



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

Public Bank Account Investment Policy

November 2018



Contents

Public Bank Account Investment Policy.....	1
1. Scope	1
2. Legislative Requirements.....	1
3. Delegation of Authority.....	1
3.1. Under Treasurer, Treasury	1
3.2. Deputy Under Treasurer, Treasury	1
4. Investment Objectives.....	2
5. Return Objectives	2
6. Authorised Investments	2
7. Risk Management.....	2
8. Reporting.....	2
8.1. Western Australian Treasury Corporation	2
8.2. Treasury	2
9. Review.....	3
10. Approval.....	3

Public Bank Account Investment Policy

1. Scope

This Policy applies to 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 Fund. In this Policy a reference to the PBA includes a reference to the Future Fund unless the Future Fund is specifically excluded within a particular Policy provision.

This Policy should be read in conjunction with the current Future Fund Investment Framework.

2. Legislative Requirements

Investment of moneys in the PBA is conducted under the provisions of Part 3 Division 3 of the *Financial Management Act 2006* (FMA) titled 'Investments', Regulation 5 of Financial Management Regulations 2007 (Regulations), and the *Western Australian Future Fund Act 2012* (FFA).

3. Delegation of Authority

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

3.1. Under Treasurer, Treasury

Operational management is undertaken, on the Under Treasurer's behalf, by the Financial Policy and Operations Directorate of the Department of Treasury (Treasury).

Management of the investment of the PBA is undertaken by the Western Australian Treasury Corporation (WATC) under a Service Level Agreement between WATC and Treasury.

3.2. Deputy Under Treasurer, Treasury

The Deputy Under Treasurer, Treasury has authority to approve changes to the investment parameters for the portfolio including:

- appropriate benchmarks and risk management controls against which the performance of investment activity under this Policy is to be measured;
- the methodology to be used for the measurement of investment performance; and
- investment limits for individual asset types.

4. Investment Objectives

The PBA investment objectives are:

- To invest the moneys in the PBA, other than those to the account of the Future Fund (see below), such that the government's liquidity requirements are met and invested funds earn a rate of return commensurate with the approved risk profile; and
- To invest the moneys in the Future Fund and earn a rate of return commensurate with the approved risk profile in order to achieve the purpose as set out in the *Future Fund Act 2012*.

5. Return Objectives

The PBA return objectives are:

- To achieve a return equal to or above the Reserve Bank of Australia's cash rate for the equivalent period on moneys invested for the PBA, other than those to the account of the Future Fund, which is commensurate with the risk profile as set out within the legislative and Policy framework governing the investment of the Public Bank Account; and
- To achieve a return on moneys invested for the Future Fund above the WATC's marginal cost of funds calculated over rolling five-year periods while remaining within the risk objective of the Fund (i.e. that the Fund does not have a negative return (measured on a historical yield basis) in any five-year rolling period).

6. Authorised Investments

Investments are limited to those allowable under Regulation 5 of the Regulations and the FFA.

7. Risk Management

Investments must be made in accordance with the Public Bank Account Credit Policy (Credit Policy).

8. Reporting

8.1. Western Australian Treasury Corporation

WATC will prepare such reports and conduct reviews as specified in the Public Bank Account Service Level Agreement and Credit Policy or as agreed with Treasury from time to time.

8.2. Treasury

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

9. Review

The Borrowings & Investment Sub-Committee (BISC) is chaired by the Director of Financial Policy and Operations, Treasury and directed by the Public Sector Financial Management Committee (PSFMC). The role of the BISC is to guide the operational management of investments under this Policy and review and recommend changes to ensure the PBA meets the Investment Objectives.

The BISC will conduct an annual review of this Policy and the investment operations conducted under this Policy and prepare a report for the Deputy Under Treasurer, through the PSFMC, recommending changes, if required.

10. Approval

Changes to this Policy must be approved by the Treasurer.