

MINUTES  
Washington State University Board of Regents  
January 23, 2026

The Board of Regents of Washington State University (WSU or University) met pursuant to call on the WSU Spokane campus, Nursing Building, Room 205, Spokane, Washington.

**I. OPENING AND ROLL CALL**

Chair Jenette Ramos called the meeting of the Board of Regents to order at 9:17 a.m.

Regents present included Chair Jenette Ramos, Brett Blankenship, Enrique Cerna, Amina Hussein, Tracy Klein, Doug Picha, Sam Hunt. President Elizabeth Cantwell was also present.

Regents Lisa Keohokalole Schauer and Howard Wright were not in attendance.

A quorum was declared.

**II. PUBLIC COMMENT PERIOD**

The Board of Regents heard from those who requested to provide public comment to the Board:

- WSU student John Conlan, fossil fuel divestment

**III. REPORTS FROM LEADERSHIP**

**A. Report from the Chair, Board of Regents**

Chair Ramos reported on Regents' activities and engagement across the WSU system, including participation in commencement ceremonies, athletic events, alumni gatherings, legislative engagement, and university-wide initiatives.

It was moved and seconded that the Board of Regents adopted Resolution 260123-745, commending Professor Judi McDonald for her exemplary service and dedication to Washington State University serving as the first faculty regent. Carried.

**B. Report from the President, WSU System**

President Elizabeth Cantwell provided updates on ongoing efforts in academic success, financial and operational improvements, athletics, external affairs, and research, noting both immediate initiatives and longer-term system design work. The university is advancing multiple priorities simultaneously, celebrating significant achievements while managing substantial challenges and workload demands.

### **C. WSU Everett Campus Update**

Chancellor Paul Pitre provided an update on the WSU Everett campus, highlighting strengthened STEM retention, expanded industry partnerships, the launch of an AI cluster providing student access to emerging technologies, as well as new academic programs, increased fundraising, and deeper regional engagement.

### **IV. REPORTS FROM SHARED GOVERNANCE GROUPS**

The following shared governance representatives provided an update on their respective areas:

- Associated Students of WSU Everett President Jessie Southam and Vice President Rafia Shakil
- Faculty Senate Chair Ken Roberts
- Administrative Professional Advisory Council President Amy Robbins
- Graduate and Professional Student Association President Desmond Aboagye
- WSU Advancement
  - WSU Alumni Association President Tracey Kohler
  - Vice President for Advancement and CEO Mike Connell

### **V. CONSENT AGENDA**

Chair Ramos reported that there was one item on the consent agenda, the November 14, 2025, Board of Regents meeting minutes.

Chair Ramos asked if any Regent wished to remove any item from the consent agenda to be discussed and considered separately. Hearing no requests, it was moved and seconded that the consent agenda be approved as submitted. Carried.

### **VI. EXECUTIVE AND GOVERNANCE COMMITTEE REPORT**

Chair Ramos reported that the committee reviewed and discussed one information item, the revised 2026 meeting schedule. Chair Ramos further reported that the board reviewed one future action item, the Board of Regents elections of officers, which the Board will take action on at their May 7, 2025, meeting.

Chair Ramos further reported that the Board reviewed one action item, the Board of Regents 2027 meeting schedule, and submitted the following for Board consideration.

#### **Board of Regents 2027 Meeting Schedule**

It was moved and seconded that the Board of Regents approve the schedule for the 2027 Board of Regents meetings; and delegate authority to the President of the University or her designee to select and designate appropriate meeting places, establish meeting times, establish agendas and prepare agenda items, dispatch all official notices to meet the state Open Public Meetings Act or other notice requirements, publish minutes and maintain records of meetings, and take other necessary action as required for the orderly conduct of Board meetings. Carried (Resolution 260123-747).

## **VII. STRATEGIC AND OPERATIONAL EXCELLENCE COMMITTEE REPORT**

Committee Chair Regent Cerna reported that the committee reviewed and discussed two information items:

- Chief Compliance and Risk Officer Update presented by Chief Compliance and Risk Officer Sharyl Kammerzell,
- WSU Strategic Pillars – KPI Update presented by President Cantwell.

## **VIII. ACADEMIC AND STUDENT AFFAIRS COMMITTEE REPORT**

Committee Chair Regent Picha reported that the committee reviewed and discussed three information items:

- WSU Spokane Update – Health Sciences presented by Provost and Executive Vice President Chris Riley-Tillman, Elson S. Floyd College of Medicine Dean James Record, College of Pharmacy and Pharmaceutical Sciences Interim Dean Julie Akers;
- Mission Moment: College of Education, Sport, and Human Sciences presented by Dean Karen Thomas-Brown;
- WSU System Enrollment Update – Recruitment Spotlight presented by Vice Provost for Enrollment Management Saichi Oba; Associate Vice Provost for New Student Enrollment Michelle Lewis; College of Agricultural, Human, and Natural Resource Sciences (CAHNRS) Director of Recruitment and Retention Miquel Inzunza; and Associate Dean of CAHNRS Student Success and Academic Programs Nancy Deringer.

Regent Picha further reported that the committee reviewed three action items and submitted the following for Board consideration:

### **Northwest Commission on Colleges and Universities (NWCCU) Revised Year Six Accreditation Report**

It was moved and seconded that the Board of Regents approve the revised Year Six Accreditation Report. Carried.

### **Discontinue the Bachelor of Fine Arts in Art at WSU Tri-Cities**

It was moved and seconded that the Board of Regents discontinue the Bachelor of Fine Arts in Art on the WSU Tri-Cities campus. Carried.

### **Discontinue the Bachelor of Arts in Hospitality Business Management at WSU Tri-Cities**

It was moved and seconded that the Board of Regents discontinue the Bachelor of Arts in Hospitality Business Management degree on the WSU Tri-Cities campus. Carried.

## **IX. FINANCE AND ADMINISTRATION COMMITTEE REPORT**

Reporting for Committee Chair Regent Wright, Regent Klein reported that the committee reviewed and discussed four information items:

- Internal Audit Update presented by Chief Audit Executive Heather Lopez;
- FY25 Annual Financial Report, Trends, and Debt Report presented by Executive Vice President for Finance and Operations and Chief Financial Officer Leslie Brunell, Vice President of Finance and Business Services Matt Skinner, Executive Director and Controller Angie Dobbins, and Edie Bailly external auditor Kristin Diggs;
- FY26 Budget Execution and FY27 Budget Development – Government Relations and Research – State and Federal Budget Update presented by Vice President for External Affairs and Government Relations Glynda Becker-Fenter and Vice President for Research Kim Christen;
- Financial Education – Cougar Athletics – Name, Image, and Likeness – presented by Brunelli, Interim Director of Athletics Jon Haarlow, Executive Senior Associate Director of Athletics and Chief Revenue Officer Brad Hutchins, and Deputy Director of Athletics Brad Corbin.

Regent Klein further reported that the Board reviewed and discussed 12 future action items:

1. Academic Year 2026–2027 Tuition Rates for Professional Programs presented by Brunelli, Skinner, and Riley-Tillman;
2. WSU Pullman – Housing and Dining Rates for Academic Year 2026–2027 presented by Brunelli, Riley-Tillman, and Vice Provost for Student Affairs Romando Nash;
3. Services and Activities Fee Rate Changes for Academic Year 2026-2027 presented by Brunelli; Riley, and Nash;
4. Services and Activities Fees Committee Allocations for Summer 2026 and Academic Year 2026-2027 presented by Brunelli; Riley, and Nash;
5. WSU Pullman, Chinook Student Center Mandatory Student Fee Rate Change presented by Brunelli, Riley-Tillman, Nash, and Associate Vice Chancellor for Facilities and Operations and Dining and Housing Sean Greene;

6. WSU Pullman, Compton Union Building Mandatory Student Fee Rate Change presented by Brunelli, Riley-Tillman, Nash, and Greene;
7. WSU Pullman, Proposed Student Recreation Center Mandatory Student Fee Rate Change presented by Brunelli, Riley-Tillman, Nash, and Greene;
8. WSU Pullman, Proposed Cougar Health Services Mandatory Fee Rate Change presented by Brunelli, Riley-Tillman, Nash, and Greene;
9. WSU Pullman, Undergraduate Technology Fee Committee Allocations for Fiscal Year 2027 presented by Brunelli and Riley-Tillman;
10. WSU Vancouver, Technology Fee Committee Allocations for Fiscal Year 2027 presented by Brunelli and Interim Chancellor for WSU Vancouver Sandra Haynes;
11. WSU Wenatchee Tree Fruit Research and Extension Center – Plant Growth Facility Design Approval presented by Brunelli and Associate Vice President for Facilities Services Olivia Yang;
12. WSU Pullman – Voiland College of Engineering and Architecture, Schweitzer Engineering Hall – Increase to Project Budget presented by Brunelli, Yang, and Riley-Tillman.

Regent Klein further reported that the committee reviewed one action item and submitted the following for Board consideration:

**WSU Investment Policy**

Chair Ramos noted for the record that it was decided that this item would be presented as an Action Item rather than a Future Action Item in accordance with the Board of Regents Bylaw II.12.c.

It was moved and seconded that the Board of Regents approve the WSU Investment Policy as a new policy within the University Policy and Procedures Manual and delegate authority to the President or her designee to approve changes to the policy, except for material changes including changes to investment strategy, performance standards, policy objectives, or policy scope. Carried. (Exhibit A)

**X. OTHER BUSINESS**

On January 22, 2026, the Regents met in executive session to discuss with legal counsel litigation or potential litigation and to review the performance of a public employee, pursuant to RCW 42.30.110. No action resulted from those discussions.

**XI. ADJOURN**

Hearing no further business, Chair Ramos adjourned the meeting at 12:14 p.m.

Approved by the Board of Regents at its meeting held on March 6, 2026.

*Signed Copies Available in the Office of the President*

# University Investment Policy

UPPM 30.77

For more information contact:

Finance and Operations

509-335-5524 / [VPFA@wsu.edu](mailto:VPFA@wsu.edu)

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**Draft #1**

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## 1.0 Overview and Purpose

This policy provides the objectives, guidelines, and structure for investment activities carried out for WSU by the Office of the Executive Vice President for Finance and Operations. All investment activities are guided by WSU's [mission](#) as a public land-grant research university.

### 1.1 Purpose

The purpose of this investment policy is to set forth investment and operational guidelines to ensure:

- The prudent management of WSU's financial assets;
- The availability of operating and capital funds when needed;
- Conformance with state statutes and policies governing the investment of WSU's financial assets; and
- Earning a market rate of investment income through budgetary and economic cycles.

**Note:** If bond covenants are more restrictive than this policy, funds must be invested in full compliance with those restrictions.

### 1.2 Objectives

The objectives of the Office of the Executive Vice President for Finance and Operations' investment activities are, in priority order, safety, liquidity, and investment income.

#### 1.2.a Safety

Safety of principal is the foremost objective of the investment program. Investing is undertaken in a manner that seeks to ensure the preservation of capital in the investment portfolios. To achieve this objective, diversification is required so that losses on individual securities do not exceed the income generated from the remainder of an investment portfolio.

#### 1.2.b Liquidity

Portfolios are to remain sufficiently liquid to enable designated staff to meet all reasonably anticipated cash requirements.

#### 1.2.c Investment Income

Each investment portfolio must be designed with the objective of attaining a market rate of investment income through budgetary and economic cycles, considering WSU's

statutory investment constraints and cash flow characteristics. Investment income is of tertiary importance compared to the safety and liquidity objectives described in Sections [1.2.a](#) and [1.2.b](#). The core of investments is limited to relatively low risk securities in anticipation of earning a market rate of investment income relative to the risk being assumed.

## **2.0 Applicability**

This investment policy applies to all financial assets of WSU excluding permanent endowment assets invested by the Washington State Investment Board. The scope of this policy does not include the University endowments and quasi-endowments that are managed through a Memorandum of Understanding with the WSU Foundation.

As of the date of the adoption of this policy, the financial assets of WSU include the following portfolios:

### **2.1 Operating Portfolio**

These are the operating reserves of WSU and are budgeted to designated areas of WSU. In the absence of external restrictions and internal preferences, all University cash is pooled and invested in the University's operating portfolio. The management of these funds on a pooled basis permits greater investment flexibility and provides a larger base from which to meet liquidity demands. All liquidity needs of WSU are met from these funds.

### **2.2 Dedicated Portfolios**

These represent proceeds of bond issues or appropriations for specific purposes that are invested on a short-term basis until needed to fund specific construction projects. Bond proceeds may be invested in one or more dedicated portfolios or in the operating portfolio, depending on market conditions, and accounted for individually within WSU's accounting system.

### **2.3 Expendable Gifts Funds**

These are gifts of cash donated to WSU to support scholarships, academic, research, or capital programs that are available for immediate expenditure. Expendable gift funds include current-use gifts and distributions from endowment. Some may be restricted to a specific purpose, whereas others may be entirely unrestricted.

### **2.4 Endowment and Quasi-Endowment Funds**

Included in WSU's financial assets are endowment and quasi-endowment funds. These funds fall under the management guidelines of the Uniform Prudent Management of Institutional Funds Act ([RCW 24.55](#)). Under a Memorandum of Understanding between

WSU and the WSU Foundation, the WSU Foundation and its Investment Committee have responsibility for the management of these funds.

The WSU Foundation Investment Committee has a separate investment policy for the management of endowment and quasi-endowment funds.

See also UPPM [30.78](#) and [30.82](#).

### 3.0 Definitions

The following terms are defined as they apply to this policy:

- **Benchmark:** A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent the persistent and prominent characteristics of a portfolio, taking into account metrics such as duration, investment type, and asset allocation.
- **Book Value:** The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.
- **Broker:** A broker facilitates security trades on behalf of investors (see Dealer).
- **Bullet:** A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.
- **Callable Bond:** A bond issue in which all or part of its outstanding principal amount may be redeemed prior to maturity by the issuer under specified conditions.
- **Commercial paper** is a short-term, unsecured debt instrument issued by corporations typically for the financing of short-term liabilities.
- **Corporate notes** are defined as debt securities issued by corporations. Corporate notes are issued for the purpose of funding capital improvements, expansions, acquisitions, or debt refinancing.
- **Credit ratings** are indications of the likelihood of repayment in accordance with the terms of the issuance of the investment instrument. This policy utilizes Moody's Investor Services, S&P, and Fitch as its major credit rating agencies.
- **Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account (see Broker).
- **Delivery versus Payment:** A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or their custodian.
- **Derivatives** are financial contracts, set between two or more parties, that derive their value from an underlying asset, group of assets, or benchmark. A derivative

can trade on an exchange or over-the-counter. Prices for derivatives originate from fluctuations in the underlying asset.

- **Diversification** is the act or practice of investing in a variety of investment instruments, so that a failure in or an economic slump affecting one of them is not disastrous to the University.
- **Duration:** A measure of timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed income security. This calculation is based on three variables; term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
- **Financial leverage** is the use of borrowed money (debt) to finance the purchase of assets with the expectation that the income or capital gain from each new asset is to exceed the cost of borrowing.
- **Investment grades** are credit ratings that imply a default risk (e.g., AAA, A, BBB). The AAA rating is associated with the lowest expected default risk.
- **Liquidity** is the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price.
- **Market Value:** The current market price of a security.
- **Maturity:** The date on which payment of a financial obligation is due.
- **Securities** are defined as financial instruments that hold value and can be traded between parties. "Securities" is a catch-all term for stocks, bonds, mutual funds, exchange-traded funds or other types of investments that may be bought or sold.
- **Weighted Average Life (WAL):** The average number of years that each dollar of unpaid principal due on loan, asset backed, or mortgage backed securities remain outstanding. WAL sets forth how many years it will take to pay half of the outstanding principal.
- **Weighted Average Maturity (WAM):** The average maturity of all securities that comprise a portfolio weighted by individual securities.
- **Yankee bonds** are debt obligations denominated in U.S. dollars that are publicly issued in the U.S. by foreign banks and corporations, and sometimes even governments. Yankee bonds are subject to U.S. securities laws, as they trade on U.S. exchanges.

## 4.0 Roles and Responsibilities

### 4.1 Board of Regents

The eleven-member Board of Regents provides the governing authority to WSU. Appointed by the Governor of Washington and confirmed by the State Senate, the regents supervise, coordinate, manage, and regulate the WSU system as provided by state statute. The regents delegate authority to the WSU President or designee to act

on their behalf in matters relating to the administration and governance of the University. (See *Board of Regents Policy Manual* [BOR2](#), [Appendix 6](#).)

## 4.2 Office of the Executive Vice President for Finance and Operations

The Office of the Executive Vice President for Finance and Operations is responsible for implementing this policy and may retain external investment managers to provide day-to-day portfolio management of the public funds. External investment managers are selected based on their experience in:

- Public funds management;
- Adequacy of staff;
- Compatibility of investment philosophy with that of WSU;
- Trading expertise;
- Past investment results; and
- Ability to provide competent and timely economic assessments and investment advice.

Investment managers must be registered with the Securities and Exchange Commission (SEC) as registered investment advisers, unless specifically excluded from registration (e.g., banks).

### 4.2.a State Treasurer's Statewide Custody Program

WSU participates in the Office of State Treasurer's [Statewide Custody Program](#) for safekeeping of investments to protect against the loss of public funds arising from negligence, theft, or misuse. Custodial services include:

- Safekeeping of securities;
- Timely collection of income and other inflows;
- Timely settlement of purchases and sales;
- Disbursements as directed by authorized WSU staff; and
- Monthly accounting of all transactions and security holdings.

Securities purchased by the University are settled on a delivery versus payment basis.

### 4.2.b Treasury Services

The Office of the Executive Vice President for Finance and Operations Treasury Services is responsible for:

- Maintaining adequate cash balances in WSU's main checking accounts; and

- Transferring cash more than immediate needs to the appropriate external investment portfolios.

Treasury Services staff coordinate additions to and withdrawals from investment portfolios with the external investment managers and the asset custodian. Authority for requesting portfolio withdrawals is delegated to the director of Treasury Services or their designee.

### **4.3 WSU Investment Advisory Committee**

This policy establishes a WSU Investment Advisory Committee to provide oversight for the investment program and monitor performance of the University's investments governed by this policy. The committee's membership includes:

- Vice President for Finance and Business Services/Deputy CFO;
- Director of Treasury Services; and
- University Controller or their designee.

The committee meets at least quarterly to review the investment program's performance and compliance with policies and applicable statutes. The committee also reviews this policy at least annually and recommends any revisions to the Executive Vice President for Finance and Operations (See Section 5.11).

### **4.4 Authorized Investment Advisors/Managers**

WSU may enter into agreements with investment advisors for investment management/advisory services. Each investment advisor must be registered with the SEC under the Investment Advisers Act of 1940 ([17 CFR 275](#)). On an annual basis, investment advisors must submit SEC [Form ADV Part 1 and Form ADV Part 2A](#) to WSU.

Each respective investment advisor/manager must select authorized brokers/dealers in a prudent manner and provide a list to WSU on request, but no less than annually. Broker-dealer firms must be members of the Financial Industry Regulatory Authority (FINRA) (See UPPM 30.50 Section 5.1.)

## **5.0 Requirements**

### **5.1 Standards of Care**

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, designated staff and external investment managers involved in the management of the investment program must act with care, skill, caution, and diligence to safeguard the principal and maintain the liquidity needs of the University. This is done by factoring circumstances such as:

- General economic conditions; and
- Anticipated needs of the University.

Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by statute and policy. This standard of practice is also referred to as the "prudent investor rule."

The "prudent investor" standard of practice must be:

- Used by designated staff and/or external investment managers; and
- Applied in the context of managing an overall portfolio under prevailing economic conditions at the moment of investment commitments.

Designated staff and external investment managers acting in accordance with written procedures and the investment policy and exercising due diligence must also:

- Report deviations from expectations in a timely fashion; and
- Take appropriate action to control adverse developments.

The determination of whether a designated staff member or external investment manager has exercised prudence with respect to an investment decision must take into consideration:

- The prudence of the investment of all funds over which the official had responsibility, rather than a single investment; and,
- Whether the investment decision was consistent with this policy.

## **5.2 Ethics, Conflict of Interest, and Code of Conduct**

### **5.2.a Public Review and Evaluation**

The Office of the Executive Vice President for Finance and Operations recognizes that the investment portfolios are subject to public review and evaluation. The overall program is to be designed and managed with a degree of professionalism that is worthy of the public trust.

### **5.2.b Conflicts of Interest & Gifts**

It is expected that WSU officers and staff involved in the investment process conduct themselves in accordance with state and federal laws and regulations, as well as University policies regarding ethics and conflicts of interest.

WSU officers and staff must refrain from personal business activity that may conflict with the proper execution of the investment program or may impair their ability to make

impartial investment decisions. In the event of a conflict or potential conflict, individuals must properly disclose the issue to the Executive Vice President for Finance and Operations and may be required to recuse themselves from participation. (See UPPM 30.53 and 10.67).

Individuals responsible for the management of WSU's investment portfolios must not accept gifts or gratuities from any advisor, broker, dealer, banker, in excess of the limits established by state statute and university policy.

### **5.2.c Code of Conduct**

All individuals responsible for investment decisions or who are involved in the management of WSU assets are governed in their professional investment activities by the:

- Code of conduct established by the applicable state statutes;
- SEC [Investment Advisor Codes of Ethics](#); and
- [Standards of Professional Conduct](#) of the CFA (Chartered Financial Analyst) Institute.

### **5.3 Authorized Investments**

For the purpose of this policy, the major investment rating agencies are:

- Moody's Investor Services;
- Standard & Poor's (S&P); and
- Fitch IBCA.

#### **5.3.a Operating Portfolio/Dedicated Bond Portfolios**

Eligible investments are only those securities and deposits authorized for public funds in the state of Washington, as prescribed in [RCW 39.58.130](#), [RCW 43.84.080](#), [RCW 43.250](#), and [RCW 28B.10.928](#). Eligible investments include:

- Without limit, obligations of the U.S. government. ([RCW 43.84.080](#), [RCW 28B.10.928](#))
- Obligations of the United States or its agencies, or of any corporation wholly owned by the U.S. government, including agency Mortgage-Backed Securities. (RCW 43,84.080, [RCW 28B.10.928](#))
- State, county, municipal, or school district bonds, notes, or warrants of taxing districts of the state of Washington, provided they are within the limit of

indebtedness prescribed by law for the issuing taxing district and are general obligations. ([RCW 43.84.080](#))

- Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system. ([RCW 43.84.080](#), [RCW 28B.10.928](#))
- Banker's acceptances purchased on the secondary market (not directly from issuer). ([RCW 43.84.080](#), [RCW 28B.10.928](#))
- Investment deposits as defined in [RCW 39.58.010 \(9\)](#) with financial institutions qualified by the Washington Public Deposit Protection Commission. ([RCW 39.58.130](#))
- Commercial paper purchased on the secondary market (not directly from issuer), provided that such commercial paper adheres to the investment policies and procedures adopted by the state investment board as outlined in Sections [5.2](#) and [5.4.a.](#) ([RCW 43.84.080](#), [RCW 28B.10.928](#))
- Bonds of the state of Washington and any local government in the state of Washington, provided they have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency. ([RCW 28B.10.928](#))
- General obligation bonds of any state other than the state of Washington and general obligation bonds of any local government of a state other than the state of Washington, which bonds have, at the time of investment, one of the three highest credit ratings from a major rating agency. ([RCW 43.84.080](#), [RCW 28B.10.928](#))
- Corporate notes purchased on the secondary market (not directly from issuer), if they adhere to the investment policies and procedures adopted by the state investment board as outlined in [Section 5.4.b.](#) ([RCW 43.84.080](#), [RCW 28B.10.928](#))
- Office of State Treasurer Local Government Investment Pool (LGIP). ([RCW 43.250.040](#))
- Office of State Treasurer Separately Managed Account (SMA) .([RCW 43.250.040](#))
- Registered warrants of a local government in Whitman County, subject to compliance with [RCW 39.56.030](#). ([RCW 28B.10.928](#))
- U.S. dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the U.S. government as its largest shareholder. ([RCW 28B.10.928](#))

- Repurchase agreements and reverse repurchase agreements, subject to the guidelines outlined in [Section 5.4.e](#).

### 5.3.b Expendable Gift Funds

Management and investment of donated/gift funds are prescribed in the following statutes: [RCW 28B.30.150](#) and [RCW 24.55.015](#).

- The Board of Regents of WSU have the authority to accept gifts and to adopt proper rules to govern and protect the gift proceeds and income thereon. ([RCW 28B.30.150 \(24\)](#))
- An institution may invest in any kind of property or type of investment consistent with state standards of conduct regarding managing and investing institutional funds. ([RCW 24.00.015 \(c\)](#))

## 5.4 Investment Parameters

### 5.4.a Diversification

To mitigate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or security class, investments must be diversified. In establishing specific diversification parameters, the following constraints apply to the operating and dedicated portfolios. All constraints must be considered at the time of purchases, unless otherwise stipulated by state statute.

Table 1

Authorized Investments	Maximum Holdings	Issuer Constraint	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 years	N/A
U.S. Agency Obligations	90%	35%	5 years	N/A
Agency Mortgage Backed Securities	30%	N/A	N/A	N/A
Washington State LGIP	100%	N/A	N/A	N/A
Washington State SMA	90%	N/A	N/A	N/A
Supranational Obligations	20%	10%	5 years	N/A
Corporate Notes	25%	3%* for Double A 2% for Single A	5.5 years	A-/A3
Commercial Paper		3%*	270 days	A1/P1
Municipal Bonds within the state of Washington	20%	5%	5 years	N/A
Municipal Bonds outside the state of Washington	10%	3%	5 years	One of the three highest ratings from a NRSRO
Registered Warrants	10%	3%	5 years	N/A
Banker's Acceptances	5%	N/A	180 days	N/A
Bank Time Deposits	20%	10%	N/A	N/A

Repurchase Agreements	10%	5%	90 days	N/A
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*\*Issuer constraints apply to the combined issues in corporate and commercial paper positions*

WSU commercial paper and corporate note investments abide by Washington State Investment Board (WSIB) policy 2.05.500 (Commercial Paper and Corporate Notes Investment Policy for the State Treasurer, Local Governments, and Higher Education Institutions).

**Note:** The following 5.4 subsections reference the WSIB 2.05.500 version with an effective date of September 21, 2023. See [WSIB policies](#) for possible updates to WSIB 2.05.500.

#### 5.4.b Commercial Paper

Commercial paper is subject to the following guidelines, in accordance with [WSIB 2.05.500](#):

- Commercial paper must be rated with the highest short-term credit rating category of any two of the three major rating agencies at the time of purchase. If the commercial paper is rated by more than two major rating agencies, it must have the highest rating from all of them.
- Commercial paper holdings may not have maturities exceeding 270 days.
- Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long term senior unsecured credit rating in one of the three highest rating categories of the major rating agencies.
- The maximum percentage of commercial paper that may be purchased from any single issuer is three percent of the market value of the total portfolio.
- Commercial paper must be purchased in the secondary market and not directly from the issuers.

#### 5.4.c Corporate Notes

Investment in corporate notes are subject to the following guidelines, in accordance with [WSIB 2.05.500](#):

- Corporate notes are defined as debt securities issued by corporations.
- Corporate notes must be rated at least the lowest tier of the single-A rating or better by all the major rating agencies that rate the note at the time of purchase for inclusion in the corporate notes portfolio.
- Corporate notes must meet the following maturity and duration limits:
  - The maturity of the corporate notes are 5.5 years or less at the time of purchase.

- The maximum duration contribution of the corporate notes portfolio to the overall portfolio does not exceed three years.
- No corporate fixed-income issuer may exceed three percent of the total portfolio's market value (corporate notes and commercial paper combined).
- The maximum percentage of corporate notes that may be purchased from any single issuer rated AA (AA+ to AA-) or better by all major rating agencies that rate the note is three percent of the market value of the total portfolio.
- The maximum percentage of corporate notes that may be purchased from any single issuer rated in the single-A category (A+ to A-) by all the major rating agencies that rate the security is two percent of the market value of the total portfolio.
- Corporate notes must be purchased on the secondary market and not directly from the issuers.

#### **5.4.d Securities**

Securities rated in the single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes downgraded to below single A and portfolio holdings of securities rated single A with their outlooks changed to negative may continue to be held, however no additional purchases are permitted.

#### **5.4.e Credit Portfolio**

The commercial paper and corporate notes together are known as the credit portfolio (within the total portfolio). The credit portfolio is subject to the following guidelines, in accordance with [WSIB 2.05.500](#):

- The credit portfolio must not exceed 25 percent by market value of all assets of the total portfolio.
- The credit portfolio must be diversified by sector and industry.
- Portfolio managers must routinely monitor the ratings and credit quality of the issuers of the commercial paper and corporate notes that they are purchasing. Appropriate personnel should be notified of any credit rating downgrades of issuers of any commercial paper and corporate notes in their portfolios.
- Credit risk, interest rate risk, and reinvestment risk must all be managed.

#### **5.4.f Total Portfolio**

The total portfolio, which includes all money market and fixed income securities in the portfolio, is subject to the following guidelines, in accordance with [WSIB 2.05.500](#):

- The following are not permissible investments:
  - Securities issued in currencies other than the U.S. dollar.

- Derivatives.
- Loans.
- No single credit issuer may exceed three percent of the total portfolio's market value (corporate notes and commercial paper combined).
- The individual country limit of non-US and non-Canadian exposure is two percent of the market value of the total portfolio. The exposure is determined by the country of domicile of the issuers of the securities.
- Repurchase and reverse repurchase agreements are subject to the following restrictions:
  - Transactions are conducted only with primary dealers, the University's bank of record, or University custodial bank.
  - Purchased securities used in repurchase agreements are limited to government securities.
  - Agreements with any single primary dealer or financial institution must not exceed 20 percent of the portfolio.
  - The maximum term of any repurchase agreement is 180 days.
  - The share of the portfolio allocated to repurchase agreements with maturities beyond 30 days must not exceed 30 percent of the total portfolio.
  - The maximum term of reverse repurchase agreements is 180 days and must be matched to anticipated cash flow adequate to liquidate the transaction.
  - The maximum portion of the portfolio allocated to reverse repurchase agreements must not exceed 30 percent of the total portfolio.
  - Only securities authorized in statute for the investment of public funds may be accepted as collateral.
  - Market value, plus accrued income, of securities used as collateral in a repurchase agreement must be at least 102 percent of the value of the agreement, plus accrued income.

#### **5.4.g Calculation Parameters**

Calculations of percentage allocations are done at the time of purchase and formulated on book value, except for corporate notes and commercial paper which are formulated on market value. Weighted average maturity is calculated using a security's stated final maturity and using the settlement date.

#### **5.4.h Maturity Parameters**

The operating investment portfolio must abide by the following maturity parameters:

- Effective duration no greater than three years
- Maturity parameters are considered at time of purchase

#### **5.4.i Investment Transaction Parameters**

Where possible, investment transactions must obtain multiple competitive offers/bids prior to execution.

#### **5.4.j Prohibited Investments**

Prohibited investments are all those not otherwise authorized by state statute, State Investment Board policy, or this investment policy.

### **5.5 Internal Controls**

The Office of Finance and Operations maintains internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls include:

- Use of third-party custody and safekeeping.
- Clear and written delegation of investment authority.
- Avoidance of physical delivery of securities.
- Written confirmation of transactions for investments and wire transfers.
- Written wire transfer agreement with third-party custodian.
- Audit of the custodian account, investment transactions, and records by WSU's external independent auditors the WSU Office of Internal Audit, or the Washington State Auditor's Office (SAO).

### **5.6 Investment Objectives and Performance Standards**

Investment portfolios are managed in accordance with the parameters specified within this policy. Investment portfolios are designed to obtain a market rate of investment income throughout budgetary and economic cycles, consistent with the investment objectives and cash flow needs.

A series of appropriate benchmarks must be established against which performance is compared on a regular basis. The benchmark is reflective of the actual securities being purchased and the risks undertaken. The benchmarks have similar weighted average maturities or durations (as appropriate) as the portfolio being measured.

#### **5.6.a Operating Portfolio**

**5.6.a.i Objective**

The primary investment objectives of this portfolio are preservation of principal and liquidity; income is a secondary objective.

**5.6.a.ii Risk Tolerance**

Realized losses are not desirable but may be tolerated if the losses are part of the strategy to produce higher income overall in the portfolio. Financial leverage is not permitted. Because of the short investment horizon, exposure to interest rate risk and purchasing power risk must be limited.

**5.6.b Dedicated Portfolio****5.6.b.i Objective**

The primary investment objective of this type of portfolio is preservation of principal and sufficient liquidity to meet funding of expenses incurred during the project. Income is a secondary objective. When market conditions permit, the investments are structured to provide a cash match to the anticipated construction spending schedule.

**5.6.b.ii Risk Tolerance**

Some principal volatility is tolerated, but enough of the fund must be invested in nonvolatile, liquid investments to ensure payment for projects when due. Financial risk is not acceptable. To mitigate risk, securities are purchased according to cash outflows and liability needs.

**5.6.c Expendable Gift Funds****5.6.c.i Objective**

The primary investment objective of this type of portfolio is preservation of principal and sufficient liquidity to meet funding of expenses incurred during the project. Income is a secondary objective. Investment income is posted centrally and not to the individual underlying gifts.

**5.6.c.ii Risk Tolerance**

Some volatility of principal is acceptable to obtain additional income. Financial risk is not acceptable, and interest rate risk and purchasing power risk must be minimal, given the investment horizon.

Each investment portfolio is designed to earn a market rate of investment income in relation to prevailing budgetary and economic cycles, while considering investment risk constraints and liquidity needs of the University. Given this strategy, the benchmark for investment considerations must be a benchmark which reflects the prominent and persistent characteristics of the portfolio over time. The benchmark may be adjusted

periodically as material changes take place regarding asset allocation and/or weighted average maturity.

### **5.7 Investment Program Reporting**

Regular reporting must be prepared at least monthly, but no less than quarterly, which provides an analysis of the current holdings, performance, and compliance of the investment program. Investments governed by this policy are additionally accounted for in WSU's annual financial report. Additional reports are provided as requested by the Executive Vice President for Finance and Operations.

### **5.8 Allocation of Investment Income**

WSU allocates investment income on a quarterly basis net of investment management fees. Income is allocated based on the average daily balance of fund balances. Investment income from the LGIP is allocated monthly.

### **5.9 Ongoing Training and Education**

WSU strives for professionalism and accountability in the investment of its funds. To assure the highest possible professional standards, WSU provides opportunities for the personnel involved in the investment function to complete training sufficient to maintain their skills and remain up-to-date on best practices. Applicable training opportunities may include continuing education programs or other training in cash and investment management.

### **5.10 Business Continuity**

Treasury Services maintains a business continuity plan describing WSU's anticipated response to a range of events that could significantly disrupt its business. Because the timing and impact of disasters, emergencies, or other events is unpredictable, flexibility is necessary when responding to actual disruptions as they occur. The goal of the business continuity plan is to prevent lapses in operations or resume operations as quickly and smoothly as possible.

### **5.11 Investment Policy Review and Adoption**

The WSU Investment Advisory Committee reviews this policy at least annually and recommends revisions to the Executive Vice President for Finance and Operations. Annual reviews ensure:

- Consistency with WSU's overall investment objectives; and
- Compliance with applicable laws and best practices.

Revisions to this policy are approved by the Board of Regents pursuant to the Board of Regents' delegations of authority.

## 6.0 References and Resources

The following policies, rules, and regulations apply to this policy:

- Uniform Prudent Management of Institutional Funds Act ([RCW 24.55](#))
- Office of State Treasurer's [Statewide Custody Program](#)
- SEC [Investment Advisor Codes of Ethics](#); and
- [Standards of Professional Conduct](#) of the CFA (Chartered Financial Analyst) Institute.
- Washington State Investment Board (WSIB) policy [2.05.500](#)
- See [Section 5.3.a](#) for links to multiple references regarding operating portfolios and dedicated bond portfolios.