



Government of **Western Australia**
Department of **Treasury**

Public Bank Account Investment and Credit Policy

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DOCUMENT DETAILS

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Purpose:	The Policy sets out the arrangements for the investment of moneys standing to the credit of the Public Bank Account (PBA), including the separate pool within the PBA designated as the Future Health Research and Innovation Fund.
Read in Conjunction with:	<ul style="list-style-type: none"> • Public Bank Account Main Pool Portfolio Investment Management Agreement • Future Health Research and Innovation Fund Portfolio Investment Management Agreement • The Public Bank Account Service Level Agreement • The Public Bank Account Main Pool Portfolio Operational Guidelines • The Future Health Research and Innovation Fund Portfolio Operational Guidelines
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PUBLIC BANK ACCOUNT POLICIES: DELEGATION OF AUTHORITY

Document Name:	Designated Authority:
The Public Bank Account Investment and Credit Policy	The Treasurer
Public Bank Account – Main Pool Portfolio Investment Management Agreement	Deputy Under Treasurer (under delegation from the Treasurer)
Public Bank Account – Main Pool Portfolio Investment Management Agreement – Operational Guidelines	Director Financial Policy and Operations, Department of Treasury
Public Bank Account – Future Health Research and Innovation Fund Portfolio Investment Management Agreement	Deputy Under Treasurer (under delegation from the Treasurer)
Public Bank Account - Future Health Research and Innovation Fund Portfolio Investment Management Agreement – Operational Guidelines	Director Financial Policy and Operations, Department of Treasury

Contents

- General 1**
 - 1. Context 1
 - 2. Legislative Framework..... 1
 - 3. Credit Policy and Controls 1
 - 4. Delegations and Responsibilities..... 1
 - 5. Investment Objectives and Strategic Asset Allocation 2
 - 6. Sale of Assets..... 3
 - 7. Reporting 3
 - 8. Review..... 3
 - 9. Effective Date 3
- Annexure A: Investment Objectives and Credit Rating Limits 4**

PBA Investment and Credit Policy

General

1. Context

This Policy applies to the investment of moneys standing to the credit of the Public Bank Account (PBA) which comprises the following two portfolios (the Portfolios):

- a) The Future Health Research and Innovation Fund (FHRIF)
- b) Money held in the PBA and not forming part of the FHRIF (PBA Main Pool)

2. Legislative Framework

2.1 Section 37 of the Financial Management Act provides the power for the Treasurer to invest any money standing to the credit of the PBA.

2.2 Money standing to the credit of the PBA is invested under the provisions of:

- a) Part 3, Division 3 of the *Financial Management Act 2006 (FMA)*;
- b) Section 5 of the *Western Australian Future Health Research and Innovation Fund Act 2012 (FHRIF Act)*; and
- c) Regulation 5 of Financial Management Regulations 2007 (Regulations).

3. Credit Policy and Controls

3.1 The credit risk profile for the Portfolios will be managed in accordance with Regulation 5 of the Regulations, which describes the types of investment assets permissible, identifies allowable issuers and specifies the acceptable minimum credit ratings of those issuers.

High-level details of the credit rating limits for each Portfolio are set out in Annexure A.

3.2 Explicit risk management controls are captured in the Investment Management Agreements for each Portfolio in accordance with clause 4 below.

4. Delegations and Responsibilities

4.1 The Treasurer's investment powers under Part 3 Division 3 of the FMA are delegated to the Under Treasurer.

4.2 Operational management is undertaken on the Under Treasurer's behalf by a designated section of the Department of Treasury (Treasury).

- 4.3 The Deputy Under Treasurer is responsible for approving the Investment Management Agreements for the Portfolios, which includes setting:
- Operational investment parameters with appropriate risk management controls; and
 - Benchmarks against which the performance of investment activity is to be measured.
- 4.4 Western Australian Treasury Corporation (WATC) is responsible for investment management of the Portfolios in accordance with:
- a) This Policy;
 - b) The Service Level Agreement between WATC and Treasury; and
 - c) The Investment Management Agreements for the two Portfolios.

5. Investment Objectives and Strategic Asset Allocation

- 5.1 The investment objectives for the two Portfolios, together with the target strategic asset allocation for the FHRIF Portfolio, are set out in Annexure A and detailed in the respective Investment Management Agreements.

The strategic asset allocation targets for the FHRIF Portfolio will be adjusted over time as the Portfolio is transitioned away from government bonds to corporate debt securities.

- 5.2 From time-to-time, the Under Treasurer may recommend revised investment objectives and / or strategic asset allocations for approval by the Treasurer and inclusion in this Policy.
- 5.3 In determining the investment objectives and strategic asset allocation the Under Treasurer will consider the following factors as a minimum:
- a) Nature and timing of the Portfolio's cash outflows;
 - b) Risk of capital or income loss;
 - c) Expected investment returns net of costs;
 - d) Asset diversification;
 - e) Liquidity, and
 - f) Reputational risk to the Government of Western Australia.
- 5.4 The Under Treasurer will provide the necessary information to support any such recommendations and the Treasurer will notify the Under Treasurer of any area(s) of concern.

6. Sale of Assets

- 6.1 In order to achieve the investment objectives, the Portfolios will be managed in accordance with a passive investing approach.
- 6.2 Assets may be sold in order to satisfy cash-flow requirements, achieve investment objectives and asset allocations of the Portfolios or to manage the risk of the Portfolios, which may result in a financial gain or loss.

7. Reporting

Treasury will report to the general public, each quarter, on the composition of the Portfolios.

8. Review

- 8.1 At least every three years, the Under Treasurer will review this Policy and recommend any appropriate changes.
- 8.2 It is an expectation that the Investment Management Agreements for each Portfolio will be reviewed at least annually.

9. Effective Date

This Policy will be effective from the date of approval by the Treasurer.

Annexure A: Investment Objectives and Credit Rating Limits

	PBA Main Pool
Primary Objective	To invest the moneys in the PBA so as to preserve capital, and such that the Government's liquidity requirements are met.
Return Objective	To achieve a return appropriate to the term of the investment, being at least the average RBA Target Cash Rate
Credit Rating	<p>Cash and Money Market Instruments (short term investments): Minimum long-term unsecured debt credit rating not lower than BBB- by Standard & Poor's or Fitch Ratings or Baa3 by Moody's Investors Service.</p> <p>Debt Securities (longer term investments): Minimum long-term unsecured debt credit rating of not lower than A+ by Standard & Poor's or Fitch Ratings or A1 by Moody's Investors Service</p>
	Portfolio Structure (by Term to maturity at date of purchase)
Short-Term Reserve	(0 to 1 year)
Long-Term Reserve	(1 to 6 years)

Future Health Research and Innovation Fund	
Primary Objective	To preserve capital and provide a secure source of funding to support qualifying activities under the FHRIF Act.
Return Objective	To track the performance (within an agreed appropriate range) of a composite index comprised of components from the Bloomberg Ausbond Index Family, representative of the forecast portfolio structure over rolling 12-month periods.
Credit Rating	<p>Cash and Money Market Instruments (short term investments): Minimum long-term unsecured debt credit rating not lower than BBB- by Standard & Poor's or Fitch Ratings or Baa3 by Moody's Investors Service.</p> <p>Debt Securities (longer term investments): Minimum long-term unsecured debt credit rating of not lower than BBB by Standard & Poor's or Fitch Ratings or Baa2 by Moody's Investors Service.</p>
Target Strategic Asset Allocation¹ (% by Market Value)	
Debt Securities: Floating Rate Notes	20
Debt Securities: Fixed Rate Bonds	80

¹ The ability to achieve the Target Strategic Asset Allocation for the FHRIF Portfolio may be constrained by the maturity profile of the legacy government bonds held. Accordingly, whilst the Portfolio is transitioning to corporate debt securities the actual Asset Allocation may vary from the Target Strategic Asset Allocation.