

POLICY NUMBER: 2.14.400**EFFECTIVE DATE:** 9/23/16**TITLE:** U.S. Treasury Inflation Protected Securities Fund**SUPERSEDES:** 9/19/13**APPROVED:** 

PURPOSE

This document outlines the investment policy and guidelines for the U.S. Treasury Inflation Protected Securities (TIPS) Fund.

These guidelines allow for sufficient flexibility in the management process to capture investment opportunities, while providing parameters that ensure prudence and care in the execution of the investment program.

BACKGROUND

The U.S. TIPS Fund is a commingled investment fund created by the Washington State Investment Board (WSIB) in accordance with Revised Code of Washington (RCW) [43.33A.170](#) and available for any of the assets under trusteeship of the WSIB. The fund is established to invest in U.S. TIPS. It will be valued daily and open daily for deposits and redemptions.

This fund is suitable for qualified and non-qualified assets for which a U.S. TIPS investment is desired.

POLICY

Standard of Care under RCW [43.33A.170](#), the WSIB is authorized to establish commingled trust funds for any of the assets under the WSIB trusteeship. Further, under RCW [43.33A.030](#), trusteeship of funds under the authority of the WSIB is vested in the voting members of the Board. The Legislature has established a standard of care for investment of all WSIB 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 listed 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. Maintain safety of principal.
2. Manage the assets to achieve a maximum return at a prudent level of risk.
3. Invest in a manner that will not compromise public trust.

Investment Performance Objectives

Performance of the fund shall be judged relative to its investment objectives, risk constraints, and investment approach. The performance objective is intended to provide the WSIB and individual participants with a benchmark to measure the performance of the investment policy and guidelines.

The fund is actively managed to meet or exceed the return of the Bloomberg Barclays Capital U.S. Treasury Inflation Protected Securities Index.

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. Permissible Investments
 - a. Any and all U.S. TIPS
 - b. Cash
3. Duration – The portfolio duration shall not exceed plus or minus 15 percent of the duration of the Bloomberg Barclays Capital U.S. Treasury Inflation Protected Securities Index, other than during short periods of time while managing stakeholder cash flows.

Reporting

1. Fixed income staff will receive reports on the implementation of this policy. These reports will be prepared daily and/or monthly and will include, but are not limited to, the following:
 - a. Current market value and portfolio characteristics compared to policy guidelines and index characteristics.
 - b. Participant cash flows.
2. Performance will be reported quarterly by WSIB staff to the Board.

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 and recommending the investment policy to the Board.

WSIB Staff

Staff is responsible for implementing policy, managing the Fund, ensuring effective and efficient daily pricing, and establishing a Net Asset Value (NAV). Staff is also responsible for recommending enhancements and changes to the investment policy to the Public Markets Committee 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.