



Judicial Council of California
ADMINISTRATIVE OFFICE OF THE COURTS

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MEMORANDUM

Date	Action Requested
December 3, 2009	Information Only
To	Deadline
Members of the Judicial Council	N/A
From	Contact
Stephen Nash Director, Finance Division	Greg Keil Trial Court Trust and Treasury Services 415-865-7956 greg.keil@jud.ca.gov
Subject	
Trial Court Annual Investment Report as of June 30, 2009	

The Trial Court Annual Investment Report provides the financial results for the funds invested by the Administrative Office of the Courts (AOC) on behalf of the trial courts as part of the judicial branch treasury program. This report is submitted pursuant to the Resolutions Regarding Investment Activities for the Trial Courts, approved by the Judicial Council on February 27, 2004 (Resolutions). The period covered by this report is from July 1, 2008 through June 30, 2009.

The Resolutions authorized the purchase of Adviser Class shares of the Columbia Cash Reserves Adviser Fund (CCRAF),¹ the Columbia Treasury Reserves Adviser Fund (CTRAF),² and the Local Agency Investment Fund (LAIF). At the June 1, 2009 Judicial Council Executive and Planning Committee meeting, the Committee added the Columbia Government Reserves money market mutual fund to the approved list of investments and the Resolutions were amended to authorize the purchase of any share class of the Columbia Cash Reserves, Columbia Treasury Reserves, and the Columbia Government Reserves money market mutual funds.

For purposes of the chart on the following page, the PFIC column represents Bank of America Public Funds Interest Checking accounts.

Funds Held in the Judicial Branch Treasury

¹ Formerly known as the Nations Cash Reserve Fund-Adviser Class Shares.

² Formerly known as the Nations Treasury Reserves Fund- Adviser Class Shares.

Total Investment Portfolio

As of the close of business on June 30, 2009, total investment balances held by the trial courts purchased from bank accounts directly managed by the AOC Treasury Services Unit of the Finance Division were as follows:

Investment Description	CCRAF	CTRAF	LAIF	PFIC	Total
All balances reported are in thousands (\$000's)					
Section A – Book Values					
Beginning Balance – 07/01/08	\$ 433,214	\$ 0	\$ 62,595	0	\$ 495,809
Net Purchases / (Sales) ³	\$ (231,498)	\$ (39)	\$ 238,434	\$ 134,494	\$ 141,391
Interest Paid ⁴	\$ 4,755	\$ 39	\$ 3,617	\$ 33	\$ 8,445
Total Change	\$ (226,743)	\$ 0	\$ 242,052	\$ 134,527	\$ 149,835
Ending Balance – 06/30/09	\$ 206,471	\$ 0	\$ 304,647	\$ 134,527	\$ 645,644
Section B – Fair Values					
Ending Balance – 06/30/09	\$ 206,471	\$ 0	\$ 305,062	\$ 134,527	\$ 646,060
Net Unrealized Gain/(Loss) ⁵ in Fair Value – 06/30/09	\$ 0	\$ 0	\$ 416	\$ 0	\$ 416
Ending Balance Plus Unpaid Interest Earned ⁶ – 06/30/09	\$ 206,483	\$ 0	\$ 306,257	\$ 134,527	\$ 647,267
Section C – Earnings and Statistics					
Interest Earned ⁷	\$ 4,106	\$ 39	\$ 4,753	\$ 34	\$ 8,932
Unpaid Interest Earned ⁸	\$ 12	\$ 0	\$ 1,194	\$ 1	\$ 1,208
Average Yield ⁹	1.26%	0.05%	2.18%	0.30%	1.50%
Dollar-Weighted Maturity (Days)	46	20	235	N/A	126
Credit Quality	First Tier ¹⁰	First Tier ¹⁰	GC16430 ¹¹	N/A	
Percentage of Investment Portfolio ¹²	31.98%	0.00%	47.18%	20.84%	100.00%

³ “Net Purchase/(Sales)” is the net amount of court investment principal purchases and sales completed during the annual period.

⁴ “Interest Paid” is the total amount of interest paid to the investment account during the annual period, and which as a result is included in the Ending Balance.

⁵ “Net Unrealized Gain/(Loss)” is the difference between the investment balance’s book value and its fair value as of the end of the period. The net gain or loss is “unrealized” as the valuation at fair value is only for assets held by the fund as of the end of the period. This Net Unrealized Gain/(Loss) would only be “realized” or become an actual gain or loss in the event all participants’ holdings in each portfolio were liquidated as of the end of the period.

⁶ “Ending Balance Plus Interest Accrued” is the Ending Balance at fair value plus Interest Earned that is unpaid as of the end of the period. This represents the liquidation value including unpaid Interest Earned only in the event all participants’ holdings in each portfolio were liquidated at the end of the period.

⁷ “Interest Earned” is the total amount of interest earned during the annual reporting period.

⁸ “Unpaid Interest Earned” is the amount of interest earned during the period that is unpaid as of the end of the annual reporting period.

⁹ “Average Yield” is the simple average of the 30 day yields for each calendar month, net of the investment’s operating expenses for the period.

¹⁰ First Tier money market debt securities are money market debt securities that receive a short-term rating from a Nationally Recognized Statistical Rating Organization in the highest short-term rating category for debt obligations.

¹¹ LAIF may only invest the money of the fund in debt obligations prescribed in GC16430.

¹² The portfolio percentages are calculated using the book values as of the end of the annual period.

The ratio of each investment's fair market value to its book value (Fair Market Value Factor) as of June 30, 2009, was as follows:

CCRAF	1.000000000
CTRAF	1.000000000
LAIF	1.001364207
PFIC	1.000000000

The Fair Market Value Factor is 1.000 for CCRAF and CTRAF because all holdings in CCRAF and CTRAF are valued at fair market value daily, and fair value is the price for all daily redemptions and re-investment transactions. Since LAIF's operating rules permit the redemption, at any time, of all or portion of any participating court's LAIF balance at its original purchase price, the court's redemption price is not impacted by unrealized gains or losses.

Section A, of the table above, provides the investment balances and activity for the period at book value or original cost plus or minus the straight-line amortization of any applicable discount or premium.

Section B provides the investment balances at their fair value as of the end of the annual period. Fair value is defined as the value at which an asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.

Section C provides the investment earnings, the dollar weighted average maturity, the credit quality, and each investment's percent of the total investment portfolio.

These investment balances include the combined balances of both trial court operating funds and agency funds.¹³

Investment Portfolio Components:

CCRAF

The CCRAF is an overnight money market mutual fund registered with the Securities Exchange Commission under the Federal Investment Company Act of 1940, and operated in accordance with the Code of Federal Regulations 270.2a-7 (C.F.R. 270.2a-7). Each night, the CCRAF automatically sweeps funds in excess of an established floor from each bank account operated by the AOC for the benefit of a trial court and invests that money in adviser shares. At the opening of the following banking day, the CCRAF automatically returns the invested funds to the appropriate bank account. Simple interest is paid for each calendar month based on the actual interest rate returns realized on the portfolio daily during the term of each overnight investment net of the automated sweep service cost of 0.25%.

In accordance with C.F.R. 270.2a-7, the CCRAF must maintain a dollar-weighted average maturity consistent with its objective of maintaining a stable net asset value per share, not to exceed 90 days, and must contain only "First Tier" money market debt obligations receiving a

¹³ Agency funds are balances held in trust pending resolution of civil or criminal court proceedings, and funds held on behalf of the State and local agencies prior to their statutory distribution. Agency funds include the following categories: civil trust, criminal bail trust, Uniform Civil Fees and criminal fines, fees and penalties.

short-term rating from a Nationally Recognized Statistical Rating Organization in the highest short-term rating category for debt obligations.

CCRAF invests only in high-quality money market instruments, which include bank obligations (including certificates of deposit and time deposits issued by domestic and foreign banks or their subsidiaries or branches), commercial paper, corporate bonds, extendible commercial notes, asset-backed securities, funding agreements, municipal securities, repurchase agreements and other high-quality short-term obligations. As of June 30, 2009, the CCRAF portfolio composition was as follows:

**CCRAF Portfolio Composition
As of June 30, 2009**

Certificates of Deposit	41.91%
Commercial Paper	16.02%
Asset-Backed Commercial Paper	15.40%
U.S. Govt. & Agency Obligations	13.57%
Repurchase Agreements	9.47%
Corporate Bonds and Notes	3.60%
Municipal Bonds	0.03%

Colombia Management has determined that iMoneyNet's Prime Category Average (iMoneyNet) money market mutual fund is a good proxy of the CCRAF portfolio composition and performance. The CCRAF has outperformed the iMoneyNet benchmark, even though the yield earned on the CCRAF is net of the automated sweep service cost of 0.25%.¹⁴

CTRAF

Funds from the trial court's trust accounts were invested in the CTRAF from the CCRAF on October 1, 2008. Investment in the CTRAF was then discontinued as of June 1, 2009 and the accounts were converted to BofA Public Funds Interest Checking (PFIC) accounts, which are described in the PFIC section below.

LAIF

LAIF is a money market fund held and managed by the State Treasurer's Office and is part of the Pooled Money Investment Account (PMIA). The PMIA is the short-term investment pool for the State of California's general fund; special funds held by State agencies; and moneys deposited by cities, counties and other entities into the LAIF. LAIF is a voluntary program created by statute; it began in 1977 as an investment alternative for California's local governments and special districts. The enabling statute for the LAIF is Section 16429.1 et seq. of the Government Code. By law, PMIA moneys can be invested only in the following categories: U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated

¹⁴ The most recent monthly fact sheet for the Columbia Cash Reserves Adviser Fund can be found at the following URL at Colombia Management's website:

http://institutional.columbiamanagement.com/NR/rdonlyres/DC7C127C-B623-4683-A7EE-990E919495D6/0/CashReserves_Adv.pdf

commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds.

LAIF's primary objectives are to maintain safety of principal and provide daily liquidity. These objectives are met by investing in high credit quality debt instruments, maintaining an average maturity between 120 days and 18 months, and providing daily availability of the entire invested balance. LAIF's investment yield is consistent with these very conservative objectives.

The LAIF Performance Report including the portfolio's composition, as of June 30, 2009, as reported by the State Treasurer's Office is attached. The State Treasurer's Office has not identified a money market fund suitable for benchmark comparison to LAIF.

PFIC

As of June 1, 2009, the investment sweeps into the Columbia Treasury Reserves for the Trial Court trust accounts were discontinued and the accounts converted to Bank of America Public Funds Interest Checking (PFIC) accounts. The PFIC accounts earn interest at a rate of 0.30% per annum. The PFIC accounts are Federal Deposit Insurance Corporation (FDIC) insured and are fully collateralized 110% with securities, per Government Code 53651, purchased by Bank of America and held in a collateral pool pledged to public deposits. Since PFIC accounts are FDIC insured, they are subject to FDIC insurance assessments of 0.13% per annum¹⁵.

Funds Held Outside the Judicial Branch Treasury

As of June 30, 2009, 37 trial courts maintained \$690 million in total operating and agency fund investments outside of the Judicial Branch Treasury as reported on Schedule A. Funds held outside of the Judicial Branch Treasury are invested with the courts' respective counties or with other financial institutions.

The investment balances reported on Schedule A are presented as reported by the trial courts without independent verification from the custodian(s) holding the investments on behalf of the trial courts.

Schedule A is prepared from summary information gathered annually as of June 30th of each year to comply with the State Controller's Office requirements for the trial courts' Consolidated Annual Financial Report.

¹⁵ The FDIC assessment fee is the direct result of maintaining PFIC balances on deposit with Bank of America. FDIC fees are assessed on the average PFIC balance for the quarter. PFIC accounts are not subject to Temporary Liquidity Guarantee Program (TLGP) assessment fees, which are assessments for a temporary supplemental guarantee program offered to banks by the FDIC.

SCHEDULE A

Trial Courts With Investments Held Outside of the Judicial Branch Treasury

As Of June 30, 2009

<u>Investment Type</u>	<u>Total as of 06/30/09</u>	<u>Yield</u>	<u>WAM (Days)*</u>
<i>County Investment Pools</i>	\$ 686,202,000	1.794% **	453 **
<i>Other Financial Institution Investments:</i>			
<i>Mutual Funds - California Asset Management Program (CAMP)</i>	\$ -	0.000% **	- **
<i>Other Bank Investment Accounts</i>	\$ 2,505,918	0.150% **	- **
<i>Certificates of Deposit</i>	\$ 1,170,253	2.16% **	211 **
Total	\$ 689,878,171	1.789% **	451 **

* WAM - Weighted Average Maturity

** Dollar Weighted Average

Bill Lockyer, State Treasurer
Inside the State Treasurer's Office
Local Agency Investment Fund (LAIF)



SAVE THE DATE: LAIF ANNUAL CONFERENCE, OCTOBER 21-22, 2009

PMIA Performance Report

Date	Daily Yield	Quarter to Date Yield	Average Maturity (in days)
6/29/2009	1.21	1.52	214
6/30/2009	1.12	1.52	235
7/1/2009	1.13	1.13	239
7/2/2009	1.12	1.13	241
7/3/2009	1.12	1.12	238
7/4/2009	1.12	1.12	238
7/5/2009	1.12	1.12	238
7/6/2009	1.09	1.12	239
7/7/2009	1.08	1.11	233
7/8/2009	1.07	1.11	228
7/9/2009	1.07	1.10	227
7/10/2009	1.07	1.10	227
7/11/2009	1.07	1.09	227
7/12/2009	1.07	1.09	227

LAIF Performance Report

Quarter ending 6/30/2009

Apportionment Rate: 1.51%
 Earnings Ratio: .00004133177972413
 Fair Value Factor: 1.001304743

PMIA Average Monthly Effective Yields

Jun 2009 1.377%
 May 2009 1.530%
 Apr 2009 1.607%

Pooled Money Investment Account
Portfolio Composition
\$50.7 Billion
06/30/09

