

POLICY NUMBER: 2.09.100**EFFECTIVE DATE:** 6/15/23**TITLE:** Volunteer Firefighters' and Reserve Officers' Relief and Pension Funds**SUPERSEDES:** 11/18/21**BOARD ADOPTION:** 6/15/23**REVIEWED:**

PURPOSE

This document is the investment policy for the Volunteer Firefighters' (VFF) Relief and Pension Principal Fund and the Reserve Officers' (RO) Relief and Pension Principal Fund (the Funds) managed by the Washington State Investment Board (WSIB). The policy allows 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.

The investment responsibility for the Funds is granted to the WSIB in accordance with RCW 41.24.030.

BACKGROUND

Engrossed House Bill 1336 codified in Chapter 73, Laws of 2023 split the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Fund into two funds, moving reserve officer members to a new reserve officers' plan and retaining volunteer firefighters and emergency medical technicians in the existing plan. Both plans reside within the Volunteer Firefighters' and Reserve Officers' system, which is overseen by the Board for Volunteer Firefighters and Reserve Officers (BVFFRO).

The Funds provide death, disability, medical, and retirement benefits to volunteer firefighters, reserve officers, and emergency medical workers in cities, towns, and fire protection districts.

POLICY**Standard of Care**

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 these funds in RCW 43.33A.140. Additionally, the WSIB 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 Funds are managed to achieve a maximum return at a prudent level of risk. The key determinant is identifying the prudent level of risk relative to the needs of the BVFFRO and participants. Based on this requirement, the order of the objectives shall be:

1. Promote the financial stability of the programs.
2. Ensure sufficient assets are available to fund benefit needs.

3. Subject to numbers 1 and 2 above, manage the assets to achieve a maximum return at a prudent level of risk.
4. Invest in a manner that will not compromise public trust in the programs.

Investment Performance Objectives

Performance of the investment portfolios shall be judged relative to investment objectives, risk constraints, and investment approach.

The Funds both have a relative performance objective to generate returns equal to or in excess of the passive benchmark portfolio relative to the asset allocation targets over the long term. The benchmarks for the Funds are a custom blend of the benchmarks for the underlying asset classes based on the target allocation of the asset classes.

Risk Constraints

1. All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of RCW 43.33A.110 and 43.33A.140.
2. In accordance with RCW 43.33A.140, no corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of either Fund's market value at the time of purchase, nor shall its market value exceed 6 percent of either Fund's market value at any time.
3. Assets shall be diversified at a prudent level to moderate fluctuations in the market value of the program.

Asset Allocation

The asset allocation mix of the Funds will be reviewed every four (4) years, or sooner if there are significant changes in markets, program size, or liabilities. The Board has delegated to the Chief Executive Officer the authority to rebalance the asset allocation of each Fund to fall within Board-adopted ranges or targets. Assets will be rebalanced across asset classes when market values of the assets fall outside the policy ranges. Rebalancing will be accomplished first by using normal cash flows and second by the reallocation of assets across asset classes. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

VFF Relief and Pension Principal Fund

Asset Class	Target	Range*
Public Equity	70 percent	65-75 percent
Fixed Income	30 percent	25-35 percent
Cash	0 percent	0 – 5 percent

*The above policy ranges are long-term and may deviate in the short term as a result of funding schedules and interim market movements.

RO Relief and Pension Principal Fund

Asset Class	Target	Range*
Public Equity	70 percent	65-75 percent
Fixed Income	30 percent	25-35 percent
Cash	0 percent	0 – 5 percent

*The above policy ranges are long-term and may deviate in the short term as a result of funding schedules and interim market movements.

Public Equity

The public equity portion of the Funds is invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity investments is the MSCI All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross.

Fixed Income

The fixed income portion of the Funds is invested in the WSIB Bond Market Fund. The investment policy and guidelines are defined in the WSIB's Bond Market Fund Policy 2.14.200. The benchmark for the Bond Market Fund is the Bloomberg U.S. Intermediate Credit Index.

Cash

Any cash held in the Funds is invested in a portfolio consisting of U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. The benchmark for cash is the 90-day Treasury bill return.

Performance Review Guidelines and Reporting

Performance is measured by the custodian bank and reported in writing quarterly by WSIB staff to the Board. WSIB staff will meet at least annually with the BVFFRO to review the investment portfolios and the financial status and goals of the programs.

RESPONSIBILITIES

Washington State Investment Board

The Board is responsible for approving the investment policy and setting the investment objectives, risk standards, and asset allocation. The Board is also responsible for reviewing performance of the Funds.

Public Markets Committee

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

WSIB Staff

Staff is responsible for recommending enhancements and changes to the investment policy to the Public Markets Committee, as well as implementing policy, managing the assets, rebalancing the asset allocation, and reporting performance and policy compliance to the Board and the BVFFRO. Staff is also responsible for recommending strategic asset allocation to the WSIB Board.

POLICY REVIEW

The Board shall review this policy at least once every four (4) years to ensure that it remains relevant and appropriate.

Policy Adopted 11/18/21
Revised 6/15/23