SELF-INSURERS' SECURITY FUND

Statement of Investment Policy, Objectives and Guidelines

Adopted August 6, 1999
Amended November 14, 2017
Amended February 5, 2020
Amended October 2021
Amended August 2022

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GENERAL POLICY

BACKGROUND

Self-Insurers' Security Fund ("SISF") was established by Labor Code Section 3742 on July 6, 1984 by the California State Legislature. The Self-Insurers' Security Fund is a non-profit organization responsible for managing the collective liabilities of workers' compensation claims arising when former self-insured private companies operating in California become insolvent. The Legislature created the Fund in order to ensure the continuity of workers' compensation benefits of self-insured companies that have defaulted on their workers' compensation obligations – usually due to bankruptcy.

Official mission statement: "To provide continuity of workers' compensation benefits to injured workers of insolvent, private self-insured companies at the lowest overall long-term cost, equitably distributed to the self-insurance community."

PURPOSE OF THE INVESTMENT FUNDS

This statement of investment policy reflects the overall investment policy, objectives, and constraints of SISF's investment portfolio which is a combination of both reserve designated assets and surplus designated assets. It is the policy of the Self-Insurers' Security Fund (Fund) to invest its financial assets in socially responsible and value-based investment strategies to not only align the portfolio with values and beliefs consistent with the fund, but also in a manner which will provide the highest investment return while meeting reasonable safety standards and daily cash flow demands.

DETERMINING RESERVE AND SURPLUS ASSETS

Determining the reserve designated assets will be a function of cash flow needs, the economic capital study, assessment strategy, and funds reserved to cover unforeseen needs that may arise. This will be determined on a semi-annual basis. Assets that are not deemed "reserves" will be allocated to the surplus portfolio. The Purpose of the Reserve and Surplus Portfolios are outlined below:

Reserve Portfolio The purpose of the SISF Reserve Portfolio is to provide liquidity to meet the cash flow needs of SISF.

The portfolio will have a customized approach to optimize return given the duration of the aggregate liabilities which may be dynamic. The portfolio must operate within the constraints of California state regulations. The primary objective is preservation of capital, minimizing the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return. The secondary objective is to maintain liquidity sufficient to meet cash flow needs.

Surplus Portfolio The purpose of the SISF Surplus Portfolio is to provide investment returns to enhance overall returns, serve as additional liquidity for reserve requirements, and provide long term capital appreciation to reduce assessment requirements over time.

The Surplus Portfolio represents the assets that are not designated as reserve assets. The objective is to generate returns with a focus on growth of capital and maintaining purchasing power.

DEFINITIONS

1. "Portfolio" shall mean the individual investment "Portfolios" of the SISF. Investment Portfolios include but are not limited to the following:
    - Reserve Portfolio
    - Surplus Portfolio
2. "The Finance Committee" shall refer to the Committee of the Board of Trustees (the "Board") of SISF and is responsible for overseeing investments of SISF.
3. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Portfolio assets.
4. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring. The investment consultant shall be retained as a non-discretionary advisor.
5. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
6. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. Investment Horizon will vary depending on the purpose of the portfolio. Each Portfolio will have customized allocations depending on their unique circumstances as it relates to goals, objectives, time horizon, risk level, etc.

PURPOSE

This statement of investment policy is set forth by the Board of SISF in order to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives of SISF's assets.
- Offer guidance and limitations to all Investment Managers regarding the investment of SISF's assets.
- Establish a basis for evaluating investment results.
- Manage the investment assets according to prudent fiduciary standards utilizing Uniform Prudent Management of Institutional Funds Act ("UPMIFA".)
- Establish the relevant investment horizon for which SISF's assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to provide broad policy guidance that the Finance Committee will use to approve and implement its own specific investment policies, objectives, and internal review processes.

GENERAL INVESTMENT PRINCIPLES

1. The Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
2. Investment of the Funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
3. The Board may employ through the Finance Committee, with the assistance of the Investment Consultant, one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
4. Members of the Board of Trustees, Finance Committee, Staff and outside managers and consultants acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility of the credit risk or market price changes of individual securities, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)

It is the intent of the Board to have the Finance Committee apply the investment standards of UPMIFA in the management of the Fund assets. In managing and investing the Fund, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation.
- The expected tax consequences.
- The role that each investment or course of action plays within the overall Fund.
- The expected total return from income and the appreciation of investments.
- Other resources of the Institution.
- The needs of the institution and the fund to make distributions and to preserve capital.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.
- The institution may invest in any kind of property or type of investment consistent with the investment policy.
- The institution shall diversify the investments of the fund.
- Within a reasonable time after receiving property, the institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance the portfolio.
- A person that has special skills or expertise or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

SCOPE

This statement of investment policy reflects the overall investment policy, objectives, and constraints of SISF.

The assets governed by this policy statement are funds held for investment by the SISF. The Investment Portfolios of SISF will be constructed in a way that maximizes expected return for a given level of risk. This will be accomplished through the use of a diversified group of asset classes and subclasses as appropriate. The individual investment policies of each Investment Fund are outlined in the Investment Portfolios Section of this investment policy, and include the following:

- Background and purpose
- Investment horizon
- Investment objectives
- Policy return targets
- Definition of risk for each Fund
- Investment guidelines:
    - The portfolio(s) will have a customized approach to optimize return given the liquidity needs and risk constraints specific to the portfolio objectives. See investment manager guidelines specific manager guidelines.
- Asset allocation parameters
- Cash flow requirements will be met on a total return basis unless an investment income only restriction has been designated or is statutorily required.

Investment “Funds” include but are not limited to the following:

- **SISF Reserve Portfolio**
- **SISF Surplus Portfolio**

DELEGATION OF AUTHORITY

The Board is the governing body of SISF and is responsible for directing and monitoring the investment management of SISF’s assets. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- SISF Finance Committee
- Executive Director
- Investment Management Consultant
- Investment Managers
- Custodian
- Additional specialists

The Board will not reserve any control over the day to day investment decisions, with the exception of specific limitations described in these statements. Investment Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications which they deem appropriate. All expenses for such experts must be customary and reasonable and will be borne by SISF as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the SISF Finance Committee and Executive Director

Oversight responsibility for the investment program is hereby delegated to the Finance Committee and Executive Director who shall establish procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. Duties include but are not limited to the following:

- Establish and review SISF's investment guidelines.
- Select Investment Managers to be used to oversee the SISF's investments.
- Review the performance of the Investment Managers on an annual basis or more frequently if warranted.
- Review the Committee's performance periodically.
- Review and reassess the adequacy of the Committee's charter periodically and recommend to the Board any appropriate changes.
- Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board.
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Responsibilities of the Investment Management Consultant

The Investment Consultant's role is that of a non-discretionary advisor to the Finance Committee. Investment advice concerning the investment management of Fund(s) assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Management Consultant include:

- Reviewing the financial markets and economic climate in light of the Fund's investment objectives and investment activity.
- Advise Funds assets in accordance to customary fiduciary standards.
- Assisting in the development and periodic review of investment policy.
- Assist in the development and periodic review of asset allocation strategy.
- Advise the Tactical asset allocation of the Portfolio within the investment guidelines of this investment policy.
- Conduct investment manager searches, make recommendations, provide "due diligence" or research on Investment Managers.
- Rebalancing Portfolios with approval by the Finance Committee.
- Assist in the management and tracking of all defined risks in the portfolio.
- Monitoring the performance of the Investment Manager(s) to provide the Finance Committee with the ability to determine the progress toward the investment objectives.
- Communicating matters of policy, manager research, and manager performance to the Board and Finance Committee.
- Reviewing SISF's investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board.
- Assist in compensation negotiations with Investment Managers, custodians and other service providers.
- Assist the Finance Committee in the determination, understanding, negotiation and accountability of all Investment Fund investment costs.
- The Investment Management Consultant must operate without any undisclosed conflict of interest.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

- Investment managers are required to maintain prudent diversification and manage the risk of their Portfolios.
- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines of their stated methodology.
- Report, on a timely basis, quarterly investment performance results.
- Communicate any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective progress of the respective Fund's investment management.
- Inform the Investment Management Consultant regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- Meet with the Investment Management Consultant and/or Finance Committee as needed or requested.
- Voting proxies, if requested, by the Board of Trustees, on behalf of SISF, and communicating such voting records to the Board of Trustees on a timely basis.
- The Investment Manager must operate without any undisclosed conflicts of interest.

Responsibility of the Custodian(s)

The Board shall retain a trustee or custodian to provide custody services. The custodian will electronically or through agreement with a sub-custodian maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.

Responsibility of Other Professional Experts

Additional specialists such as actuaries, attorneys, auditors and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

INVESTMENT OBJECTIVES

RISK

Understanding that risk is present in all types of securities and investment styles, the Board and Finance Committee recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the Portfolio's objectives. However, the Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives. Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital.

Risk Measurement

Total Portfolio risk will be measured against relevant metrics. This may include, among others:

1. Volatility as measured by Standard Deviation
2. Beta Relative to Risk Benchmark and Capital Markets
3. Value at Risk
4. Other risk measures as deemed appropriate

Risk Monitoring

Specific factors and exposures will include but not be limited to the following:

Equity Managers
- Benchmark used for performance evaluation
- Role of manager in the Portfolio
- Diversification in economic and geographic sectors
- Diversification in market capitalization

Fixed Income Managers
- Benchmark used for performance evaluation
- Role of manager in the Portfolio
- The overall duration and yield of the portfolio in relation to a specific benchmark
- Diversification in economic sectors
- Diversification in the type of fixed-income securities
- The quality of the Securities
- The allocation of foreign security investing

Hedge Funds, Real Assets, Private Credit and Private Equity Managers
- Benchmark used for performance evaluation
- Role of manager in the Portfolio
- Gross and Net exposure to sub asset classes
- Diversification across investment strategy
- Diversification in economic and geographic sectors
- Leverage utilized
- Liquidity profile

Liquidity

SISF's assets can be invested in a spectrum of liquid and illiquid investments. Each underlying Fund will have its own distinct liquidity guidelines.

- **Liquid:** is defined as securities that can be transacted quickly and efficiently for the Portfolio, with minimal impact on market price.
- **Semi- Liquid:** defined as liquidity greater than one-year or up to two-years depending on capital market conditions. Includes Investments (typically Hedge Funds) in "Lock Up."
- **Illiquid**: defined as funds that are not redeemable within a time period greater than 2 years.

ASSET ALLOCATION

Asset Allocation Targets

The diversification of the investment assets shall be in accordance with the asset allocation parameters for the reserve and surplus portfolio. Description of asset classes are shown below. The tactical adjustments and sub-asset class targets will be managed by the Investment Management Consultant. This allows for short to intermediate-term adjustments to the long-term strategic target allocations in light of the current market environment.

Asset Class Descriptions

- **Public Equity***: Equity securities of publicly traded corporations and derivatives thereof, traded on globally recognized exchanges.
- **Fixed Income***: Debt instruments of sovereign nations, municipalities, and corporations in both cash bonds and derivatives thereof.
- **Hedge Funds**: Actively managed, investment strategies that invest in public equity, fixed income, private equity, private credit, real assets and derivatives on both a long and short basis.
- **Private Equity and Private Credit**: Equity and debt securities of operating companies that are not publicly traded on a stock exchange.
- **Real Assets***: Equity or debt of tangible assets and investment strategies that seek real (inflation adjusted) returns. These include but are not limited to real estate, infrastructure, timber, commodities and natural resources. Strategies may include illiquid private investments and liquid securities.

**Investments may include strategies that use multiple asset classes in order to achieve their stated objectives. Exposures will be monitored on the aggregate portfolio as defined in Risk Monitoring.*

Rebalance Policy

The Portfolio will be reviewed as necessary but at least quarterly and re-balanced when any asset class is outside the minimum or maximum policy allocation. A full re-balancing activity will restructure the Portfolios back to the tactical target asset allocation, taking the cash flow needs, economic study, assessment strategy, unforeseen cash needs into consideration. Partial rebalancing of the Portfolios' assets from cash flow will move the portfolio closer to the tactical target asset allocation by only the dollars required for the cash flow activity.

The Finance Committee may employ Investment Managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement.

ALTERNATIVE INVESTMENTS

Hedge Funds

Hedge funds are private investments, generally structured as limited partnerships or investment companies. Hedge Fund Investment Managers are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives. The Finance Committee may consider investments in hedge fund strategies within the context of an overall investment plan. The objective of such strategies will be to diversify the Fund's portfolio, complement traditional equity and fixed-income investments and improve the overall performance consistency of the Fund. The Fund may invest in a Fund-of-Funds or an individual hedge fund. A Fund-of-Funds is managed by an Investment Manager, who subsequently invests in the hedge funds of multiple underlying Investment Advisors. Therefore, Fund-of-Funds are also referred to as Multi-Advisor Funds. Because they are diversified, Fund-of-Funds help to reduce the individual fund-specific risk. The Finance Committee understands that hedge fund investments are less transparent than traditional investments but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the liquidity in such investments may be limited to specific time periods. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments.

Hedge Fund Strategies: hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include, but are not limited to the following:

- Long/Short Equity – Directional and Market Neutral
- Convertible Arbitrage – Equity and Fixed Income Arbitrage
- Merger/Risk Arbitrage, Risk/Event Driven Arbitrage
- Directional Trading Leveraged, Macro Trading, Sector/Industry Concentration
- Distressed Securities, Reg D
- Dedicated Short Bias, Managed Futures, Emerging Markets, Global Macro
- Additional strategies not listed above

The above-referenced strategies may include investments in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real assets, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short selling and leverage.

Private Capital – Private Equity and Private Credit

Private Equity and Private Credit are private investments, generally structured as limited partnerships or investment companies. Private equity managers are expected to create value in the companies in which they invest by contributing financial or operational management skills, through corporate restructurings, through strategic mergers or acquisitions, or other means.

In general, private equities will be considered as an alternative to the traditional equity allocation. It is expected that the return patterns of private equities will be somewhat correlated with traditional equities. Hence, the primary objective of private equity investments will be to enhance performance. The main strategies that fall into private equity space include buyout; growth capital; venture capital; distressed and special situations; and secondaries and co-investments.

In general, private credit will be considered as an alternative to the both the traditional fixed income and equity allocation as private credit is focused on cash generative investment but may take on equity like risk. It is expected that the return patterns of private credit will be somewhat correlated with traditional high yield securities. Hence, the primary objective of private credit investments will be to enhance performance. The main strategies that fall into private credit space include direct lending; structured credit; distressed investing; and secondaries and co-investments.

The Fund may invest in Fund-of-Funds or individual private capital funds. A Fund-of-Funds is managed by an Investment Manager, who subsequently invests in the private equity funds of multiple underlying Investment Advisors. Therefore, Fund-of-Funds are also referred to as Multi-Advisor Funds. Because they are diversified, Fund-of-Funds help to reduce the individual fund-specific risk. In special situations and where considered appropriate, the Fund may also invest directly with individual rather that Multi-Advisor Funds.

The Finance Committee understands that liquidity in such investments will be constrained. Private capital commitments are funded in stages as Investment Managers make capital calls. It may take several years for commitments to become fully invested. As a result, Capital is then returned to investors as Investment Advisors liquidate their underlying investments. Typically, the expected life of a private equity investment is expected to run 7-10 years.

Real Assets

Equity or debt of tangible assets and investment strategies that seek real (inflation adjusted) returns. These include but are not limited to real estate, infrastructure, timber, commodities and natural resources.

Real asset investments are traditional private market (that is, non-publicly traded) equity-oriented investments in real assets. In addition, public market investments in real assets include direct ownership through separate accounts or indirect investments in commingled funds or other forms of collective investment vehicles which own underlying real assets. Publicly traded real asset securities include real estate investment trusts ("REITs"), real estate operating companies ("REOCs") or real estate related companies (collectively, "Public Real Estate Securities"), publicly traded infrastructure companies, commodities, and publicly traded natural resource companies.

INVESTMENT GUIDELINES

Investment guidelines are unique for each portfolio. Please see the individual portfolio descriptions for SISF's Reserve Portfolio and SISF's Surplus Portfolio. Investment Guidelines include:

- Allowable Assets
- Desired Fixed Income Characteristics
    - Duration, Credit Quality, Allowable Sub Asset Classes, Sector and Position Limits
- Desired Equity Characteristics
    - Market Capitalization, Geographic Diversification, Sector and Position Limits
- Prohibited Assets
- Prohibited Transactions

SELECTION OF INVESTMENT MANAGERS

The Investment Consultants selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. For certain alternative investment strategies, the Finance Committee acknowledges that the managers' private placement memorandum (PPM) is the governing legal document, and its strategy and process are articulated within the document.

INVESTMENT MANAGER GUIDELINES

The Investment Manager guidelines will be different for each manager predicated on the managers asset class, investment style and investment methodology. Investment manager guidelines include guidelines for Public Equity, Fixed Income, Hedge Funds, Private Equity, Private Credit, and Private Real Assets. In addition, for private investments and funds that are issued by prospectus, the offering memorandum or PPM will be the guidelines for investment.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and made available to the Finance Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the Portfolio(s) over at least a full market cycle, but reserves the right to terminate an Investment Manager for any reason including the following:

- Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
- Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
- Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

CASH FLOW PLANNING AND LIQUIDITY

The SISF management office, or other designated personnel, will periodically provide as appropriate with estimates of expected net cash flows in a timely manner.

The Finance Committee should give consideration to any factors which may necessitate maintaining a certain degree of liquidity, both for the short-term and the long-term, taking the cash flow needs, economic capital study, assessment strategy, and unforeseen cash needs that may arise into consideration.

MEETINGS

Meetings of the Finance Committee as it relates to the investment portfolios will be held at a minimum quarterly and will include the following topics:

- Each Portfolio's objectives and performance.
- Compliance of each Portfolio with the investment policy set forth herein and each individual portfolio's specific Guidelines.
- Each individual Portfolio's asset allocation.
- The investment thesis and rational for investment decisions.
- Recommendation for any changes in the overall strategy of each Portfolio.

CONTROLS

The Controller shall review and monitor investment transactions made by the Fund's Executive Director, Investment Management Consultant, or Investment Managers. In addition, the investment function shall be reviewed at least annually by an independent external auditor.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review the investment policy at least annually.

This statement of investment policy was adopted on August 6, 1999, and revised in October 2021 by the Board of Trustees of the Self-Insurers' Security Fund, and last amended in August 2022 by the Finance Committee of the Self-Insurers' Security Fund.

DocuSigned by:
William Lyons
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William Lyons
Print Name

8/19/2022 | 9:14 AM PDT
Date

Chair, Board of Trustees
California Self-Insurers' Security Fund
Title

SISF INVESTMENT PORTFOLIOS

RESERVE PORTFOLIO

Purpose of the Fund:
The purpose of the SISF Reserve Portfolio is to provide liquidity for cash flow needs of the SISF.

Fund Overview:
The portfolio will have a customized approach to optimize return given the duration of the aggregate liabilities which may be dynamic. Determining the reserve designated assets will be a function of cash flow needs, economic capital study, assessment strategy, and funds reserved to cover unforeseen needs that may arise. This will be determined on a semi-annual basis.

Investment Horizon: Dictated by cash flow needs, economic capital study, assessment strategy, and funds reserved to cover unforeseen needs that may arise.

Investment Objectives:

Primary Objective: Preservation of Capital **–** Minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.

Secondary Objective: Liquidity – To ensure the ability to meet all expected or unexpected cash flow needs by investing in securities which can be sold readily and efficiently.

Return Targets:

- To generate long-term total return consistent with meeting liquidity requirements, optimizing duration of liabilities and reserves.
- Performance will be measured against the appropriate Fixed Income Benchmark(s)

Risk:

- Definition: Not being able to meet reserve requirements.
- Risk Benchmark: Representative Blended Fixed Income Benchmark
- Average Duration: Less than 6 years
- Credit Quality**:** Minimum portfolio average quality rating of A+/A1; minimum credit quality rating per issuer of BBB/Baa2 at time of purchase
- Liquidity: 100% liquid.

Strategic Long-Term Asset Allocation

Asset Class	**Strategic Target**	Upper Limit	Benchmark
Fixed Income	**100%**	100%	Custom Liability based Benchmark
Total	**100%**		

INVESTMENT GUIDELINES – Reserve Portfolio

Allowable Assets

Cash Equivalents

- Treasury Bills
- Money Market Funds
- STIF Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

Fixed Income Securities

- U.S. Government and Agency Securities
- Municipal Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs

  Asset-Backed Securities

Mutual Funds and Comingled Funds

- Mutual Funds which invest in securities as allowed in this statement.
- Comingled Funds or Collective Trusts which invest in securities as allowed in this statement.

Permitted Structures

- Separately Managed Accounts
- Mutual Funds, Comingled Funds and Collective Trusts

Reserve Portfolio General Investment Guidelines for Fixed-Income Investments:

1. Investments must be denominated in U.S. dollars and issued for legal sale in U.S. markets.

2. Credit ratings and percentage limits apply at time of purchase.

3. Credit ratings, where shown, specify the minimum credit rating category required at purchase without regard to "+/-"or "1/2/3" modifiers, if any.

4. Minimum ratings are based on the highest rating, or its equivalent, by any one NRSRO (SEC-designated Nationally Recognized Statistical Rating Organization), unless otherwise specified.

5. Maturity and average life limits are measured from settlement date.

6. In the event a security held by the Fund is subject to a credit rating change that brings it below the minimum credit ratings specified in this policy, the Investment Advisor shall notify the Executive Director. The course of action to be followed will be decided on a case-by-case basis considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Securities falling below a rating of BBB/Baa2 but which remain rated at least BBB-/Baa3 may be held, if in the opinion of the investment manager, returns will be maximized. Bonds falling below investment grade should be disposed of within a time frame which allows for good trade execution.

Reserve Portfolio Diversification and Restrictions

1. The maximum percentage of the Fund's portfolio that may be invested in a single issuer, company, or single mortgage-related security is 5%. U.S. government, agency, and GNMA pass- through securities will be exempt from this provision.

2. The maximum percentage of the Fund's portfolio that may be invested in Asset Backed Securities and Commercial Mortgage Backed Securities is 10% each.

3. In no event shall the aggregate percentage of corporate bonds rated "A" or below exceed 35% of the aggregate portfolio.

Reserve Portfolio Prohibited Assets and Transactions

Prohibited assets include the following:

1. Commodities and Futures Contracts
2. Private Placements (with the exception of Rule 144(a) bonds)
3. Hedge Funds
4. Limited Partnerships
5. Real Estate Properties (real property)
6. Private Real Assets
7. Options Contracts
8. Private Equity
9. Private Credit
10. Derivatives

Prohibited transactions include the following:

1. Short Selling
2. Margin Transactions

INVESTMENT MANAGER GUIDELINES

The Investment Manager guidelines will be different for each manager predicated on the managers asset class, investment style and investment methodology. Investment manager guidelines will include guidelines for Public Equity, Fixed Income, Hedge Funds, Private Equity, Private Credit, and Private Real Assets. In addition, for private investments and funds that are issued by prospectus, the offering memorandum or PPM will be the guidelines for investment.

SURPLUS PORTFOLIO

Purpose:

The purpose of the SISF Surplus Portfolio is to provide investment returns to enhance overall returns, and serve as additional liquidity for reserve requirements, and provide long term capital appreciation to reduce assessment requirements over time.

Fund Overview:

The Surplus Portfolio represents the assets that are not designated reserve assets. The objective is to generate returns with a focus on growth of capital and maintaining purchasing power.

Investment Horizon: 7+ years

Investment Objectives:

Primary Objective*:* Growth of Capital **–** To emphasize growth of capital while avoiding excessive downside risk. Short-term variability will be tolerated if it is consistent with the variability of comparable benchmarks.

Secondary Objective: Real Growth of Capital **–** To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of the fund.

Return Targets:

- Real Return of 4% (CPI + 4%)
- Strategic Benchmark: Meet or exceed the return of a benchmark comprised of a blend of indices mirroring the strategic targets.
- Tactical Benchmark: In line with a benchmark comprised of a blend of indices mirroring the broad tactical targets.

Risk:

- Definition: Loss of capital over the investment horizon.
- Maximum Loss: The portfolio will be constructed with an expected maximum downside volatility of 3 standard deviations of return based on historical data.
- Risk Benchmark: 70% MSCI ACWI / 30% Citi World Government Bond Index
- Total portfolio risk will be viewed as volatility relative to the risk benchmark.

Liquidity Targets:

- Liquid Assets (redeemable of saleable within 30 calendar days), including cash, stocks, bonds, ETFs, and mutual funds
- Semi-Liquid Assets (redeemable or saleable within 1 year), including investments in hedge funds, open-ended real assets, private equity, and private credit strategies that are not in lock-up
- Illiquid Assets (redeemable or saleable beyond 1 year), including private equity, private credit, private real assets, and hedge funds in lock-up

Liquidity Tranche	Strategic Target	Max
Liquid	**60%**	85%
Semi Liquid + Illiquid	**40%**	55%
Semi Liquid	**20%**	55% less Illiquid Allocation
Illiquid	**20%**	30%
Total	100%	

Strategic Long-Term Asset Allocation:

Asset Class	Lower Limit	Strategic Target	Upper Limit	Benchmark
Public Equity	30%	**40%**	60%	MSCI ACWI Index
Fixed Income	15%	**20%**	25%	Citi World Government Bond Index
Hedge Funds	15%	**20%**	25%	HRFI FOF Composite Index
Private Equity	0%	**10%**	15%	Representative Private Equity Index
Real Assets	0%	**10%**	15%	Representative Real Assets Index
Total		**100%**		

INVESTMENT GUIDELINES – SURPLUS PORTFOLIO

Allowable Assets

Cash Equivalents

- Treasury Bills
- Money Market Funds
- STIF Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

Fixed Income Securities

- U.S. Government and Agency Securities
- Municipal Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs

  Asset-Backed Securities

Alternative Asset Classes

- Hedge Funds
- Limited Partnerships
- Private Equity
- Private Credit
- Real Estate Properties (real property)
- Private Real Assets
- Options Contracts
- Derivatives Commodities and Futures Contracts
- Private Placements

Equity Securities

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)

Mutual Funds and Comingled Funds

- Mutual Funds which invest in securities as allowed in this statement.
- Comingled Funds or Collective Trusts which invest in securities as allowed in this statement.

Other Assets

- GIC's
- Options – Covered Calls Only

Permitted Structures

- Separately Managed Accounts
- Mutual Funds, Comingled Funds and Collective Trusts
- Private Placements
- Limited Partnerships
- Registered Investment Companies

INVESTMENT MANAGER GUIDELINES

The Investment Manager guidelines will be different for each manager predicated on the managers asset class, investment style and investment methodology. Investment manager guidelines will include guidelines for Public Equity, Fixed Income, Hedge Funds, Private Equity, Private Credit, and Private Real Assets. In addition, for private investments and funds that are issued by prospectus, the offering memorandum or PPM will be the guidelines for investment.