



JUDICIAL COUNCIL OF CALIFORNIA

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REPORT TO THE JUDICIAL COUNCIL

For business meeting on April 17, 2015

Title	Agenda Item Type
Trial Courts: Quarterly Investment Report for Fourth Quarter of 2014	Information Only
Submitted by	Date of Report
Judicial Council	March 9, 2015
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Executive Summary

This *Trial Courts: Quarterly Investment Report for Fourth Quarter of 2014* provides the financial results for the funds invested by the Judicial Council on behalf of the trial courts as part of the judicial branch treasury program. The report is submitted under agenda item 10, Resolutions Regarding Investment Activities for the Trial Courts, approved by the Judicial Council on February 27, 2004, and the report covers the period of October 1, 2014, through December 31, 2014.

Previous Council Action

On February 27, 2004, the Judicial Council approved several resolutions on investment activities for the trial courts. 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 into (1) the State of California's Local Agency Investment Fund (LAIF), (2) Bank of America, N.A., investment funds, (3) or other investments as approved by the Judicial Council Administrative

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

Director. They also provide for quarterly reporting of investment results by the director of the Judicial Council’s Finance office to the Judicial Council, the Administrative Director, and the senior manager of the Judicial Council’s Audit Services.²

On June 1, 2009, the Judicial Council’s Executive and Planning Committee, acting on behalf of the council, approved the investment of trial court monies in any share class of the two previously approved money market funds—the Bank of America Cash Reserves Fund (CRF; formerly Columbia Cash Reserves Fund) and the Bank of America Treasury Reserves Fund (TRF; formerly Columbia Treasury Reserves Fund)—and the addition of another money market fund, the Bank of America Government Reserves Fund (GRF; formerly Columbia Government Reserves Fund).

Summary of Findings

In table 1, CRF is the capital share class of the Bank of America Cash Reserves money market fund, TRF is the capital share class of the Bank of America Treasury Reserves money market fund, LAIF is the Local Agency Investment Fund, and PFIC (Public Funds Interest Checking) represents the Bank of America PFIC accounts.

Funds held in the judicial branch treasury: total investment portfolio

As of the close of business on December 31, 2014, total investment balances held by the trial courts purchased from bank accounts—directly managed by the Judicial Council’s Trust and Treasury Unit of Finance—were as specified in table 1.

Table 1. Trial Court Investment Balances Managed by the Finance Office

Investment Description	CRF	TRF	LAIF	PFIC	Total
	All dollar amounts reported in thousands (\$000)				
Section A, Book Values					
Beginning Balance–10/01/14	\$180,105	\$0	\$453,861	\$150,283	\$784,249
Net Purchases/(Sales) ³	(13,733)	137,686	(81,525)	(150,333)	(107,905)
Interest Paid ⁴	22	2	201	50	275
Total Change	(13,711)	137,688	(81,324)	(150,283)	(107,630)
Ending Balance–12/31/14	\$166,394	\$137,688	\$372,537	\$0	\$676,619

² As of February 2013, the Judicial Council’s Audit Services is no longer part of Finance and is now a separate office in the Leadership Services Division.

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

⁴ “Interest Paid” is the total amount of interest paid to the investment account during the quarterly period and is included in the Ending Balance.

Investment Description (cont.)	CRF	TRF	LAIF	PFIC	Total
Section B, Fair Values– 12/31/14					
Ending Balance	\$166,394	\$137,688	\$372,530	\$0	\$676,612
Net Unrealized Gain/(Loss) in Fair Value ⁵	0	0	(7)	0	(7)
Ending Balance Plus Unpaid Interest Earned ⁶	\$166,394	\$137,688	\$372,802	\$0	\$676,884
Section C, Earnings and Statistics					
Interest Earned ⁷	\$22	\$2	\$272	\$50	\$346
Unpaid Interest Earned ⁸	\$0	\$0	\$272	\$0	\$272
Average Yield ⁹	0.03%	0.01%	0.25%	0.20% ¹⁰	0.15%
Dollar-Weighted Maturity (Days)	45	36	200	N/A	129
Credit Quality	First Tier ¹¹	First Tier ¹¹	GC 16430 ¹²	N/A	
Percentage of Investment Portfolio ¹³	24.59%	20.35%	55.06%	0.00%	100.00%

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

⁶ “Ending Balance Plus Unpaid Interest Earned” is the ending balance at fair value plus interest earned that is unpaid as of the end of the period. This figure 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 quarterly reporting period.

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

⁹ “Average Yield” is the simple average of the 30-day yields for each calendar month during the period, including any realized gains and losses, net of the investment’s operating expenses. The total Average Yield is a dollar-weighted average of the investment components.

¹⁰ The interest rate earned on the PFIC accounts was 0.25 percent per annum through October 2014 and 0.15 percent per annum for November 2014, which was the last month PFIC interest rates applied. Since PFIC account balances are insured by the Federal Deposit Insurance Corporation (FDIC), they are subject to FDIC insurance assessments of 0.13 percent per annum. As a result, PFIC balances earned a net rate return per annum after FDIC assessments of 0.12 percent through October 2014 and 0.02 percent for November 2014.

¹¹ “First Tier” money market debt securities receive a short-term rating from a nationally recognized statistical rating organization in the highest short-term rating category for debt obligations.

¹² LAIF may invest the fund money only in debt obligations as prescribed in Government Code (GC) section 16430.

¹³ The portfolio balance percentages are calculated using the book values at the end of the quarterly period.

The ratio of each investment's fair value to its book value (Fair Value Factor) as of December 31, 2014, was as follows:

CRF	1.000000000
TRF	1.000000000
LAIF	0.999980380
PFIC	1.000000000

The Fair Value Factor is 1.000 for CRF and TRF because all holdings in CRF and TRF are valued at fair value daily, and fair value is the price for all daily redemptions and reinvestment transactions. Because LAIF's operating rules permit the redemption, at any time, of all or a portion of any participating court's LAIF balance at its original purchase price, the court's redemption price is not affected by unrealized gains or losses.

Section A of table 1 provides the investment balances and activity for the period at book value or at 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 at the end of the 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 percentage of the total investment portfolio.

The investment balances presented in the table include the combined balances of both trial court operating funds and agency funds.¹⁴

Investment portfolio components

CRF. The CRF is an overnight money market mutual fund registered with the Securities and Exchange Commission under the federal Investment Company Act of 1940 and operated in accordance with Commodity and Securities Exchanges, 17 Code of Federal Regulations part 270.2a-7. Investment purchases and redemptions of capital shares are transacted when Bank of America's system reviews the account balance daily at 1:30 p.m. PST and invests or returns funds as appropriate to maintain the bank account's established target balance. A purchase transaction takes place if the cash balance in the account exceeds the target balance, and a redemption transaction takes place when the cash balance is less than the target balance.

¹⁴ "Agency funds" are balances held in trust pending resolution of civil or criminal court proceedings, as well as funds held on behalf of state and local agencies before their statutory distribution. Agency funds include the following categories: civil trust, criminal bail trust, Uniform Civil Fees, and criminal fines, fees, and penalties.

In accordance with the aforementioned Code of Federal Regulations, the CRF must maintain a dollar-weighted average maturity consistent with its objective of maintaining a stable net asset value per share, not to exceed 60 days, and must contain only “First Tier” money market debt obligations receiving a short-term rating from a nationally recognized statistical rating organization in the highest short-term rating category for debt obligations.

The CRF 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 December 31, 2014, the CRF portfolio composition was as shown in table 2.

Table 2. CRF Portfolio Composition as of December 31, 2014

High-Quality Instruments	Percentage of Portfolio
Certificate of deposit	29.36
Asset-backed commercial paper	13.60
Financial company commercial paper	13.24
Other repurchase agreement	13.24
Other note	12.35
Other commercial paper	6.85
U.S. treasury repurchase agreement	4.92
U.S. government agency repurchase agreement	3.81
Variable-rate demand note	1.94
U.S. government agency debt	0.68

Bank of America has determined that iMoneyNet’s Prime Category Average money market mutual fund is a good proxy of the CRF portfolio composition and performance. Included as Attachment A is the monthly fact sheet for the Bank of America Cash Reserves capital class shares reported as of December 31, 2014.

TRF. Effective December 1, 2014, the master trust account was converted from a PFIC account to a noninterest-bearing account and the funds were invested in the capital share class of the TRF. Like the CRF, the TRF is an overnight money market mutual fund registered with the Securities and Exchange Commission under the federal Investment Company Act of 1940 and operated in accordance with Commodity and Securities Exchanges, 17 Code of Federal Regulations part 270.2a-7. Investment purchases and redemptions of capital shares are transacted when Bank of America’s system reviews the account balance daily at 1:30 p.m. PST and invests or returns funds as appropriate to maintain the bank account’s established target balance. A

purchase transaction takes place if the cash balance in the account exceeds the target balance, and a redemption transaction takes place when the cash balance is less than the target balance.

In accordance with the aforementioned Code of Federal Regulations, the TRF must maintain a dollar-weighted average maturity consistent with its objective of maintaining a stable net asset value per share, not to exceed 60 days, and must contain only “First Tier” money market debt obligations receiving a short-term rating from a nationally recognized statistical rating organization in the highest short-term rating category for debt obligations. The TRF is in the highest fund rating category of Moody’s at Aaa-mf, S&P at AAAM, and Fitch at AAAMmf.

The TRF invests only in high-quality money market instruments and invests at least 80 percent of its net assets in U.S Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. As of December 31, 2014, the TRF portfolio composition was as shown in table 3.

Table 3. TRF Portfolio Composition as of December 31, 2014

High-Quality Instruments	Percentage of Portfolio
U.S. treasury debt	55.11
U.S. treasury repurchase agreement	37.06
U.S. government agency repurchase agreement	7.82

Bank of America has determined that iMoneyNet’s Government Category Average money market mutual fund is a good proxy of the TRF portfolio composition and performance. Included as Attachment B is the monthly fact sheet for the Bank of America Treasury Reserves capital class shares reported as of December 31, 2014.

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 General Fund; special funds held by state agencies; and monies 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 commercial paper; repurchase and reverse repurchase agreements; security loans; bankers’ acceptances; negotiable certificates of deposit; and loans to various bond funds.

LAIF’s primary objectives are to maintain the 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 December 31, 2014, as reported by the State Treasurer's Office—is included as Attachment C. The State Treasurer's Office has not identified a money market fund suitable for benchmark comparison to LAIF.

PFIC. As of November 1, 2014, Bank of America reduced the interest rate on the PFIC account from 0.25 percent per annum to 0.15 percent per annum. This resulted in the PFIC account earning a net return of 0.02 percent per annum, net of the applicable FDIC¹⁵ assessment rate of 0.13 percent per annum. Before this reduction in the PFIC rate, the net return was 0.12 percent per annum (0.25 percent less the FDIC assessment of 0.13 percent). Offering PFIC accounts has become uneconomic for the bank due to the combination of greater reserve requirements all banks are required to implement under new U.S. Federal Reserve requirements based on Basel III¹⁶, in addition to the existing collateralization requirements for all public deposits under Government Code 53652. Accordingly, investment of the master trust account balance was moved effective December 1, 2014, to the capital class shares of the TRF currently earning 0.01 percent per annum. FDIC assessment fees did not apply to the trust investment balance after November 30, 2014, because the trust balance was invested in the TRF outside of a bank deposit account.

Public Funds Interest Checking accounts are Bank of America interest-bearing checking accounts. PFIC accounts are insured by the FDIC and are fully collateralized at 110 percent of PFIC balances with securities (per Gov. 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 percent per annum.¹⁷

Attachments

1. Attachment A: *BofA Cash Reserves: Capital Class Shares as of December 31, 2014*
2. Attachment B: *BofA Treasury Reserves: Capital Class Shares as of December 31, 2014*
3. Attachment C: *PMIA and LAIF Performance Reports as of December 31, 2014*

¹⁵ Federal Deposit Insurance Corporation (FDIC) assessment rate applies to all insured bank deposits, including deposits in interest-bearing bank accounts. The FDIC assessment rate is 0.13 percent per annum applied to the monthly average ledger balance on deposit with the bank.

¹⁶ Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing, and market liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision in 2010–2011. The U.S. Federal Reserve announced in December 2011 that it would implement substantially all of the Basel III rules.

¹⁷ 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 period.

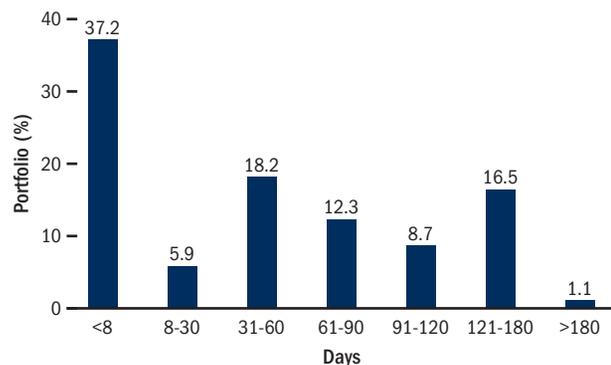
BofA Cash Reserves

Capital class shares as of December 31, 2014

ATTACHMENT A

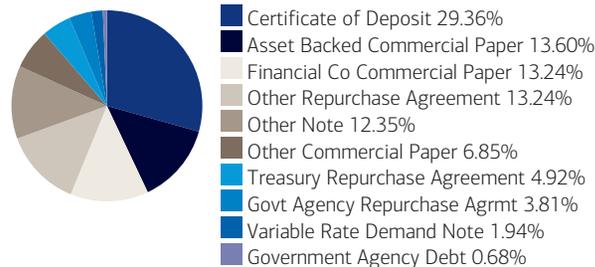
BofA® Global Capital Management

Maturity Distribution



Due to rounding, totals may not equal 100.

Portfolio Composition



Fund Objective:

The fund seeks current income, consistent with capital preservation and maintenance of a high degree of liquidity.

Investment Strategy:

The fund invests in high-quality money market instruments, including primarily short-term debt securities of U.S. and foreign issuers. The fund purchases only first-tier securities, which include bank obligations (including certificates of deposit and time deposits issued by domestic or 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. These securities may have fixed, floating or variable rates of interest.

Fund Performance versus Index

	7-Day Yield						30-Day Yields						
	12/31/14	Dec-14	Nov-14	Oct-14	Sep-14	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14
Current	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.03	0.05	0.03	0.02	0.03
Unsubsidized	-0.05	-0.05	-0.06	-0.06	-0.06	-0.06	-0.06	-0.06	-0.06	-0.04	-0.05	-0.06	-0.06
Benchmark†	—	0.02	0.02	0.02	0.01	0.02	0.02	0.01	0.02	0.01	0.02	0.01	0.02

†iMoneyNet Prime Category Average

The 7-day current yield is net of all fees and expenses and represents an annualization of dividends declared and payable to shareholders for the last seven days of investment as of the date listed.

The 30-day current yield is net of all fees and expenses and represents an annualization of dividends declared and payable to shareholders for the last 30 days of investment as of the dates listed.

The National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. The NAIC provides a forum for the development of uniform policy when uniformity is appropriate. A fund listed on the NAIC List of Approved Mutual Funds meets conditions in the Purposes and Procedures Manual of the NAIC Securities Valuation Office, qualifying them for more favorable reserve treatment.

The unsubsidized yield is the gross yield that does not reflect any waivers or reimbursement arrangements.

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. Please visit www.bofacapital.com for daily and most recent month-end performance updates.

Must be preceded or accompanied by a prospectus.

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NOT FDIC INSURED	May Lose Value
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BofA Cash Reserves

Capital class shares as of December 31, 2014

ATTACHMENT A
**BofA® Global Capital
Management**

An investment in money market mutual funds is not a bank deposit and is not insured or guaranteed by Bank of America, N.A. or any of its affiliates or by the Federal Deposit Insurance Corporation or any other government agency. Although money market mutual funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in money market mutual funds.

Please see the prospectuses for a complete discussion of the risks of investing in money market mutual funds.

Source: iMoneyNet, Inc. is an independent mutual fund performance monitor. The iMoneyNet, Inc. averages are not intended to represent the past performance of the funds, but do represent the past performance of funds managed in a similar manner and having similar investment objectives and policies. The iMoneyNet Prime Category Average includes all Prime Retail and Prime Institutional funds.

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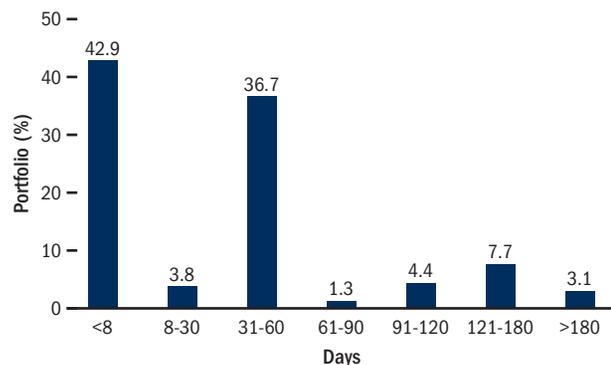
BofA Treasury Reserves

Capital class shares as of December 31, 2014

ATTACHMENT B

BofA® Global Capital Management

Maturity Distribution



Due to rounding, totals may not equal 100.

Portfolio Composition



Fund Objective:

The fund seeks current income, consistent with capital preservation and maintenance of a high degree of liquidity.

Investment Strategy:

The fund invests in high-quality money market instruments. The fund invests at least 80% of its net assets in U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations.

Fund Facts: NAIC-Listed ¹

Inception date	01/11/91
CUSIP number	097101307
Ticker symbol	CPLXX
Fund number	4232
Weighted average maturity (days)	36
Weighted average life (days)	53
Total assets (all shares)	\$9,480m
Moody's Investors Service*	Aaa-mf
Standard & Poor's*	AAAm
Fitch*	AAAmf

Portfolio holdings and characteristics are subject to change periodically and may not be representative of current holdings and characteristics. Current and future holdings are subject to risk, including, but not limited to, market and credit risk.

Fund Performance versus Index

	7-Day Yield		30-Day Yields										
	12/31/14	Dec-14	Nov-14	Oct-14	Sep-14	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14
Current	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Unsubsidized	-0.19	-0.19	-0.20	-0.20	-0.20	-0.19	-0.19	-0.18	-0.20	-0.20	-0.20	-0.22	-0.21
Benchmark [†]	—	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

[†]MoneyNet Government Category Average

The 7-day current yield is net of all fees and expenses and represents an annualization of dividends declared and payable to shareholders for the last seven days of investment as of the date listed.

The 30-day current yield is net of all fees and expenses and represents an annualization of dividends declared and payable to shareholders for the last 30 days of investment as of the dates listed.

The National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. The NAIC provides a forum for the development of uniform policy when uniformity is appropriate. A fund listed on the NAIC List of Approved Mutual Funds meets conditions in the Purposes and Procedures Manual of the NAIC Securities Valuation Office, qualifying them for more favorable reserve treatment.

The unsubsidized yield is the gross yield that does not reflect any waivers or reimbursement arrangements.

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. Please visit www.bofacapital.com for daily and most recent month-end performance updates.

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Please see the prospectuses for a complete discussion of the risks of investing in money market mutual funds.

¹ The National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. The NAIC provides a forum for the development of uniform policy when uniformity is appropriate. A fund listed on the NAIC List of Approved Mutual Funds meets conditions in the Purposes and Procedures Manual of the NAIC Securities Valuation Office, qualifying them for more favorable reserve treatment.

* The credit quality ratings represent those of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P") or Fitch, Inc. ("Fitch") credit ratings. The ratings represent their opinions as to the quality of the securities they rate. Ratings are relative, subjective and are not absolute standards of quality. The security's credit quality does not eliminate risk. According to Moody's, Aaa money market ratings are judged to be of the best quality. AAAm is the highest principal stability fund rating assigned by S&P. AAAMmf ratings denote extremely strong capacity to achieve a money market fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk by Fitch. For information regarding the methodology used to calculate the ratings, please visit Moody's at www.moody.com, S&P at www.standardandpoors.com or Fitch at www.fitchratings.com.

Source: iMoneyNet, Inc. is an independent mutual fund performance monitor. The iMoneyNet, Inc. averages are not intended to represent the past performance of the funds, but do represent the past performance of funds managed in a similar manner and having similar investment objectives and policies. The iMoneyNet Government Category Average includes all retail and institutional funds: Treasury, Treasury and Repo, Government and Government Agencies.

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**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

LAIF Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
01/08/15	0.27	0.27	211
01/09/15	0.27	0.27	213
01/10/15	0.27	0.27	213
01/11/15	0.27	0.27	213
01/12/15	0.27	0.27	212
01/13/15	0.27	0.27	212
01/14/15	0.27	0.27	212
01/15/15	0.26	0.27	211
01/16/15	0.26	0.27	211
01/17/15	0.26	0.27	211
01/18/15	0.26	0.27	211
01/19/15	0.26	0.27	211
01/20/15	0.26	0.27	208
01/21/15	0.26	0.26	212

Quarter Ending 12/31/14

Apportionment Rate: 0.25%
 Earnings Ratio: 0.00000696536180771
 Fair Value Factor: 0.99998038
 Daily: 0.26%
 Quarter To Date: 0.26%
 Average Life: 200

PMIA Average Monthly Effective Yields

DEC 2014 0.267%
 NOV 2014 0.261%
 OCT 2014 0.261%

*Daily yield does not reflect capital gains or losses

**Pooled Money Investment Account
Portfolio Composition
\$60.3 billion
12/31/14**

