

Washington State Investment Board

Joe Dear
Executive Director

LEOFF 2 Board

October 17, 2003

Overview

- ◆ Purpose & Organizational Structure
- ◆ Assets Under Management
- ◆ Performance
- ◆ Looking Forward

Purpose

“The Board shall establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk.” (RCW 43.33A.110)

Investment Principles

“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.” (RCW 43.33A.140)

“The Board shall consider investments not in isolation, but in the context of the investment of the particular fund as a whole and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited for that fund.” (RCW 43.33A.140)

Organizational Structure

- ◆ Board comprised of 15 members
 - Ten voting
 - Five non-voting
- ◆ 58 staff
- ◆ 124 investment managers under contract

Voting Board Members

<u>Name</u>	<u>Position</u>	<u>Appointing Authority</u>
Michael J. Murphy	State Treasurer	Ex-Officio
John F. Charles	Director, DRS	Ex-Officio
Paul Trause	Director, L&I	Ex-Officio
Debbie Brookman	Active Member, PERS	Governor
George Masten, Chair	Retired Member, PERS	Governor
Patrick McElligott, Vice Chair	Active Member, LEOFF	Governor
David Scott	Active Member, TRS	Superintendent of Public Instruction (SPI)
Glenn Gorton	Active Member, SERS	SPI
Helen Sommers	State Representative	House Speaker
Joseph Zarelli	State Senator	Senate President

*Non-voting Board Members
Appointed by Voting Members*

Jeffrey Hanna	Investment Professional
Charles Kaminski	Investment Professional
John Magnuson	Investment Professional
Robert S. Nakahara	Investment Professional
Jeff Seely	Investment Professional

Investment Responsibility – 36 Funds

RETIREMENT FUNDS

DEFINED BENEFIT

Public Employees' Retirement System (PERS) Plan 1
Public Employees' Retirement System (PERS) Plan 2/3
School Employees' Retirement System (SERS) Plan 2/3
Teachers' Retirement System (TRS) Plan 1
Teachers' Retirement System (TRS) Plan 2/3
Law Enforcement Officers' & Fire Fighters' (LEOFF) Plan 1
Law Enforcement Officers' & Fire Fighters' (LEOFF) Plan 2
Judicial Retirement System
Washington State Patrol Retirement System (WSPRS)
Washington State Patrol Retirement System 2 (WSPRS 2)
Volunteer Fire Fighters' Relief & Pension Fund

DEFINED CONTRIBUTION

Public Employees' Retirement System Plan 3 (Self-Directed)
School Employees' Retirement System Plan 3 (Self-Directed)
Teachers' Retirement System Plan 3 (Self-Directed)
Judicial Retirement Account

Investment Responsibility

DEFERRED COMPENSATION FUNDS

State Deferred Compensation Plan

INSURANCE (LABOR & INDUSTRIES) FUNDS

Accident Fund

Medical Aid Fund

Pension Reserve Fund

Supplemental Pension Fund

PERMANENT FUNDS

Agricultural Permanent Fund

Common School Permanent Fund

Millersylvania Park Trust Fund

Normal School Permanent Fund

Scientific Permanent Fund

State University Permanent Fund

State Emergency Reserve Fund

OTHER TRUSTS

Developmental Disabilities Endowment Trust Fund - State

Developmental Disabilities Endowment Trust Fund - Private

Game and Special Wildlife Fund

Guaranteed Education Tuition Fund

Radiation Perpetual Fund

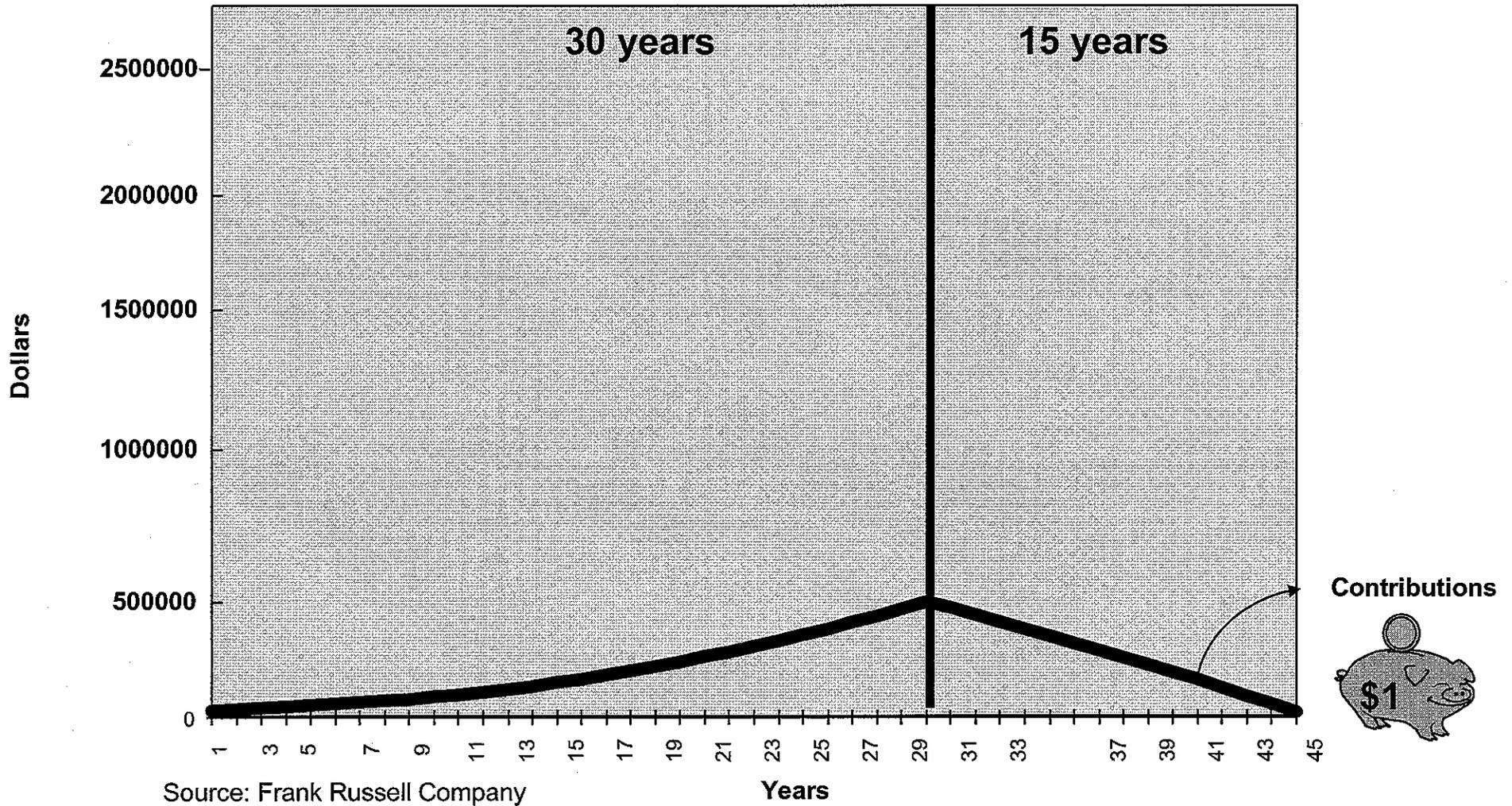
Reclamation Revolving Fund

State Emergency Reserve Fund

State Employees' Insurance Reserve

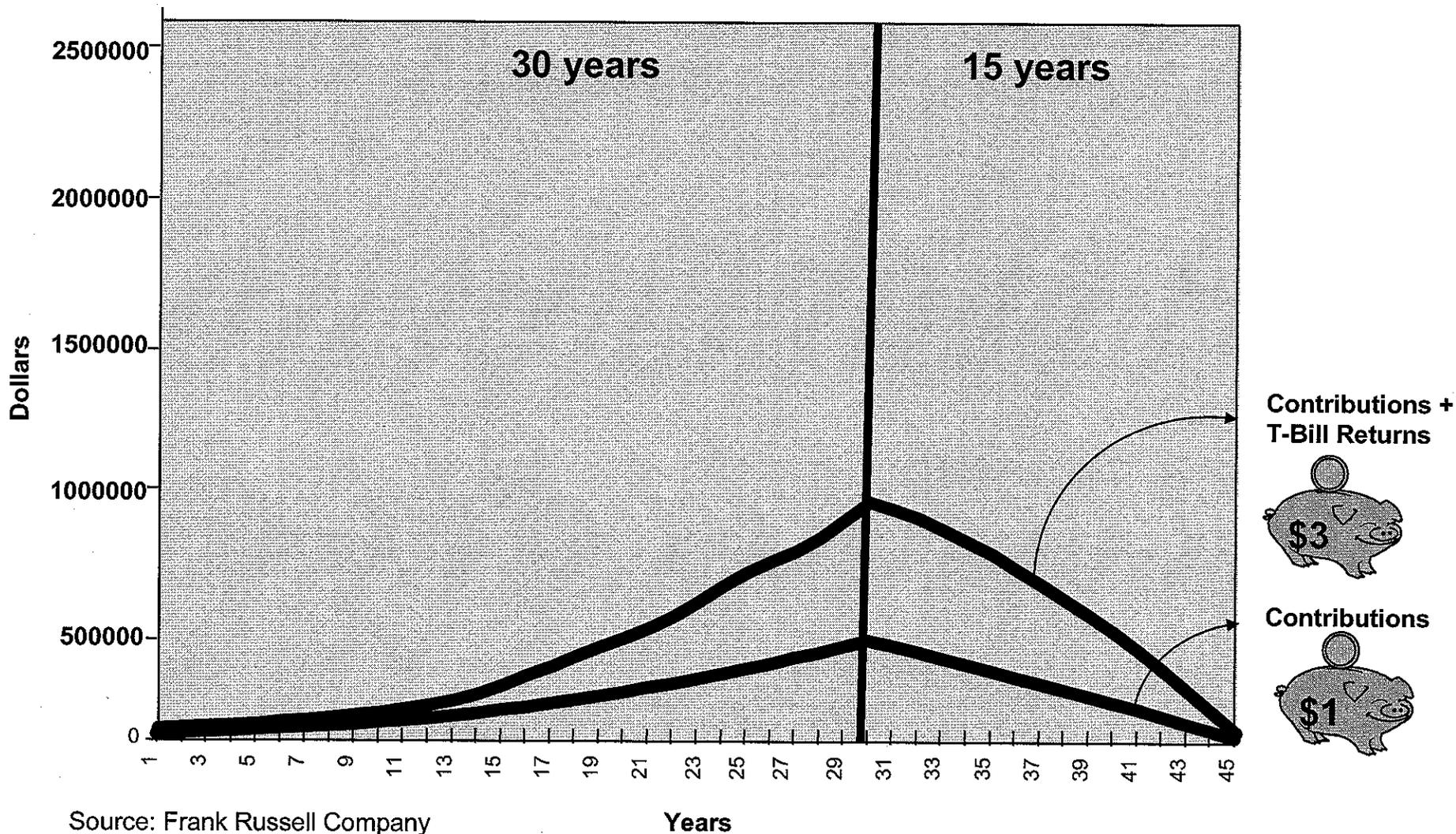
Fundamentals of Investing

The accumulation and drawdown of wealth



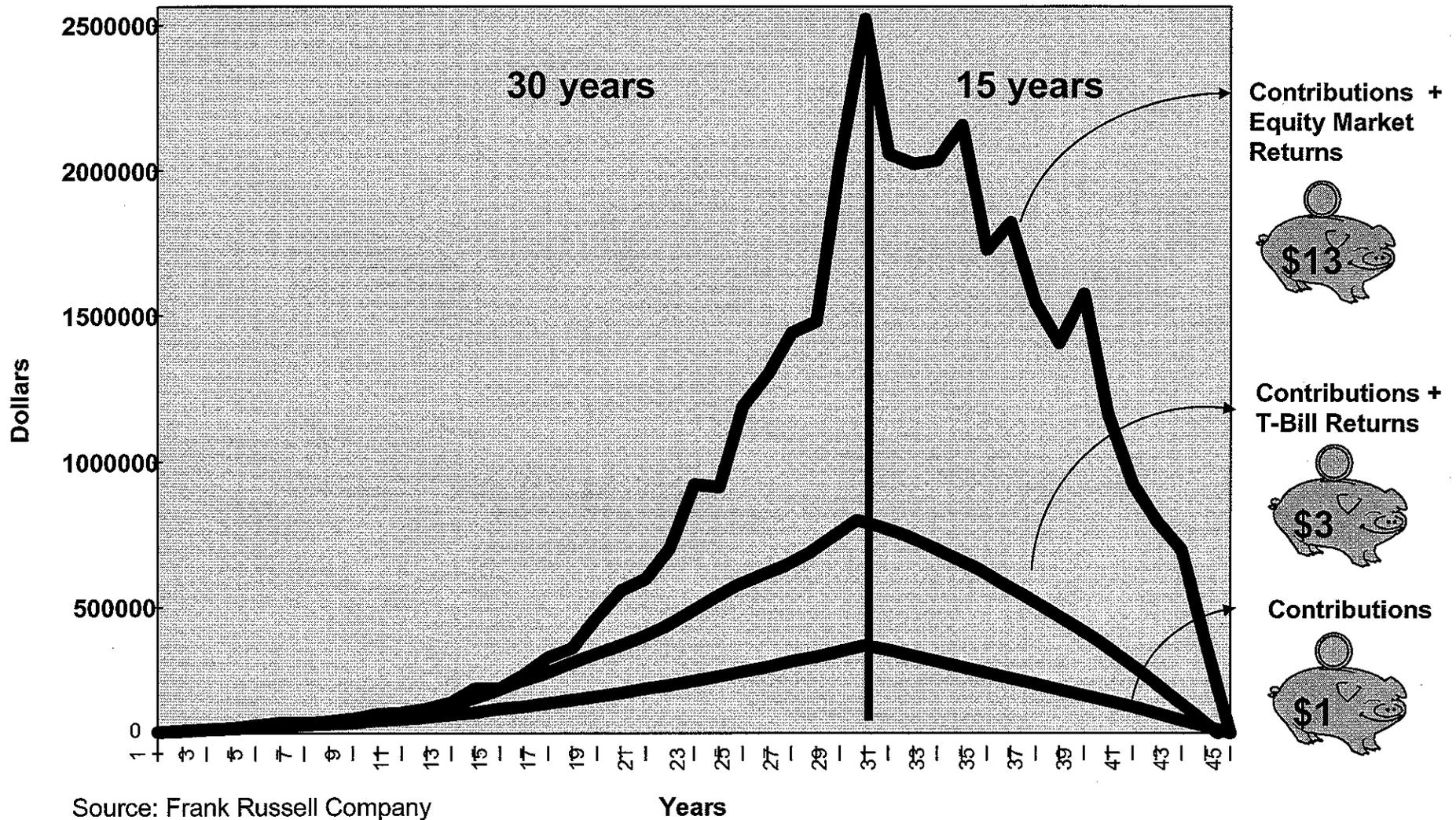
Fundamentals of Investing

The accumulation and drawdown of wealth



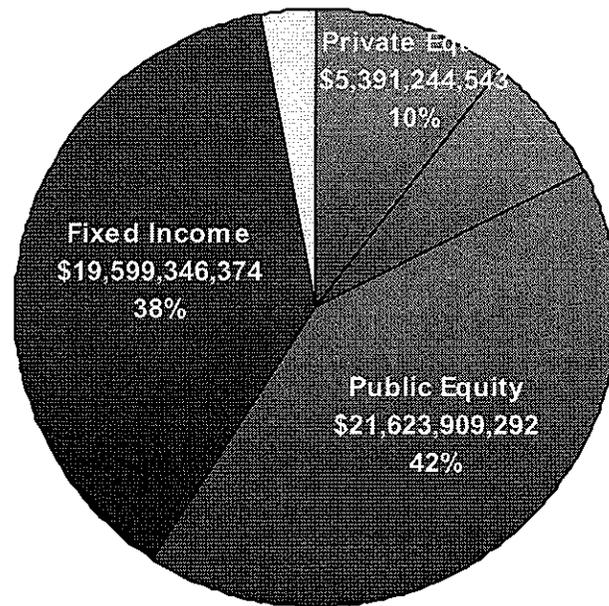
Fundamentals of Investing

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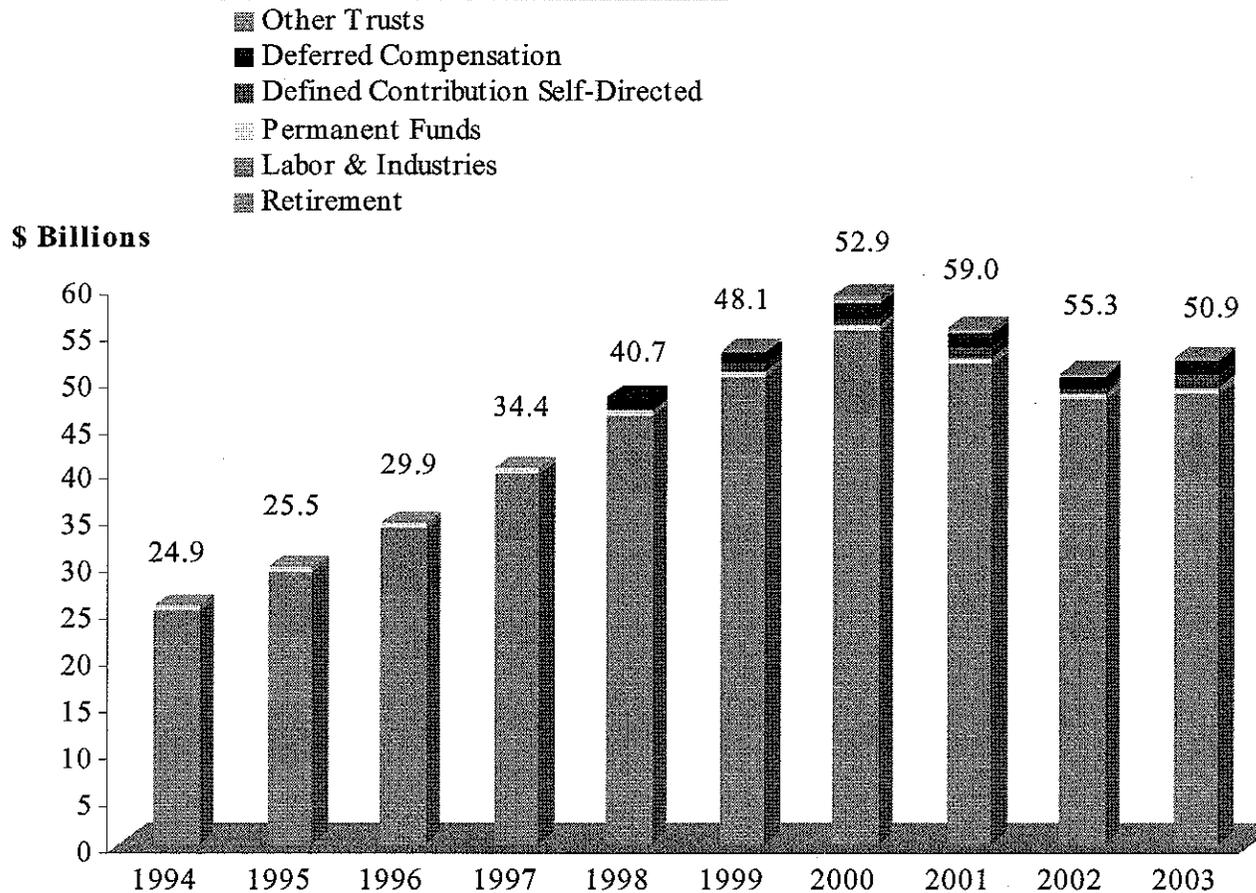
Assets Under Management

Asset Allocation Chart as of 6/30/03



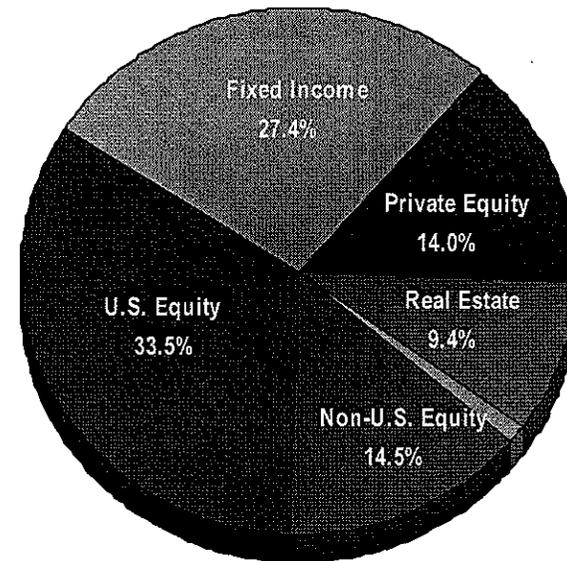
Assets Under Management

Past Ten Fiscal Years



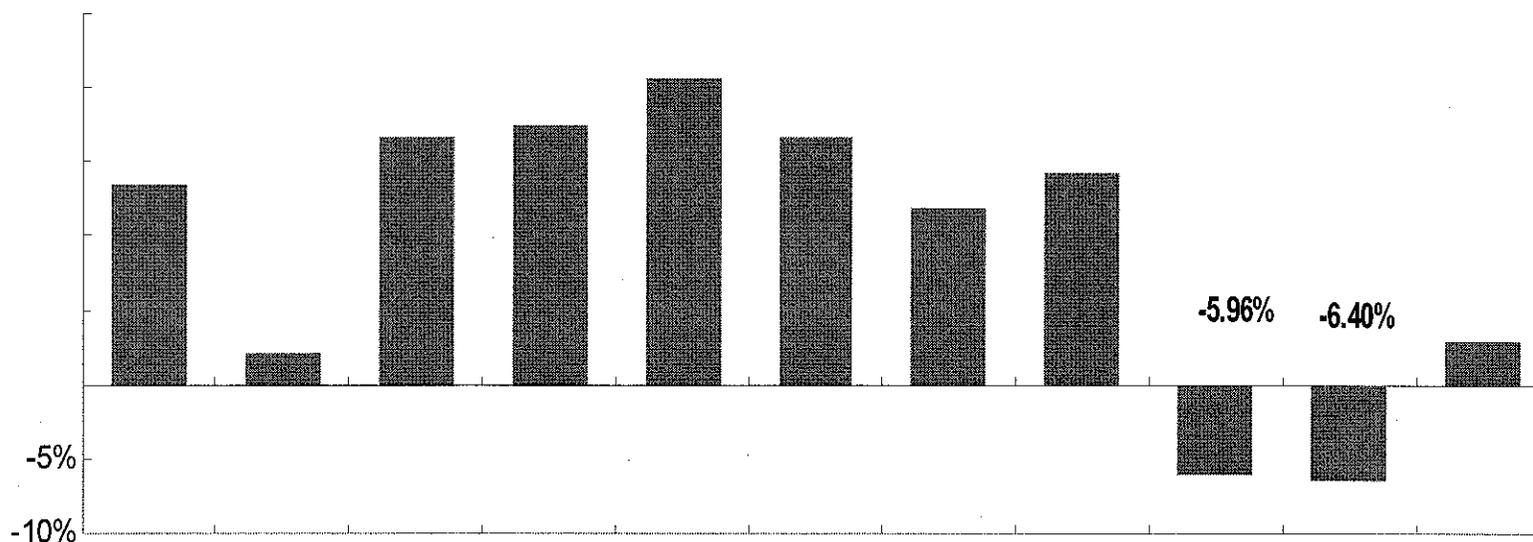
CTF Asset Allocation

Asset Class	Market Value (000s)
U.S. Equity	\$ 12,923,040
Non-U.S. Equity	5,594,881
Fixed Income	10,568,967
Private Equity	5,405,147
Real Estate	3,636,741
Cash	471,173
Total Fund	\$ 38,599,949

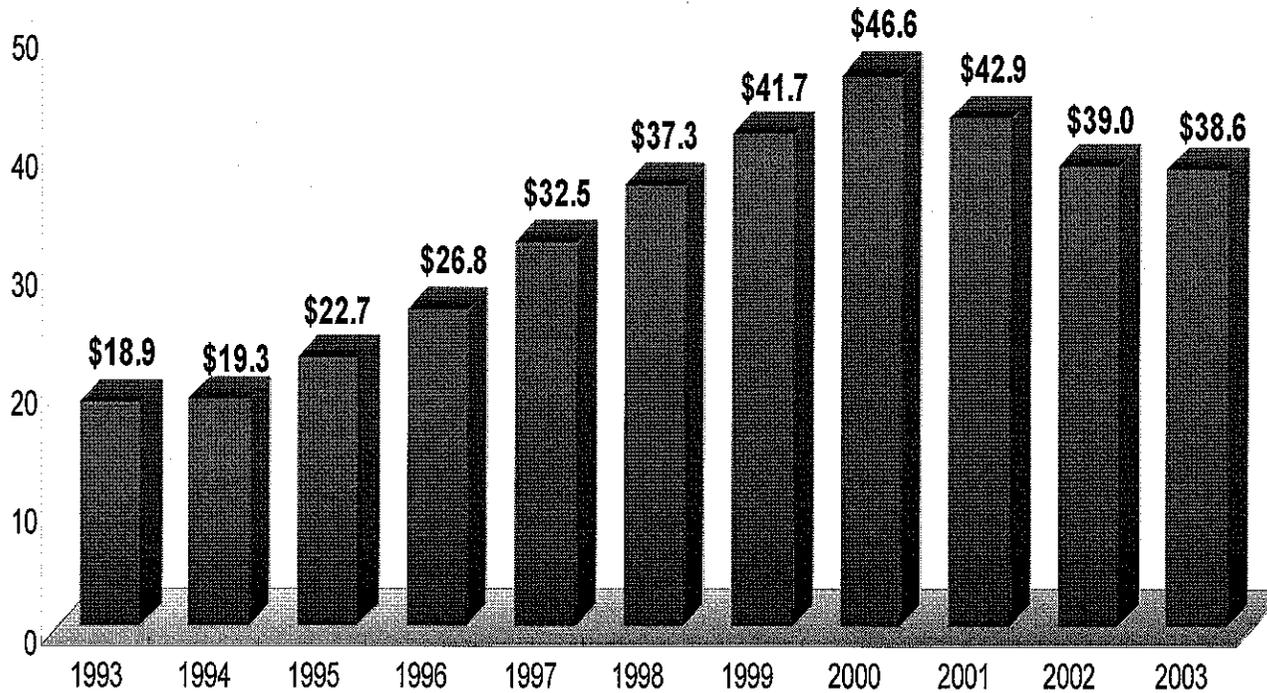


Retirement Fund Historical Rates of Return

Annual Performance Fiscal Years Ended June 30

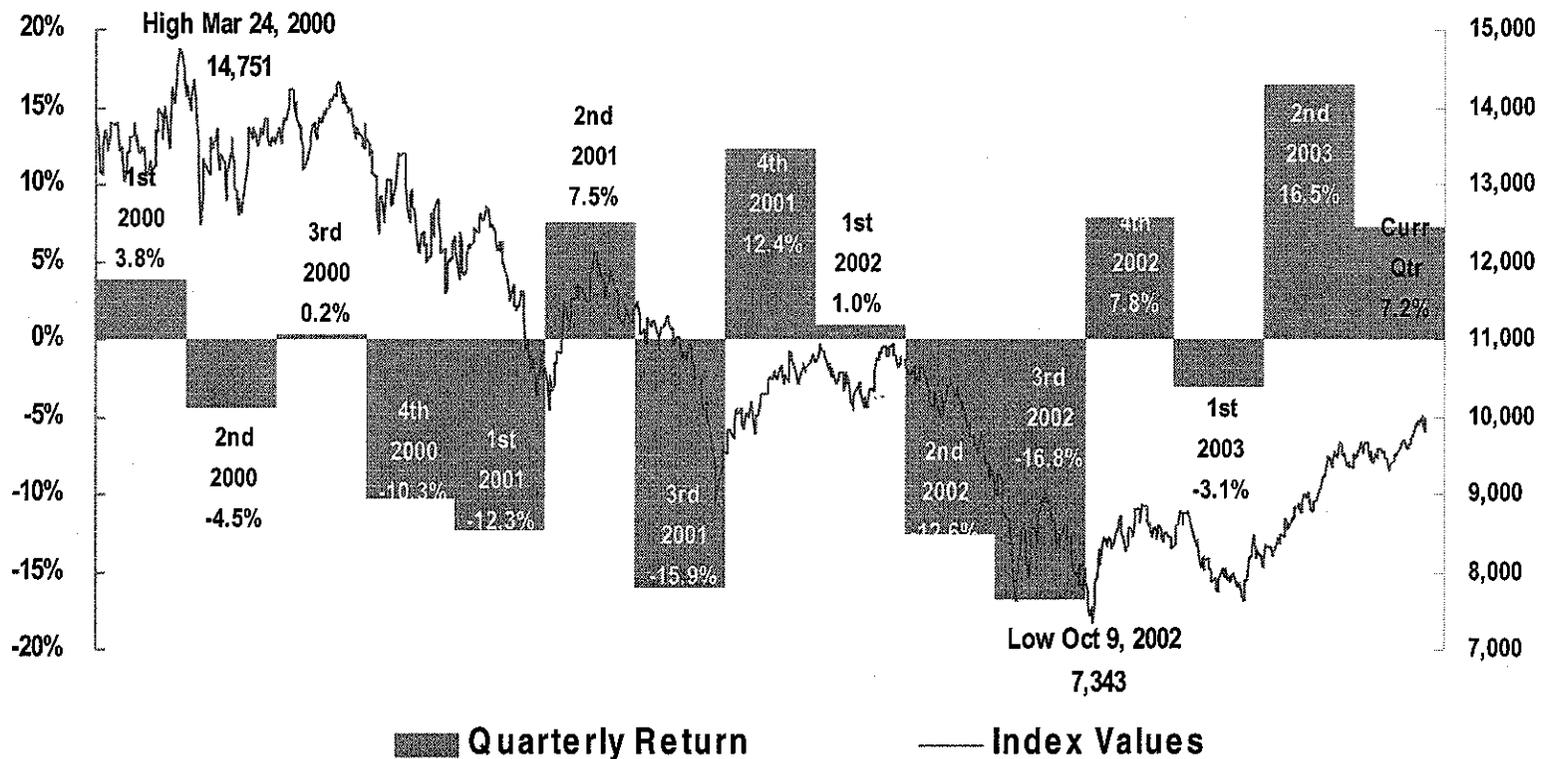


CTF Assets Under Management Fiscal Years Ended June 30

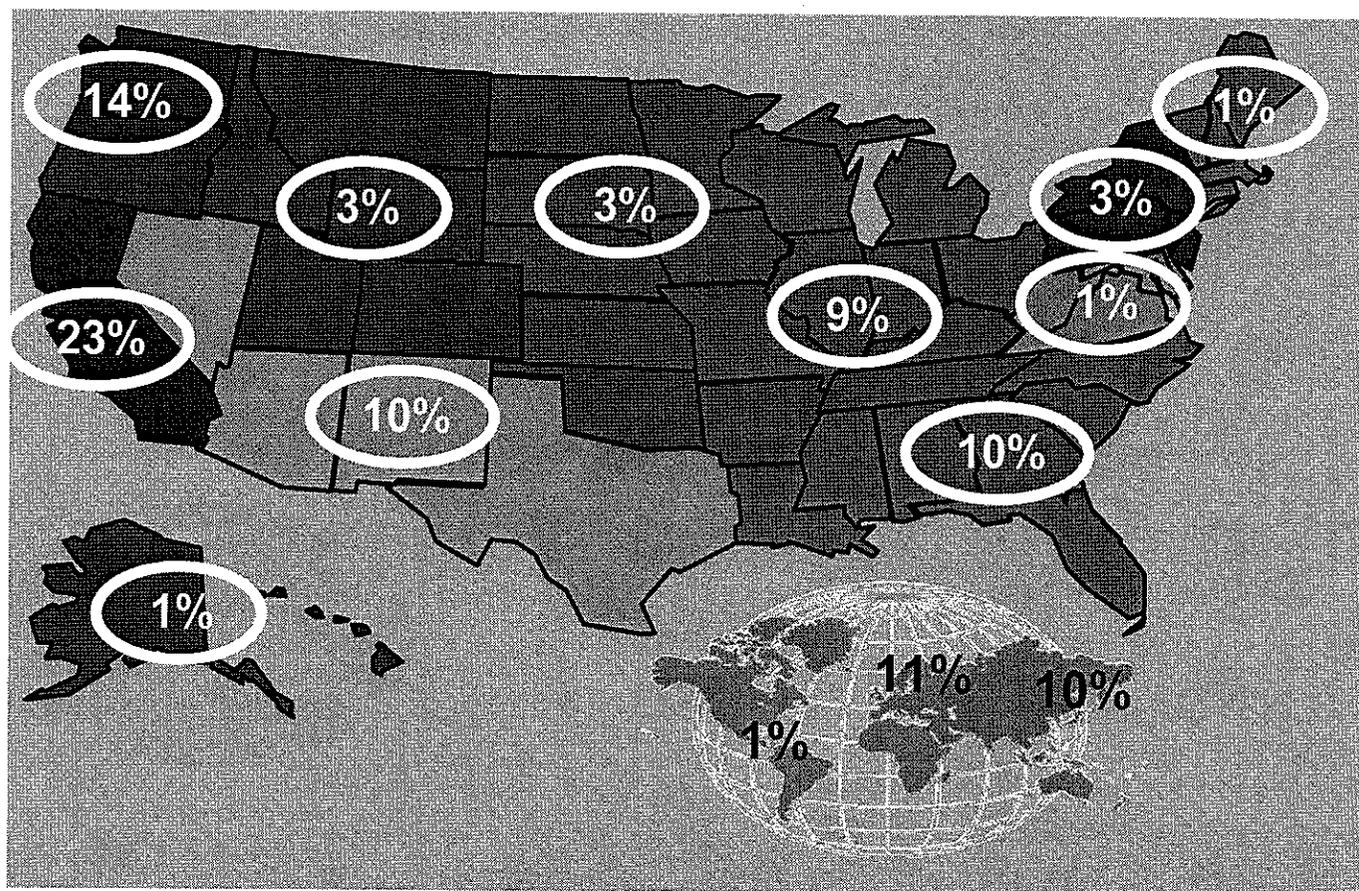


Capital Markets Environment

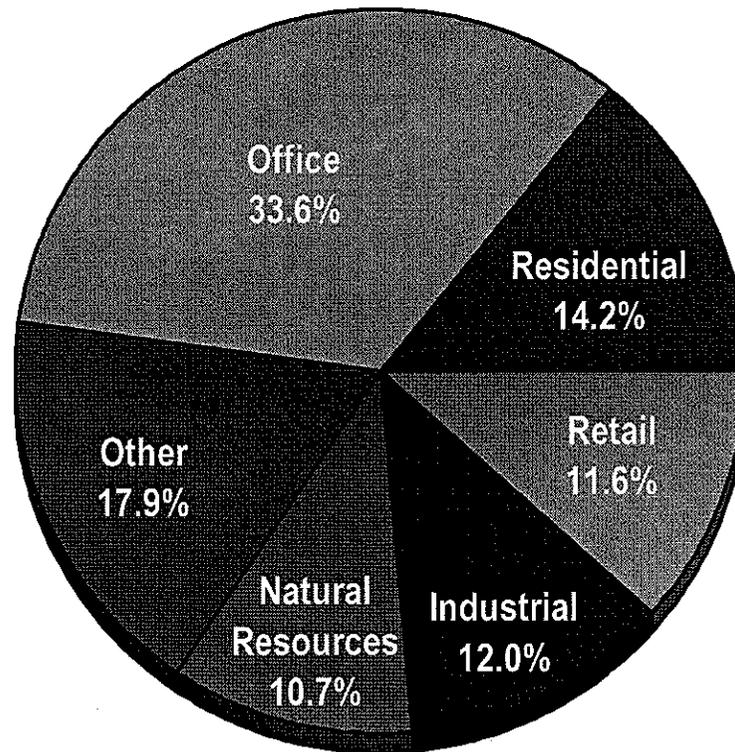
Wilshire 5000



Real Estate geographical distribution



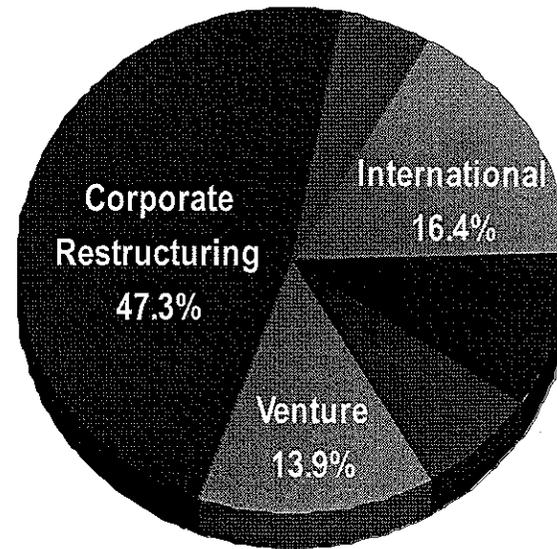
Real Estate Property Type Distribution



Private Equity Portfolio by Strategy

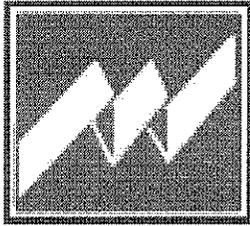
Holdings as of June 30, 2003

Market Value	\$5.4 Billion
Unfunded Commitments	\$5.3 Billion
Partnership Funds	171
General Partners	87



Looking Forward

- ◆ Maintain long term perspective in a challenging investment environment
- ◆ Strengthen Board governance
- ◆ Improve communications with beneficiaries



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OUR WEBSITE ADDRESS:
WWW.SIB.WA.GOV

Summary

- ◆ Long-term investor with a proven record of success.
- ◆ Disciplined approach to investment with the highest standards of integrity.
- ◆ Dedicated to working in the best interests of our beneficiaries.

Thank You

Investing in Washington

- ◆ WSIB mandate is to seek the best investment opportunities worldwide.
- ◆ Washington investments represent 3.3% of the total investments of the WSIB -- the Washington economy is 2.2% of the total U.S. economy.
- ◆ Public equity and debt held in 118 Washington companies.
- ◆ Real estate investment in 30 Washington properties.
- ◆ Private equity ownership in 69 Washington-based companies.
- ◆ Over \$130 million is invested with venture capital funds based in Washington.

Investing in Washington

*Washington Investments in the WSIB Portfolio
as of June 30, 2002*

<u>Investment Class</u>	<u>Value (\$ Millions)</u>
Public Equity	\$491.4
Fixed Income	\$465.6
Private Equity	\$61.4
Real Estate	\$667.3
Total	\$1,685.7