



Judicial Council of California

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REPORT TO THE JUDICIAL COUNCIL

Item No.: 23-122

For business meeting on July 21, 2023

Title

Trial Courts: Statement of Investment Policy
and Investment Activities

Agenda Item Type

Action Required

Effective Date

July 21, 2023

Rules, Forms, Standards, or Statutes Affected

N/A

Date of Report

June 21, 2023

Recommended by

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Executive Summary

Branch Accounting and Procurement staff recommend approving an updated *Statement of Investment Policy and Investment Activities for Trial Courts* to name the Director of Branch Accounting and Procurement as “Treasurer” of invested trial court funds and to make other non-substantive changes. Treasury Services, which reports to Branch Accounting and Procurement, is responsible for managing investment activities on behalf of the trial courts. This group historically had a shared management structure between Budget Services and Branch Accounting and Procurement but is now solely under Branch Accounting and Procurement.

Recommendation

Branch Accounting and Procurement staff request that the Judicial Council, effective July 21, 2023, approve revisions to the *Statement of Investment Policy and Investment Activities for Trial Courts* that name the Director of Branch Accounting and Procurement as “Treasurer” of invested trial court funds, update existing naming conventions, and make other non-substantive changes. No change to eligible investments is being proposed.

The proposed revised statement is attached at pages 4–5.

Relevant Previous Council Action

At its February 27, 2004, meeting, the Judicial Council approved the *Statement of Investment Policy for the Trial Courts* and several resolutions on investment activities for the trial courts (Link A). The resolutions direct that the Judicial Council develop an investment program for the trial courts, name the Director of the Judicial Council's Finance Division¹ as the "Treasurer" of invested trial court funds, and authorize the investment of trial court funds as approved by the Judicial Council's Administrative Director. They also provide for quarterly reporting of investment results by the Director of the Judicial Council's Budget Services office to the Judicial Council, the Administrative Director, and the senior manager of the Judicial Council's Audit Services office.

Analysis/Rationale

This action updates the *Statement of Investment Policy and Investment Activities for Trial Courts* to account for the current organizational structure and naming conventions. As Treasury Services now reports solely to Branch Accounting and Procurement, it is appropriate that the Director of Branch Accounting and Procurement be named "Treasurer" of invested trial court funds. This action also allows for a prudent language update to ensure proper reflection of current naming conventions.

Policy implications

There are no policy implications of this action.

Comments

Public comments were not solicited on the proposed revisions.

Alternatives considered

Given the change in Treasury Services' reporting line to Branch Accounting and Procurement, staff rejected the option to leave as-is the *Statement of Investment Policy and Investment Activities for Trial Courts*.

Fiscal and Operational Impacts

While largely cosmetic, this action will necessitate changing the name on checks issued by the Judicial Council to denote the Director of Branch Accounting and Procurement as "Treasurer" of invested trial court funds. There is no anticipated fiscal impact.

Attachments and Links

1. *Statement of Investment Policy and Investment Activities for Trial Courts*, at pages 4-5
2. Link A: Judicial Council of Cal., mins. (Feb. 27, 2004), pp. 12–13, www.courts.ca.gov/documents/jc022704min.pdf

¹ Effective October 1, 2012, the Judicial Council's Finance Division was renamed Fiscal Services and was part of the Judicial and Court Administrative Services Division. The office has since been renamed Budget Services and remains in the renamed Administrative Division.

Resolution Regarding the Update of the Statement of Investment Policy for the Trial Courts and
Investment Activities for the Trial Courts

STATEMENT OF INVESTMENT POLICY FOR THE TRIAL COURTS

It is the policy of the Judicial Council of California (“Judicial Council”) to ensure that funds held by the trial courts, or for their benefit, are prudently invested in compliance with all applicable laws, rules, and regulations to preserve capital and provide necessary liquidity while maximizing earnings. The investments shall also comply with the investment objectives identified below.

INVESTMENT OBJECTIVES

The primary objectives of the investment activities of the trial courts, or funds invested for their benefit, shall be:

Safety: The safety of principal is the foremost objective of the investment program. The trial courts’ investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The trial courts, or Judicial Council for the benefit of the trial courts, shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value. Diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Only investments specified by statute are allowed.

Liquidity: The trial courts, or the Judicial Council for their benefit, shall ensure that the investment portfolio will remain sufficiently liquid to enable the trial courts to meet all operating requirements that might be reasonably anticipated.

Yield: The trial courts, or the Judicial Council for their benefit, shall manage the investments to maximize their return consistent with prudent financial management and the two objectives above.

INVESTMENT ACTIVITIES FOR THE TRIAL COURTS

Description of the Investment Program for the Trial Courts

The Judicial Council, or its designee, the Administrative Director of the Judicial Council (“Administrative Director”), shall develop a comprehensive investment program for the investment of the funds held by or for the benefit of the trial courts. As part of such a comprehensive investment program, the Judicial Council shall annually review and approve a Statement of Investment Policy (Policy) for the trial courts. The Judicial Council shall approve any change in the Policy.

The Policy and any changes to it shall be reviewed and approved at a public business meeting of the Judicial Council. The Judicial Council Director of Branch Accounting and Procurement shall be considered the “Treasurer” concerning all investment activities relating to trial court funds required by statute to be duties of the treasurer.

Authorizing Investments for the Trial Courts

The investments of the trial courts shall be approved by the Judicial Council, or its designee, the Administrative Director, and shall be in eligible securities as defined by applicable statute.

The Judicial Council authorizes investments of the trial courts in:

- State of California Local Agency Investment Fund (LAIF)
- BlackRock Liquidity Funds
 - BlackRock Liquidity Funds FedFund
 - BlackRock Liquidity Funds T-Fund
- Morgan Stanley Institutional Liquidity Funds
 - Morgan Stanley Institutional Liquidity Funds Treasury Portfolio
 - Morgan Stanley Institutional Liquidity Funds Government Portfolio
- Other investments, as approved by the Judicial Council or its designee, the Administrative Director, that comply with the Statement of Investment Policy.

Investments of the trial courts must be submitted for approval to the Judicial Council, or its designee, the Administrative Director, if they are outside the authorized investments above.

Investment Reporting Requirements for the Trial Courts

A quarterly report of investments shall be submitted to the Judicial Council Executive Committee by the Director of Branch Accounting and Procurement at the next applicable meeting following the end of the quarter covered by the report. The report shall comply with all applicable laws, rules, and regulations, and, at a minimum, it shall:

- State whether the portfolio is in compliance with the Statement of Investment Policy or how the portfolio is not in compliance;
- Provide details as to investments held;
- Provide any additional information or data that the Judicial Council may require.