfolio Safety  
Under these Investment Policies, the Portfolio shall contain a sufficient number with multiple maturity dates of securities so that a reasonable portion of the Portfolio can be readily converted to cash at a price closely approximating amortized cost.

- 2) Liquidity  
The Portfolio shall be managed to ensure that the CEA's usual cash needs to pay eligible claims can be met; if unforeseen cash needs arise, the CEA or another individual designated by the CEA will work with individual Managers when needed to plan to meet liquidity requirements.
- 3) Rate of Return  
Investments shall be made in such a way as to realize the maximum return consistent with the principles of prudence expressed in the CEA's Investment Philosophy and these Guidelines.

The investments in the Portfolio are primarily buy and hold but investments may be sold to:

- Provide liquidity,
- Address deterioration in the credit quality of an issuer, or
- Purchase an Investment that better meets the current needs of the Portfolio, after notification to and consultation with the CEA.

## **REPORTING**

Each Investment Manager shall report to the CEA, via email by 9:00 a.m. Pacific Time each Business Day, the previous day's holdings in each Fund, or a portion of the Fund, under its management.

For each Investment it makes, the Investment Manager shall transmit to the CEA, via email sent by 11:00 a.m. Pacific Time on the trade date, a copy of the trade ticket generated for that Investment transaction. The CEA will use this trade ticket in the Daily quality assurance process and to update CEA's investment accounting system and other trade-related information as requested by the CEA (or his or her designee).

Each Investment Manager shall compile a monthly report of each Fund, or a portion of the Fund, managed by the Investment Manager and deliver the report electronically to the CEA on or by the fifth Business Day of the following month. The report shall contain information as requested by the CEA (or his or her designee).

## **PERMITTED INVESTMENTS**

The following tables list permissible Investment types for each Fund in the CEA Portfolio that comply with both Applicable Laws and Regulations and the CEA's Investment Policies. In the event, however, that any requirement below may appear to be inconsistent with any of the Applicable Laws and Regulations, the Applicable Laws and Regulations shall be followed, and the Investment Manager shall immediately notify the CEA of any such inconsistency. If there is any question regarding any table or any permissible Investment described in the table, the Investment Manager shall contact the CEA for clarification.

CEA staff may issue interpretive memorandum for the intended purpose to further enhance understanding of the Investment Policy or provide guidance for matters not covered by the Investment Policy.

### **PROHIBITED INVESTMENTS**

Due to the nature of the environmental risk from the consumption of fossil fuel, investments in corporations whose primary business or majority of revenues are derived from fossil fuel are prohibited.

All structured securities are prohibited.

All non-US Corporate Securities are prohibited.

All 144A Securities are prohibited.

Investment	Mitigation	Liquidity	Primary	Claims-Paying
<b>U.S. Treasury</b>	Yes, maturity limit of 91 days and should represent at least 50% of the portfolio	Yes, maturity limit of 1 year and should represent at least 50% of the portfolio	Yes, maturity limit of 10 years and one month and should represent at least 50% of the portfolio	Yes, maturity limit of 10 years and one month and should represent at least 40% of the portfolio
<b>U.S. Agency</b>	Yes, maturity limit of 91 days, single agency limit of 5%, and should not represent more than 50% of the portfolio	Yes, maturity limit of 1 year, single agency limit of 5%, and should not represent more than 25% of the portfolio	Yes, maturity limit of 10 years and one month, single agency limit of 5% and should not represent more than 25% of the portfolio	
<b>Federal Land Banks or Federal Intermediate Credit Banks</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>Central Bank for Cooperatives</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>Federal Home Loan Bank</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>Federal National Mortgage Association</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>Federal Home Loan Mortgage Corporation</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>Tennessee Valley Authority</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>Commodity Credit Corporation for the Export of California Agricultural Products</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>United States Small Business Administration or the United States Farmers Home Administration</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	

Investment	Mitigation	Liquidity	Primary	Claims-Paying
<b>Export-Import Bank of the United States</b>	Yes, maturity limit of 91 days (part of Agency allocation)	Yes, maturity limit of 1 year (part of Agency allocation)	Yes, maturity limit of 10 years and one month (part of Agency allocation)	
<b>International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, the Government Development Bank of Puerto Rico</b>	Yes, maturity limit of 91 days (exclude GDB of Puerto Rico) (part of Agency allocation)	Yes, maturity limit of 1 year (exclude GDB of Puerto Rico) (part of Agency allocation)	Yes, maturity limit of 10 years and one month (exclude GDB of Puerto Rico) (part of Agency allocation)	
<b>Bankers Acceptances</b>	No	Yes, for those that are eligible for purchase by the Federal Reserve System, maximum maturity of 1 year		
<b>Negotiable Certificates of Deposits</b>	No	Yes, for those issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union and with a maturity limit of 1 year		
<b>Negotiable Order of Withdrawal Accounts (NOW Accounts)</b>	Yes	Yes	Yes	Yes
<b>Student Loan Marketing Association</b>	No	No	No	No
<b>California Municipals</b>	No	No	No	No
<b>Commercial Paper</b>	No	Yes <ul style="list-style-type: none"> <li>• Approved by the Pooled Money Investment Board by (A) being organized and operating within the U.S. and having total assets in excess of \$500MM OR (B) organized within the U.S. as a federally or state-chartered bank or a state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company and having program-wide credit enhancements</li> <li>• Not exceeding 270 days</li> <li>• Not represent more than 10% of outstanding CP of an issuing federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company</li> <li>• <u>Not exceeding 25% of the total portfolio for the Liquidity Fund</u></li> <li>• <u>Not exceeding 10% of the total portfolio for each the Primary and Claims-Paying Fund</u></li> </ul>		

Investment	Mitigation	Liquidity	Primary	Claims-Paying
Corporate Bonds / Notes	No	Yes <ul style="list-style-type: none"> <li>• <u>Maturity limit of 1 year for the Liquidity Fund</u></li> <li>• <u>Maturity limit of 10 years and one month for the Primary and Claims-Paying Fund</u></li> <li>• <u>No more than 20% of the corporate portfolio (10% of the total portfolio) should mature between 8-10 years for the Primary and Claims-Paying Fund</u></li> <li>• Ratings from at least 2 of the 3 ratings agencies</li> <li>• Ratings of at least "A-" or "A3" for long-term securities</li> <li>• Ratings of at least "P-1", "A-1", "F-1+" for short-term securities</li> <li>• Corporates should not represent more than 50% of the Liquidity Fund (including CDs, CP, and BAs)</li> <li>• Securities rated in the long-term "A" ratings category should not represent more than 30% of the total portfolio</li> <li>• Securities rated in the long-term "A-/A3" as a subset of "A" ratings category should not represent more than 10% of the total portfolio and will be part of the total portfolio limit of 30% for "A" ratings category</li> <li>• 2% limit per issuer and 20% industry / sector limit of the corporate portfolio</li> </ul>		

## California Government Code, Statute 16430

*“Eligible securities for the investment of surplus moneys shall be any of the following:*

*“(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.*

*“(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.*

*“(c) Bonds, notes, and warrants of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.*

*“(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.*

*“(e) Any of the following:*

*“(1) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et seq.).*

*“(2) Debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended (12 U.S.C. Sec. 2001 et seq.).*

*“(3) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.).*

*“(4) Stocks, bonds, debentures, and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).*

*“(5) Bonds of any federal home loan bank established under that act.*

*“(6) Obligations of the Federal Home Loan Mortgage Corporation.*

*“(7) Bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended (16 U.S.C. Sec. 831 et seq.).*

*“(8) Other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. Sec. 714 et seq.).*

*“(f)(1) Commercial paper of “prime” quality as defined by a nationally recognized organization that rates these securities, if the commercial paper is issued by a federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified in either subparagraph (A) or subparagraph (B):*

*“(A) Both of the following conditions:*

*“(i) Organized and operating within the United States.*

*“(ii) Having total assets in excess of five hundred million dollars (\$500,000,000).*

*“(B) Both of the following conditions:*

*“(i) Organized within the United States as a federally or state-chartered bank or a state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company.*

*“(ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.*

*“(2) A purchase of eligible commercial paper may not do any of the following:*

*“(A) Exceed 270 days maturity.*

*“(B) Represent more than 10 percent of the outstanding paper of an issuing federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company.*

*“(C) Exceed 30 percent of the resources of an investment program.*

*“(3) At the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.*

*“(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, that are eligible for purchase by the Federal Reserve System.*

*“(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits are not subject to Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).*

*“(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.*

*“(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.*

*“(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 et seq.) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).*

*“(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.*

*“(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.*

*“(n) Negotiable Order of Withdrawal Accounts (NOW Accounts), invested in accordance with Chapter 4 (commencing with Section 16500).”*



# California Wildfire Fund

## Investment Policy

Adopted: June 22, 2020 (Final Version - July 6, 2020)

### **DEFINITIONS**

“Applicable Laws and Regulations” or “Legal Restrictions” means Public Utilities Code section 3281, subdivision (C) and section 3284 subdivision (e) for un-invested monies, California Government Code section 16430, Wildfire Fund section 3284 (e), as well as any amendments or successor provisions to those sections.

“Business Day” or “Business Days” means a day or days other than Saturdays, Sundays, or state holidays.

“California Wildfire Fund” means the Wildfire Fund created pursuant to Section 3284 for California Wildfire Fund

“Covered Wildfire” means any wildfire ignited on or after effective January 1, 2019 caused by an electrical corporation as determined by the governmental agency responsible for determining causation

“Daily” refers to Business Days.

“Investment Consultant” means a firm contracted by the Wildfire Fund to provide as needed investment analysis for the Fund and to provide services related to selection and oversight of the Fund’s Investment Managers.

“Investment Manager” means a firm or firms contracted by the Wildfire Fund to invest monies on its behalf, in accordance with all Applicable Laws and Regulations and the Wildfire Fund’s Investment Policy.

“Investment” refers to a Security purchased for, and owned by, the Wildfire Fund.

“Modified Duration” is the average length of time to receive the present value of bond cash flows.

A “Security” is a financial instrument before it is purchased for, or owned by, the California Wildfire Fund.

“Wildfire Fund Portfolio” or “Portfolio” means the investment portfolios of the Wildfire Fund.

## **BACKGROUND**

The California Wildfire Fund (“CWF” or “Wildfire Fund”) is a statutory fund segregated from and independent of the California Treasury, and was created under California Public Utilities Code section 3284 in July 2019. The California Earthquake Authority, a governmental instrumentality for the State of California in its statutory capacity as an Administrator for the Wildfire Fund. The Wildfire Fund holds number of dedicated accounts, completely independent and separate from the California Earthquake Authority’s accounts.

## **PHILOSOPHY**

The CWF is a legislatively created Fund to provide third party damage claims resulting from Covered Wildfire Losses. The administrator has set forth the following prioritized goals:

- 1) Safety and preservation of principal;
- 2) Liquidity, so that claims can be paid in a timely manner; and
- 3) Competitive returns (yield).

As a public instrumentality, created by act of the California state government, the Wildfire Fund discloses much of its operations and investment activity. The integrity of the Wildfire Fund’s investment activities should be above that of private sector organizations conducting comparable business operations. Therefore, the Wildfire Fund has the social, ethical, and environmental obligation to require that Investments made on its behalf and held in its accounts be in corporations and entities that meet a high standard of conduct in their operations. Still, the investment of the Wildfire Fund’s assets should appropriately reflect sound judgment that each Investment will produce an attractive rate of return, within the bounds of all Applicable Laws and Regulations and these Investment Policy.

## **PRINCIPLES**

After the primary goals of safety and preservation of principal and attention to appropriate liquidity requirements are met, rate of return must be considered. Safe and prudent investment management will be the primary and underlying criterion for the selection of Securities and retention and disposition of Investments.

Non-economic factors will supplement profit factors in making investment decisions. Non-economic factors are defined as those considerations not directly related to providing for the safety of principal, maintaining adequate liquidity, and maximizing income, but which seek to ensure that in making or holding its Investments, the Wildfire Fund does not, either through action or inaction, promote, condone, or facilitate social or environmental injury.

Social or environmental injury may be said to exist when the activities of a corporation serve to undermine basic human rights and dignities, or when the Wildfire Fund perceives that the practices of a corporation result in undesirable side effects for others and that those side effects are substantial in nature. Side effects that may be deemed undesirable and substantial include, but are not limited to, the following:

- A. Subject to current federal, state, and local law, any practice that is known to endanger, directly or indirectly, human health or the environment:
- B. Practices that result in the suppression of human rights, including:
  - 1) The sale of weapons and technology to governments known to engage in the systematic suppression of human rights; and
  - 2) The sale of goods to, or the purchase of goods from, countries known to employ forced labor.
- C. Practices that endanger human health, including:
  - 1) The sale and distribution of known contaminated products;
  - 2) The sale and distribution of dangerous drugs; and
  - 3) The sale of goods to, or the purchase of goods from, companies known to disregard worker safety.

Investments shall not be selected or rejected based solely on non-economic factors. In general, non-economic factors, to the extent known after reasonable investigation, should be considered after all relevant financial criteria and Legal Restrictions have been satisfied.

The Wildfire Fund Portfolio will be managed to ensure the safety of the Portfolio by investing in high-quality fixed-income Securities with limited durations.

### **PRUDENT INVESTOR STANDARD**

In addition to complying with the Investment Policy and all Applicable Laws and Regulations, all Wildfire Fund Investments and evaluation of such Investments shall be made with regard to the “prudent investor” standard of care, that is, with the care, skill, prudence, and diligence under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital, including liquidity of the Investment, as well as the probable income to be derived.

### **ETHICS, AVOIDANCE OF CONFLICT OF INTERESTS, AND COMPLIANCE WITH INVESTMENT ADVISERS ACT OF 1940**

No officer or employee of the Wildfire Fund, or of any firm contracted with the Wildfire Fund involved in the investment of Wildfire Fund Portfolio, shall engage in any personal or business activity that may conflict with proper execution of the Wildfire Fund’s investment program or that may impair his or her ability to make impartial investment decisions for the Wildfire Fund. Any personal investments in entities that do business with the Wildfire Fund, either by contract or where the Wildfire Fund has Investments with that entity, shall be disclosed as required in regulations of the Fair Political Practice Commission (using its Form 700, which shall be filed according to law) and the Wildfire Fund’s Conflict of Interest Code.

The Wildfire Fund's Investment Consultant and Investment Managers shall ensure that they are registered with, and comply with the rules, advice, rulings, and regulations of, the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 that is licensed to choose investments for clients. The CWF's Investment Consultant and Investment Managers shall procure and fully and currently maintain the permits and licenses, if any, necessary to advise the Wildfire Fund on investments and to make investments on the Wildfire Fund's behalf.

### **PERMISSIBLE INVESTMENTS**

In accordance with Division 1 of the Public Utilities Code Section 3281 subdivision (c), and Section 3284 subdivision (2), paragraph (e), for un-invested monies.

Investments made by the investment managers on behalf of the Wildfire Fund shall be made in compliance with California Government Code section 16430, as section 16430 is in effect at the time the Investment is made. California Government Code section 16430 may be amended from time to time, and the Wildfire Fund's Investment Managers shall be responsible for being aware and informed of any amendments to section 16430 and to all Applicable Laws and Regulations. As of January 1, 2017, California Government Code section 16430 is provided in its entirety in Exhibit A.

The Wildfire Fund's Portfolio may be invested in any of the following securities listed below and detailed in the Permitted Investments section:

- Treasury securities including TIPS and Floating Rate Notes;
- Federal Agency securities including Floating Rate Notes;
- Other Agency securities;
- International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation ("Supranationals");
- Commercial Paper;
- Certificates of Deposit;
- Bankers Acceptances; and
- Corporate Bonds/Notes and Floating Rate Notes

All investments must comply with both Applicable Laws and Regulations and the CWF's Investment Policy and any un-invested moneys in the Portfolio may be held un-invested pending cash investment, distribution, resolution of a dispute, or for other operational reasons and may be deposited in the associated sweep account prior to the Fed wire cutoff time. Any remaining un-invested monies after the Fed wire cutoff time will be invested by the custodian in the Wildfire Fund's designated account, or in such other account as designated by the CWF in future.

### **COMPLIANCE**

The Investment Policy, and all Applicable Laws and Regulations, shall be observed by the Wildfire Fund's Independent Investment Consultant and acted on by all Investment Managers in the course of their administration of Wildfire Fund investments. The Investment Policy is subject to continual monitoring and review by the CWF Administrator.

A trade executed for the Wildfire Fund's Portfolio shall be deemed to be in compliance with the Investment Policy if, as of the trade date, the trade met both (A) the requirements of the Investment Policy and (B) all Applicable Laws and Regulations. Notwithstanding, however, the deemed trade-day compliance of any individual trade, if at the close of any day any fund maturity or duration exceeds the limit stated in the Investment Policy or the ratings are below the minimum ratings requirement as stated in the Investment Policy, the Investment Manager must, within one business day, consult with the Administrator for the CWF in order that the CWF in its sole discretion, may provide a directive to correct maturity or duration limit or any other action needed for correction of ratings downgrade; if the administrator (or his or her designee) provides no such directive, the Investment Manager must bring the exceeded maturity or duration limit or ratings back into compliance with the Investment Policy as soon as reasonably possible.

The Wildfire Fund will perform daily quality-assurance checks of the Portfolio (or portion of a Portfolio in the case where an Investment Manager is managing a defined portion of a Portfolio) to ensure compliance with the Investment Policy and with all Applicable Laws and Regulations. If the Wildfire Fund becomes aware of any noncompliance with the Investment Policy, the Wildfire Fund will contact the Investment Manager immediately to discuss the situation so that the Wildfire Fund may determine the appropriate actions to be taken by the Investment Manager and Wildfire Fund to bring the Portfolio into compliance within three business days; if an Investment Manager or the Investment Consultant becomes aware of any noncompliance with any Investment Policy, it shall contact the Wildfire Fund immediately to discuss the situation so that the Wildfire Fund may determine the appropriate actions to be taken by the Investment Manager and Wildfire Fund to bring the Portfolio into compliance.

The performance by Wildfire Fund of a Daily quality-assurance check does not relieve any Wildfire Fund Investment Manager of its respective independent duties to ensure that all Investments made and held for the Wildfire Fund comply with the Investment Policy and all Applicable Laws and Regulations at all times. Wildfire Fund's failure to discover, or failure to report the discovery to the Wildfire Fund's Investment Consultant or Investment Managers (or any of them), any noncompliance, does not constitute (A) Wildfire Fund's acceptance or ratification of that noncompliance or (B) any waiver by Wildfire Fund of its right to require compliance by Investment Managers with the Investment Policy and all Applicable Laws and Regulations.

#### **RATINGS, MATURITY & DURATION**

- Treasury securities with a maximum maturity of up to 12 years;
- Federal Agency securities, other Agency securities with a maximum maturity of up to 12 years;
- Supranationals with a maximum maturity of up to 12 years;
- Commercial Paper with a maximum maturity of up to 270 days;

- Certificates of Deposit with a maximum maturity of up to 360 days;
- Bankers Acceptances with a maximum maturity of up to 270 days; and
- Corporate Bonds/Notes with maximum maturities of up to 12 years and no more than 25% of maximum corporate allocation may have maturities greater than 10 years but less than 12 years, ratings from at least two of three rating agencies of at least:
  - “A-” from S&P, “A-” from Fitch, or “A3” from Moody’s for long-term securities (securities rated “A-”/“A3”, “A”/“A2”, “A+”/“A1” should be not represent more than 30% of the total portfolio) - No ratings below A- or A3 is allowed
  - “A-1” from S&P, “F-1+” from Fitch, or “P-1” from Moody’s for short-term securities - No ratings below “A-1” or “F-1+” or “P-1” is allowed

The Portfolio shall have a maximum Modified Duration of no greater than 7.0 years.

The “maximum maturity” requirement summarized above and listed in detail in the table in the Permitted Investments section is defined as the number of days from trade date to maturity date, including the trade date but excluding the maturity date.

### **COMPOSITION**

- Treasury securities should represent at least 40% of the portfolio;
- Federal Agency and Other Agency securities and Supranationals should not represent more than 20% of the portfolio with no one agency representing more than 5% of the portfolio; and
- Corporate securities should not represent more than 40% of the portfolio (including Certificates of Deposit, Commercial Paper, and Banker Acceptances) with a 2% issuer limit

### **CUSTODY**

All Wildfire Fund Investments shall be secured or held at all times by a custody bank.

### **UNINVESTED CASH**

Each Investment Manager shall seek to minimize the amount of cash remaining at the end of a Business Day that is not invested in a manner consistent with the Investment Policy.

Any un-invested moneys in the Portfolio may be held un-invested pending cash investment, distribution, resolution of a dispute, or for other operational reasons and may be deposited in the associated sweep account prior to the Fed wire cut off time. Any remaining un-invested monies after the Fed wire cutoff time will be invested by the custodian in the CWF’s designated account, or in such other account as designated by the CWF in the future.

### **NEGATIVE YIELDS**

The Investment Managers are encouraged to hold cash until an allowable Security with a positive yield becomes available. The Investment Managers must notify the Wildfire Fund when yields are negative.

## **MINIMUM TRADE RETURN**

Subject to guidance from the Wildfire Fund, Investment Managers should not execute a trade if the expected return is less than the cost of executing the trade. If any Investment Manager believes that circumstances warrant making such a trade, it must contact the CWF.

## **INVESTMENT GOALS**

Consistent with the Wildfire Fund's published Investment Philosophy, and in order of priority, the Wildfire Fund's investment goals are:

- 1) **Portfolio Safety**  
Under this Investment Policy, the Portfolio shall contain a sufficient number with multiple maturity dates of securities so that a reasonable portion of the Portfolio can be readily converted to cash at a price closely approximating amortized cost.
- 2) **Liquidity**  
The Portfolio shall be managed to ensure that the Wildfire Fund's usual cash needs to pay eligible claims can be met; if unforeseen cash needs arise, the Wildfire Fund's Administrator or another individual designated by the Wildfire Fund will work with individual Managers when needed to plan to meet liquidity requirements.
- 3) **Rate of Return**  
Investments shall be made in such a way as to realize the maximum return consistent with the principles of prudence expressed in the Wildfire Fund's Investment Philosophy and these Guidelines.

The investments in the Portfolio are primarily buy and hold but investments may be sold to:

- Provide liquidity, and
- Purchase an Investment that better meets the current needs of the Portfolio, after notification to and consultation with the CWF.

## **REPORTING**

Each Investment Manager shall report to the Wildfire Fund, via email by 9:00 a.m. Pacific Time each Business Day, the previous day's holdings in the Fund, or a portion of the Fund, under its management.

For each Investment it makes, the Investment Manager shall transmit to the Wildfire Fund, via email sent by 10:00 a.m. Pacific Time on the trade date, a copy of the trade ticket generated for that Investment transaction. Wildfire Fund will use this trade ticket in the Daily quality assurance process and to update Wildfire Fund's investment accounting system and other trade-related information as requested by the Wildfire Fund's Administrator, or another individual designated by the Wildfire Fund.

Each Investment Manager shall compile a monthly report of the Portfolio, or a portion of the Portfolio, managed by the Investment Manager and deliver the report electronically to the Wildfire Fund on or by the fifth Business Day of the following month. The report shall contain information as requested by the Wildfire Fund's administrator (or his or her designee).

### **PERMITTED INVESTMENTS**

As shown in the table on the following pages, the permissible investment types includes Treasury securities with a maximum maturity of up to 12 years, Federal Agency securities and other Agency securities with a maximum maturity of up to 12 years, Supranationals with a maximum maturity of 12 years, Commercial Paper with a maximum maturity of up to 270 days, Certificates of Deposit with a maximum maturity of up to 360 days, Bankers Acceptance with a maximum maturity of up to 270 days, and Corporate Bonds/Notes with maximum maturities of up to 12 years, which complies with both Applicable Laws and Regulations and the CWF's Investment Policy. Corporate Securities must be issued by corporations organized and operating within the United States. Any un-invested moneys in the Portfolio should be invested as per un-invested cash section.

In the event, however, that any requirement on the following page may appear to be inconsistent with any of the Applicable Laws and Regulations, the Applicable Laws and Regulations shall be followed, and the Investment Manager shall immediately notify the Wildfire Fund of any such inconsistency. If there is any question regarding any permissible Investment described in the table, the Investment Manager shall contact the Wildfire Fund's administrator (or his or her designee) for clarification.

### **PROHIBITED INVESTMENTS**

Due to the nature of the environmental risk for the fund and incremental wildfire risk from the consumption of fossil fuel, investments in corporations whose primary business or majority of revenues are derived from fossil fuel are prohibited.

Wildfire Fund staff may issue interpretive memorandum for the intended purpose to further enhance understanding of the Investment Policy or provide guidance for matters not covered by the Investment Policy.

All structured securities are prohibited.

All non-US Corporate Securities are prohibited.

All 144A Securities are prohibited.

<b>Investment</b>	<b>CWF Policy</b>
<b>U.S. Treasury</b>	Yes, maturity limit of 12 years, should represent at least 40% of the portfolio
<b>U.S. Agency</b>	Yes, maturity limit of 12 years, should not represent more than 20% of the portfolio (including Federal Agency, Other Agency, and Supranationals) with no one agency representing more than 5% of the portfolio
<b>California Municipals</b>	No
<b>Federal Land Banks or Federal Intermediate Credit Banks</b>	Yes, maturity limit of 12 years
<b>Central Bank for Cooperatives</b>	Yes, maturity limit of 12 years
<b>Federal Home Loan Bank</b>	Yes, maturity limit of 12 years
<b>Federal National Mortgage Association</b>	Yes, maturity limit of 12 years
<b>Federal Home Loan Mortgage Corporation</b>	Yes, maturity limit of 12 years
<b>Tennessee Valley Authority</b>	Yes, maturity limit of 12 years
<b>Commodity Credit Corporation for the Export of California Agricultural Products</b>	Yes, maturity limit of 12 years
<b>Bankers Acceptances</b>	Yes, for those that are eligible for purchase by the Federal Reserve System
<b>Negotiable Certificates of Deposits</b>	Yes, for those issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union and with a maturity limit of 360 days
<b>United States Small Business Administration or the United States Farmers Home Administration</b>	Yes
<b>Export-Import Bank of the United States</b>	Yes
<b>Student Loan Marketing Association</b>	No
<b>Negotiable Order of Withdrawal Accounts (NOW Accounts)</b>	Yes
<b>Commercial Paper</b>	Yes <ul style="list-style-type: none"> <li>• Approved by the Pooled Money Investment Board by (A) being organized and operating within the U.S. and having total assets in excess of \$500MM OR (B) organized within the U.S. as a federally or state-chartered bank or a state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company and having program-wide credit enhancements</li> <li>• Not exceed 270 days</li> </ul>

Investment	CWF Policy
<b>International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation</b>	Yes, maturity limit of 12 years (exclude GDB of Puerto Rico)
<b>Corporate Bonds / Notes</b>	Yes <ul style="list-style-type: none"> <li>• Maturity limit of 12 years</li> <li>• Ratings from at least two of the three rating agencies of at least “A-” from S&amp;P, “A-” from Fitch or “A3” from Moody’s for long-term securities – No ratings below A- or A3 is allowed</li> <li>• Ratings from at least two of the three rating agencies of at least “A-1” from S &amp; P, “F-1+” from Fitch, and “P-1” from Moody’s for short-term securities - No ratings below “A-1” or “F-1+” or “P-1” is allowed</li> <li>• Corporates should not represent more than 40% of the portfolio (including CDs, CP, and BAs)</li> <li>• Corporate Securities rated “A-”/“A3”, “A”/“A2”, “A+”/“A1” should be not represent more than 30% of the total portfolio</li> <li>• No more than 25% of the maximum corporate allocation may have maturities greater than 10 years but less than 12 years</li> <li>• 2% limit per issuer (including CP)</li> </ul>

## California Government Code, Statute 16430

*“Eligible securities for the investment of surplus moneys shall be any of the following:*

*“(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.*

*“(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.*

*“(c) Bonds, notes, and warrants of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.*

*“(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.*

*“(e) Any of the following:*

*“(1) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et seq.).*

*“(2) Debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended (12 U.S.C. Sec. 2001 et seq.).*

*“(3) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.).*

*“(4) Stocks, bonds, debentures, and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).*

*“(5) Bonds of any federal home loan bank established under that act.*

*“(6) Obligations of the Federal Home Loan Mortgage Corporation.*

*“(7) Bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended (16 U.S.C. Sec. 831 et seq.).*

*“(8) Other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. Sec. 714 et seq.).*

*“(f)(1) Commercial paper of “prime” quality as defined by a nationally recognized organization that rates these securities, if the commercial paper is issued by a federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified in either subparagraph (A) or subparagraph (B):*

*“(A) Both of the following conditions:*

*“(i) Organized and operating within the United States.*

*“(ii) Having total assets in excess of five hundred million dollars (\$500,000,000).*

*“(B) Both of the following conditions:*

*“(i) Organized within the United States as a federally or state-chartered bank or a state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company.*

*“(ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.*

*“(2) A purchase of eligible commercial paper may not do any of the following:*

*“(A) Exceed 270 days maturity.*

*“(B) Represent more than 10 percent of the outstanding paper of an issuing federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company.*

*“(C) Exceed 30 percent of the resources of an investment program.*

*“(3) At the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.*

*“(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, that are eligible for purchase by the Federal Reserve System.*

*“(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits are not subject to Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).*

*“(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.*

*“(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.*

*“(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 et seq.) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).*

*“(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.*

*“(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.*

*“(n) Negotiable Order of Withdrawal Accounts (NOW Accounts), invested in accordance with Chapter 4 (commencing with Section 16500).”*