



**OREGON
STATE
TREASURY**

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Owner: *Geoff Nolan: Senior Investment Officer*
Policy Area: *Investments*
References:

INV 404A: Portfolio Guidelines for Oregon Intermediate Term Pool

INTRODUCTION & OVERVIEW

Summary Policy Statement

The Oregon State Treasury ("OST") has, with the advice of OST staff and approval from the Chief Investment Officer, adopted specific rules for investing funds in the Oregon Intermediate Term Pool ("OITP").

Purpose and Goals

The goal of this policy is to set forth the portfolio guidelines for OITP.

Applicability

Classified represented, management service, unclassified executive service

Authority

ORS Chapters 293 and 294.

POLICY PROVISIONS

Policy Statements

I. **Scope**

The rules set forth herein apply to all cash investments made by the OITP.

II. **Investment Guidelines.** OITP will have access to the same investments as the Oregon Public Employees Retirement Fund, as delineated in INV 402.

A. **Eligible Investments.** Investments shall be limited to the following:

1. The Oregon Short Term Fund (OSTF);
2. Obligations issued or guaranteed by the United States (U.S.) Treasury or by U.S. federal agencies and instrumentalities, including inflation-indexed obligations;
3. Non-U.S. Government Securities and their Instrumentalities. Non-U.S. government securities and

Instrumentalities must have minimum long-term ratings of AA-, Aa3 or better at the time of purchase and must be rated by at least two Nationally Recognized Statistical Rating Organizations (NRSROs).

4. Certificates of deposit;
5. Bankers acceptances that are eligible for discount at a U.S. Federal Reserve Bank;
6. Corporate debt obligations (e.g., commercial paper, term debt, etc.);
7. Taxable and non-taxable municipal debt securities issued by U.S. states or local governments and their agencies, authorities and sponsored enterprises;
8. U.S. Agency Mortgage-backed Securities which include pass-through securities (MBS), and Collateralized Mortgage Obligations (CMO);
9. U.S. Agency Commercial Mortgage Backed Securities (ACMBS);
10. Commercial Mortgage-backed Securities (CMBS);
11. Asset-backed securities (ABS);
12. Collateralized Loan obligations (CLO) rated AAA (or equivalent rated by one or more of the NRSOs) at the time of purchase. Securities must be passing deal level collateral quality tests at time of purchase including Weighted Average Rating Factor (WARF), S&P Recovery Rating, and diversity requirements.
13. Repurchase Agreements under the following terms;
 - a. Maximum maturity will be 180 days.
 - b. Counterparties must have a minimum Standard & Poor's or Moody's Investor Services credit rating of "AA" or "Aa2" for maturities one year or longer or "A-1" or "P-1" for maturities less than one year.
 - c. No more than 10% of OITP assets shall be placed with the same counterparty for repurchases.
 - d. Counterparty must be either a Primary Dealer as recognized by the Federal Reserve Bank or the Oregon State Treasury's custodial agent as non-primary dealer counterparty.
 - e. The counterparty must have a signed repurchase agreement.
 - f. Collateral must be delivered to the Oregon State Treasury's account at its custodian or to an account established for the Oregon State Treasury pursuant to the terms of the specific Repurchase Agreement in the name of the Oregon State Treasury.
 - g. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
14. Reverse Repurchase Agreements under the following terms;
 - a. Maximum maturity will be 180 days.
 - b. Counterparties must have a minimum Standard & Poor's or Moody's Investor Services credit rating at least equivalent to "AA" or "Aa2" for maturities one year or longer or "A-1" or "P-1" for maturities less than one year.
 - c. No more than 10% of OITP assets shall be placed with the same counterparty for reverse repurchase agreements.
 - d. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank.
 - e. The counterparty must have a signed reverse repurchase agreement.
 - f. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright.

- g. Securities will be reversed on a fully collateralized basis.
- h. Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.

B. Denomination: All securities will be denominated in U.S. dollars only.

C. Form: All securities will be non-convertible to equity.

D. Risk Parameters:

1. Credit Risk.

- a. Investment Rating. Unless noted otherwise, securities must be rated investment grade or higher by a NRSRO at the time of purchase. When there are multiple ratings for a security, the rating to be used for the purpose of determining eligibility shall be:
 - i. The middle rating when 3 ratings are available
 - ii. The lowest rating when 2 ratings are available
- b. For newly issued securities, and absent assigned ratings, "expected ratings" may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.
- c. The minimum average portfolio credit rating shall be no less than A3 or the equivalent.

2. Diversification.

- a. Assets in the account shall be sufficiently diversified by type and maturity to allow for anticipated withdrawals.
- b. No more than 3% of the par value of portfolio shall be invested in one security. This restriction does not apply to obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
- c. No more than 5% of the par value of portfolio shall be invested in the securities of one issuer. This restriction does not apply to obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
- d. No more than 25% of the portfolio shall be invested in the securities of one sector as defined by the Bloomberg Industry Classification Standard (BICS). This restriction does not apply to obligations issued or guaranteed by the U.S. Treasury or by U.S. agencies. BICS does not provide coverage of the Securitized Products investment universe, and thus for the avoidance of doubt, Securitized Product sectors as defined in Section A of this document will be restricted to the values listed below:
 - i. No more than 25% of the portfolio may be invested in MBS.
 - ii. No more than 25% of the portfolio may be invested in ABS.
 - iii. No more than 15% of the portfolio may be invested in CLO
 - iv. No more than 25% of the portfolio may be invested in ACMBS.
 - v. No more than 25% of the portfolio may be invested in CMBS
 - vi. No more than 50% of the portfolio may be cumulatively invested in MBS,ABS,CLO,ACMBS, and CMBS

3. Interest-rate Risk.

- a. The portfolio duration shall not exceed + 20% of the benchmark index.

- b. The maximum maturity on any allowed investment is constrained as follows:
 - i. The maximum stated maturity should not be greater than 12.25 years from the date of settlement unless otherwise noted.
 - ii. For ABS, MBS, ACMBS, CLO and CMBS, weighted average life will be used to measure maturity limitations.

4. Liquidity: maintain adequate liquidity, to meet any expected redemption requests received prior to the 10-day month end minimum notification period

5. Prohibited Investments.

- a. Non-Agency residential mortgage pools or Non-Agency CMO; and
- b. Collateralized Debt Obligations (CDO);

Exceptions

None.

Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

PROCEDURES and FORMS ADMINISTRATION

Review

Every 2 years.

Feedback

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.

Attachments

No Attachments

Approval Signatures

Step Description	Approver	Date
	Michael Kaplan: Deputy State Treasurer	08/2021

Step Description	Approver	Date
	Rex Kim: Chief Investment Officer	04/2021
	Deena Bothello: General Counsel	04/2021
PolicyStat Admin	Carmen Leiva: Operations Analyst	12/2020
	Geoff Nolan: Senior Investment Officer	12/2020

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