

West Virginia Board of Treasury Investments

Outside Service Providers Qualifications and Principal Duties Policy

PURPOSE

To carry out its mandate, the Board of Treasury Investments (“BTI”) relies upon outside service providers to perform certain functions. Service providers may be contracted to provide services as required by W. Va. Code or in cases where the BTI does not have the expertise or staff to perform the function. This policy provides for the minimum qualifications for outside service providers that may be used by the BTI as well as a description of the principal duties of such outside service providers

INVESTMENT MANAGERS

The BTI may contract with professional investment managers to provide investment management services as needed. In order to be eligible to provide investment management services to the BTI, an investment manager shall, at a minimum:

- Be a registered adviser under the Investment Advisers Act of 1940 (or shall be appropriately exempt from registration, such as a bank or trust company)
- Be authorized to do business in and with the State of West Virginia
- Have a minimum of five years of investment management experience for the investment mandate for which they are to be engaged
- Except as provided for below for “Specialty Investment Strategies”, have a level of assets under management, with the same or similar investment characteristics for which they are engaged to manage, that ensures that the BTI comprises no more than 10% of such assets under management
- For Specialty Investment Strategies:
 - Have a minimum of \$300 million under management in the specific product for which they are engaged to manage
 - Have no individual client make up more than 50% of the assets in the specific product for which they are engaged to manage
 - Have sufficient level of assets in the specific product for which they are engaged to manage that ensures that the BTI comprises no more than 30% of such assets under management
- Have excellent oral and written communication skills
- Have the ability to meet deadlines as established by the BTI
- Have the ability to work on multiple projects at one time

Investment managers contracted by the BTI will have the following principal duties:

- Operate at all times in accordance with the Investment Policy
- Review, acknowledge and comply with all Policy updates
- Comply with all applicable laws, rules, and regulations
- Maintain thorough and appropriate written risk control policies and procedures to ensure compliance with the Investment Policy and any applicable law, rule or regulation
- Review investments as to compliance with Investment Policy and any applicable law, rule or regulation, and notify the BTI immediately of any instances of non-compliance
- Use its best effort to increase the value of the Portfolio
- Place orders for the execution of investment transactions in accordance with the Policy and provide the BTI with a daily report of all transactions executed
- Seek the best execution at the lowest net execution cost in trading assets
- Keep accurate and detailed records of all receipts, investments, sales, disbursements and other transactions carried out
- Provide the Custodian with documents and information that the BTI or its Custodian may request.
- Conduct stress tests of the portfolio and furnish the results in an acceptable format to the BTI

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- Report investment performance versus the applicable policy benchmark to the BTI and Investment Consultant on a monthly basis
- Keep informed of industry product trends and issues
- Identify and propose changes to the Investment Policy to the BTI and Investment Consultant
- Maintain firm ownership and management consistency
- Maintain sufficient support staff, and act responsively to BTI needs and requests.
- Act as a resource to the BTI and the Investment Consultant

CUSTODIAN

The BTI may enter into a contract or agreement with one or more banking institutions in or outside the State for the custody, safekeeping and management of securities held by the BTI. In order to be eligible to provide custody and/or safekeeping services to the BTI, a banking institution shall, at a minimum:

- Be authorized to do business in and with the State of West Virginia
- Be a member of the Federal Reserve System
- Be rated by at least one Nationally Recognized Statistical Rating Organization and have a minimum short-term credit rating of A-1/P-1/F-1 or its equivalent and a minimum long-term credit rating of A/A2/A or its equivalent (Standard & Poor's/Moody's/Fitch)
- Have at least \$125 billion in corporate and public assets under custody
- Have a minimum of 10 years demonstrated experience in providing trust/custody services
- Have the ability to provide a broad range of ancillary services

Custodian banks contracted by the BTI will have the following principal duties:

- Establish custody account(s) to provide for the safekeeping and recordkeeping of the Assets
- Provide the account structure required by the BTI (primary accounts, clearing accounts, etc.)
- Guarantee the security of Assets in accordance with laws, regulations and underlying agreements
- Provide daily pricing of securities under custody and securities pledged as collateral, if any, using one or more mutually agreed upon third party pricing source(s)
- Receive and disburse funds as directed by the BTI and/or its investment managers
- Process all security related transactions as directed by the BTI and/or its investment managers
- Provide daily and monthly reports detailing holdings and activity for the period
- Provide other reports as may be reasonably requested by the BTI, Investment Consultant or Investment Manager
- Provide online reporting of holdings and activity
- Maintain proper internal controls, business continuity plans, information technology systems and information security systems
- Provide sufficient support staff and act responsively to the needs and requests of the BTI, Investment Consultant and Investment Manager
- Resolve any problems that Investment Managers may have relating to custodial accounts
- Review, acknowledge and comply with all Policy updates

INVESTMENT CONSULTANT

The BTI may contract with a qualified firm to provide investment consulting services and to provide an independent review of investment manager performance. In order to be eligible to provide investment consulting services to the BTI, an investment consulting firm shall, at a minimum:

- Be authorized to do business in and with the State of West Virginia
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- Be a registered adviser under the Investment Advisers Act of 1940 (or shall be appropriately exempt from registration, such as a bank or trust company)
- Have a minimum of 5 years of related investment consulting/advisory experience
- Have experience in reviewing and analyzing the performance of investment managers or direct management experience of a fixed income portfolio
- Have demonstrated knowledge of, and experience with, fixed income and money market funds
- Have at least one Charter Financial Analyst assigned to the BTI for the engagement
- Have excellent oral and written communication skills
- Have the ability to meet deadlines as established by the BTI
- Have the ability to work on multiple projects at one time

Investment consultants contracted by the BTI will have the following principal duties:

- Develop, review, and suggest modifications to the Policy
- Review, acknowledge and comply with all Policy updates
- Identify and recommend appropriate measurement benchmark(s) for Pools, Accounts and Investment Managers
- Monitor Investment Managers' performance using industry and internally developed methodologies
- Identify investment products and strategies that meet the needs, performance objectives, and risk tolerances of the various investment Pools
- Perform Investment Manager evaluations
- Prepare written opinions on the Investment Managers' performance
- Conduct due diligence on Investment Managers, to include in-person meetings, and organizational and investment strategy evaluations
- Assist the BTI in identifying and selecting Investment Managers given BTI objectives and search parameters, including proposing lists of suitable candidates and helping the BTI develop the RFP and evaluating responses to the RFP
- Provide portfolio risk monitoring services and reports
- Track and analyze fixed income and other market trends, and disseminate this information to the BTI
- Maintain a current knowledge of the asset classes and the performance of the markets
- Participate in quarterly Board meetings, conference calls, and BTI conferences
- Maintain firm independence and stability of personnel and ownership
- Prepare monthly and quarterly investment performance reports
- Design and deliver educational sessions to Board and Staff
- Provide any other services reasonably requested by the BTI

EXTERNAL AUDITOR

The BTI is required to have an annual audit of the assets, funds, pools and participant accounts maintained by the BTI. In order to be eligible to provide audit services to the BTI, an independent public accounting firm, must at a minimum:

- Be authorized to do business in and with the State of West Virginia
- Be a certified public accounting firm which has a minimum of ten certified public accountants
- Be a member of the American Institute of Certified Public Accountants
- Be a member of the West Virginia Society of Certified Public Accountants if doing business in West Virginia

Independent public accounting firms contracted by the BTI will have the following principal duties:

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- Perform an annual financial and compliance audit of the assets, funds, pools and participant accounts managed by the Board
- Perform an annual financial and compliance audit of the BTI's books, accounts and records with respect to its receipts, disbursements, investments, contracts and all other matters relating to its financial operations
- Perform agreed upon procedures covering the processes between the BTI and West Virginia State Treasurer's Office for the recording of participant contributions, withdrawals and distribution of periodic investment income