

**POLICY NUMBER:** 2.13.200**EFFECTIVE DATE:** 6/18/20**TITLE:** Savings Pool**SUPERSEDES:** 6/15/17**BOARD ADOPTION:** 6/18/20

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**PURPOSE**

This document is the investment policy for the Savings Pool offered in the Deferred Compensation Program (DCP) and the Judicial Retirement Account (JRA). The fund is invested in cash and guaranteed investment contracts (GICs). As one of several investment options within both the DCP and the Judicial Retirement Account JRA, employees can direct all or a portion of their individual portfolios and their payroll contributions into the fund.

**POLICY****Standard of Care**

Under Revised Code of Washington (RCW) 43.33A.030, trusteeship of funds under the authority of the Washington State Investment Board (WSIB) is vested in the voting members of the Board. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the Board and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the investment objectives below.

**Investment Objectives**

In accordance with RCW 43.33A.110, the fund is managed to achieve a maximum return at a prudent level of risk. The investment objectives include:

1. Maintaining safety of principal.
2. Maintaining adequate liquidity.
3. Managing the assets to achieve a maximum return at a prudent level of risk.
4. Investing in a manner that will not compromise public trust.

The primary objective for the fund is to ensure the preservation of principal, defined as the maintenance of a one-dollar net asset value. The fund will maintain high credit standards and contract terms.

The fund must hold sufficient cash to meet any withdrawal requests. The fund is used by participants for transitions and must have adequate liquidity to handle shifts in cash flow.

The fund will attempt to earn the highest return possible consistent with maintaining the first two objectives of safety of principal and liquidity. In general, the fund will strive to earn a return in excess of U.S. Treasury securities of similar maturities.

**Investment Approach**Structure

The Savings Pool portfolio will be structured with a laddered maturity schedule that provides adequate liquidity. Contracts should be benefit-responsive. New investments will be made through a competitive bidding process at current prevailing interest rates.

Maturity

The maximum maturity of any GIC will not exceed 7 years. The portfolio must have a weighted average maturity of 4 years or less.

### Credit Considerations

Consideration will be given to any applicable laws that afford investment protection, such as the provisions of the Public Deposit Protection Act and Insurance Guaranty Fund, and any other public insurance or guarantee fund protections. While companies must meet minimum ratings requirements, further consideration will be given to any credit/financial analysis conducted by WSIB staff.

### Market Considerations

At times it has not been possible to fully invest the Savings Pool in GICs while adhering to the Savings Pool Investment Policy because of credit rating downgrades. Knowing this could happen again, WSIB staff will continue to monitor credit ratings and recommend policy changes if and as needed.

### **Risk Constraints**

1. Invest the assets to maximize return at a prudent level of risk in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140.
2. A minimum of 1 percent of savings pool funds should be retained in cash.
3. Insurance Company Credit Eligibility Guidelines;
  - a. The company must hold a certificate of authority in the state of Washington.
  - b. The company must have an Insurance Financial Strength rating of A+ or equivalent by a nationally recognized rating agency. Portfolio holdings that are downgraded below A+ or equivalent may continue to be held.
  - c. The company should have adjusted capital and surplus of at least \$250 million.
  - d. Contracts with any one company should not exceed 5 percent of that company's capital and surplus.
4. Portfolio Diversification: The total principal value of term contracts by an issuer shall not exceed 20 percent of the Savings Pool upon execution of a new contract with that issuer.

### **RESPONSIBILITIES**

#### **Washington State Investment Board**

The Board is responsible for approving the fund's investment policy and reviewing the structure, strategy, and performance of the fund.

#### **Public Markets Committee**

The Committee is responsible for reviewing the investment policy and recommending any revisions to the Board.

#### **WSIB Staff**

Staff is responsible for management of the fund. Staff is also responsible for recommending to the Public Markets Committee enhancements and changes to the investment policy, as well as implementing the policy and reporting performance quarterly to the Board.

### **POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

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Policy Adopted 12/18/97 to be effective 1/1/98

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Revised 7/20/00 (Supersedes 2.30.100, 7/15/99)

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