

Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board



September 13, 2006

Diana Will, Senior Investment Officer, Asset Allocation
Washington State Investment Board

Overview



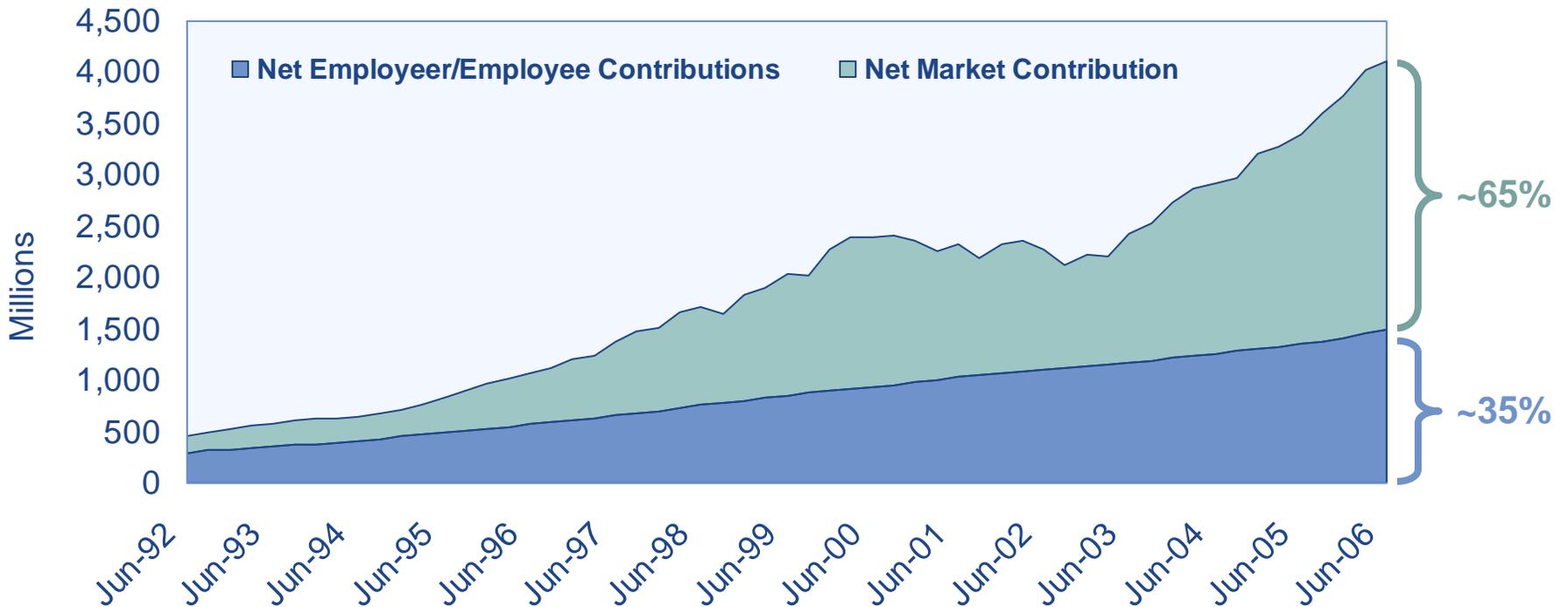
- ◆ **Law Enforcement Officers' and Fire Fighters' Plan 2 Assets**
- ◆ **Retirement Commingled Trust Fund (CTF)**
- ◆ **WSIB Capital Market Assumptions**

LEOFF Plan 2 Assets managed by the WSIB

June 30, 2006

Assets in the CTF	\$4,106,848,938
Short term assets	\$12,565,796
	\$4,119,414,734

Growth of Assets



Retirement Commingled Trust Fund (CTF)

RCW 43.33A.110 Rules and regulations — Investment policies and procedures.

- ◆ **The board shall establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk.**

RCW 43.33A.140 Investments — Standard of investment and management.

- ◆ **The state investment board shall invest and manage the assets entrusted to it with reasonable care, skill, prudence, and diligence under circumstances then prevailing which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an activity of like character and purpose.**

Policy 2.10.050 CTF Asset Allocation

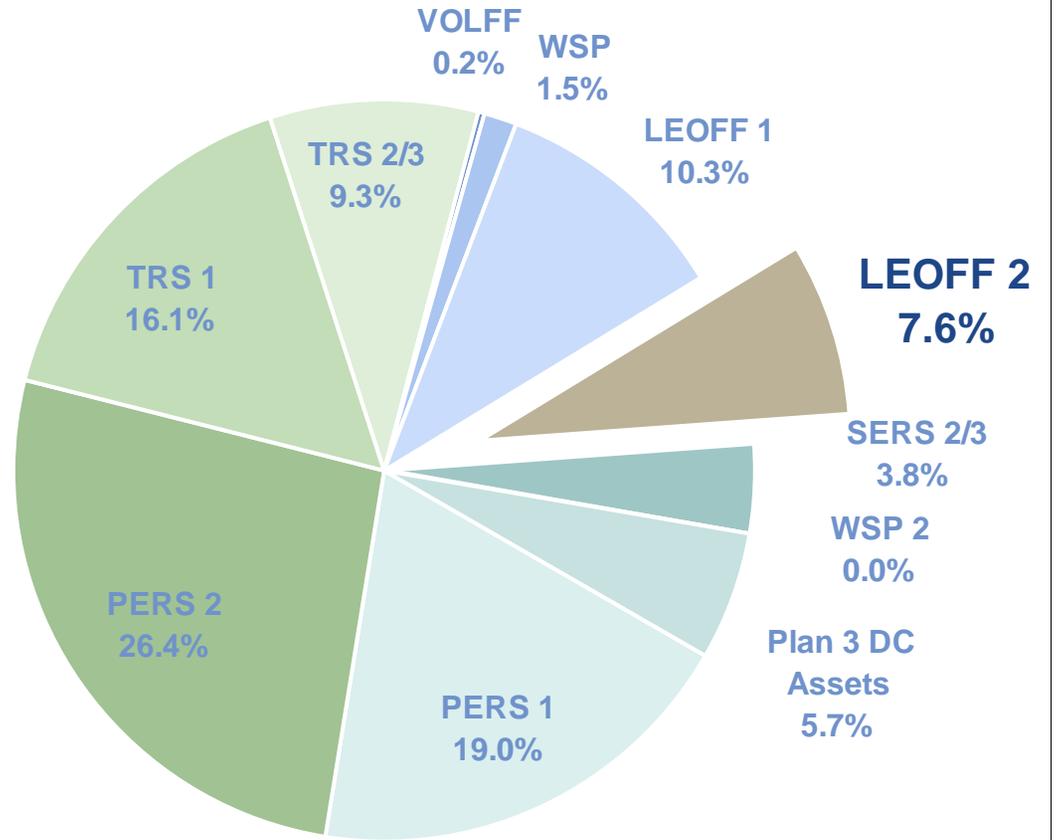
- ◆ **Lists the Asset Classes**
- ◆ **Target Allocations**
- ◆ **Rebalancing Policy**
- ◆ **Performance Objectives**
- ◆ **Review Process**

CTF

June 30, 2006

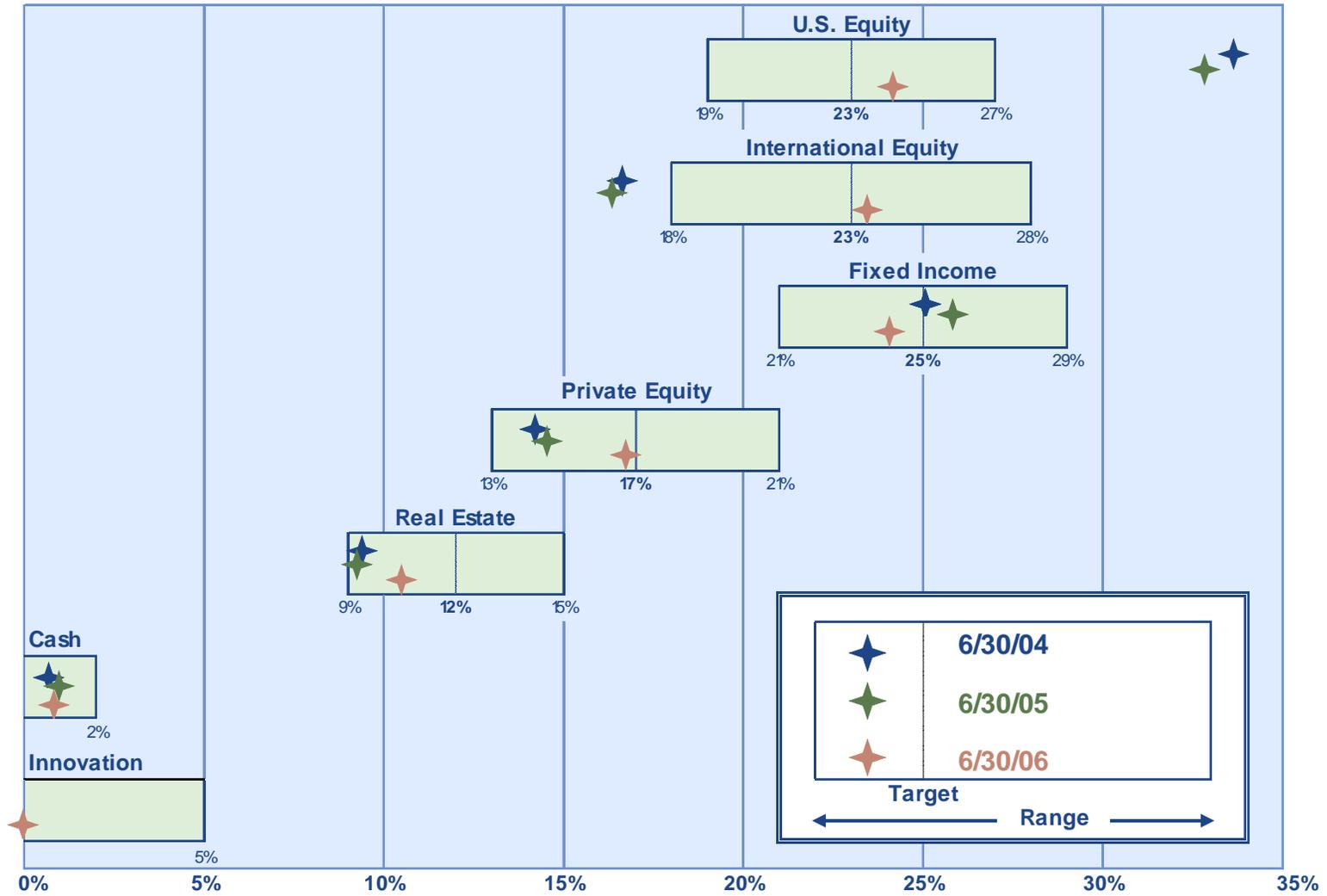


Assets



Participants

Asset Allocation Chart



Investment Performance for the CTF

June 30, 2006

	1 Year	3 Year	5 Year	10 Year
Total Fund	16.70 %	15.48 %	8.51 %	9.62 %
Passive Benchmark	10.92	12.57	6.00	7.92
U.S. Equity	9.91 %	13.06 %	3.98 %	8.56 %
Dow Jones Wilshire 5000	9.92	12.98	4.02	8.45
Int'l. Equity	27.22 %	24.93 %	11.50 %	6.84 %
MSCI ACWI ex U.S.	28.40	25.78	11.85	7.16
Fixed Income	0.33 %	2.92 %	5.69 %	6.71 %
Lehman Universal	-0.26	2.67	5.39	6.37
Cash	4.60 %	2.57 %	2.37 %	3.58 %
90 Day T-Bills	3.98	2.37	2.25	3.84
Private Equity	39.53 %	30.05 %	13.25 %	15.95 %
S&P 500 (Lagged One Quarter) + 500 bp	16.73	22.22	8.97	13.95
Real Estate	24.31 %	19.84 %	17.22 %	14.87 %
NCREIF (Lagged One Quarter) + 100 bp	21.19	16.07	12.67	13.23

WSIB 2006 Capital Market Assumptions

	Expected Return	Standard Deviation
U.S. Equity	8.50	17.50
International Equity	8.50	19.00
Fixed Income	5.00	5.00
Private Equity	12.50	33.00
Real Estate	7.75	14.00
Cash	3.25	1.50

Correlation	U.S. Equity	Int'l Equity	Fixed Income	Private Equity	Real Estate	Cash
U.S. Equity	1.00	0.70	0.25	0.65	0.45	0.05
International Equity	0.70	1.00	0.15	0.55	0.35	-0.10
Fixed Income	0.25	0.15	1.00	0.15	0.20	0.15
Private Equity	0.70	0.65	0.15	1.00	0.35	0.00
Real Estate	0.45	0.35	0.20	0.35	1.00	0.15
Cash	0.05	-0.10	0.15	0.00	0.15	1.00

CTF Expected Return



Contact Information



Web Site: <http://www.sib.wa.gov>

Address: 2100 Evergreen Park Drive SW
P.O. Box 40916
Olympia, WA 98504

Phone Number: (360) 956-4600