COMMISSION AGENDA ITEM

Item 8(a) – Investment Policy and Investment Strategy

Date: November 19, 2026

To: California State Lottery Commission

From: Harjinder K. Shergill Chima, Director -HKC

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Subject: **Item 8(a) – Investment Policy and Investment Strategy**

ISSUE

Pursuant to the California State Lottery's (Lottery) Investment Policy, the Lottery is required to annually present its investment strategy and Investment Policy to the California State Lottery Commission (Commission) for approval.

BACKGROUND

As part of the Lottery's ongoing investment activity in support of SuperLotto Plus®, Mega Millions®, Powerball®, and various Scratchers® games, the Lottery purchases U.S. Treasury securities to fund future payments to jackpot and top prize winners electing the annuity prize option. The U.S. Treasury securities are owned and managed by the Lottery within a single annuity prize portfolio (Investment Portfolio) held with the State Treasurer's Office. The attached report provides more information on the Investment Portfolio, including detailed breakouts of the Lottery's investments for the 2025-26 fiscal year.

The Lottery's Investment Policy requires that the Commission review and adopt, by vote, its investment strategy and Investment Policy not less than annually, including the approval of any changes to the Investment Policy.

DISCUSSION

The Lottery's current investment strategy and Investment Policy focus on 1) the management of ongoing investment activity in support of draw games and Scratchers games that offer an annuity payout option to winners, and 2) maintenance of the Lottery's Investment Portfolio to monitor and mitigate potential investment risk. This ensures that scheduled payments to annuity prize winners are fully funded.

The Lottery purchases U.S. Treasury securities, facilitated by the State Treasurer's Office, to fund future prize payments for annuity prizes. The Lottery's investment in U.S. Treasury securities is a standard business practice for SuperLotto Plus, Mega Millions, Powerball, and eligible Scratchers games and represents the Lottery's ongoing investment activity.

The Lottery ensures that investment transactions related to maintenance of its Investment

Portfolio are consistent with industry practices and are limited to ad hoc transactions required for risk management purposes. Investment transactions required to manage risk include discretionary reinvestment of existing securities resulting from credit-related events or mandatory calls, rebalancing of investments for purposes of maintaining diversification, and managing the Lottery's prize liability reserve.

During its comprehensive review of the Investment Policy, the Lottery identified and corrected minor grammatical errors. The Lottery also reviewed its investment strategy and determined that no modifications are needed.

RECOMMENDATION

Lottery staff recommends that the Commission approve the existing Lottery's Investment Policy with minor revisions and its investment strategy with no modifications for 2026.

Attachments