

Washington State Investment Board: Annual Update, LEOFF 2 – 2020



Theresa Whitmarsh, Executive Director
December 16, 2020



Asset Management Profile

- ❑ \$152.6 billion assets under management as of September 30, 2020
- ❑ 17 pension funds
- ❑ 5 Labor and Industries insurance funds
- ❑ 12 Permanent and other public trust funds, plus Long Term Services and Supports (LTSS)

Mission

- ❑ Maximize investment returns at a prudent level of risk in order to meet the financial objectives of those we serve

Investment Approach

- ❑ Meet uncertainty with discipline
- ❑ Maintain a consistent investment process
- ❑ Respond to changes in both risk and opportunity

Global Diversification

- ❑ Investing in 74 different countries, across 6 continents
- ❑ More than 14,000 investment holdings
- ❑ Large scale ensures both access and cost-efficiency

Who We Are – Governance and Board Members



Board comprised of 15 members

- ▣ 10 voting
- ▣ 5 non-voting

3 EX-OFFICIO MEMBERS

Duane Davidson
The State Treasurer

Tracy Guerin
Director of DRS

VICE-CHAIR

Joel Sacks
Director of L&I

CHAIR

2 LEGISLATORS

Rep. Timm Ormsby
Member of the House
of Representatives

Sen. Mark Mullet
Member of the Senate

5 REPRESENTATIVES OF THE PUBLIC EMPLOYEE PENSION SYSTEMS

Greg Markley
Member of LEOFF

Judy Kuschel
Active Member
of PERS

Yona Makowski
Retired Member of
State Pension System

Sara Ketelsen
Member of TRS

BJ Colvin
Member of SERS

5 NON-VOTING MEMBERS

David Nierenberg

William A. Longbrake

Ada Healey

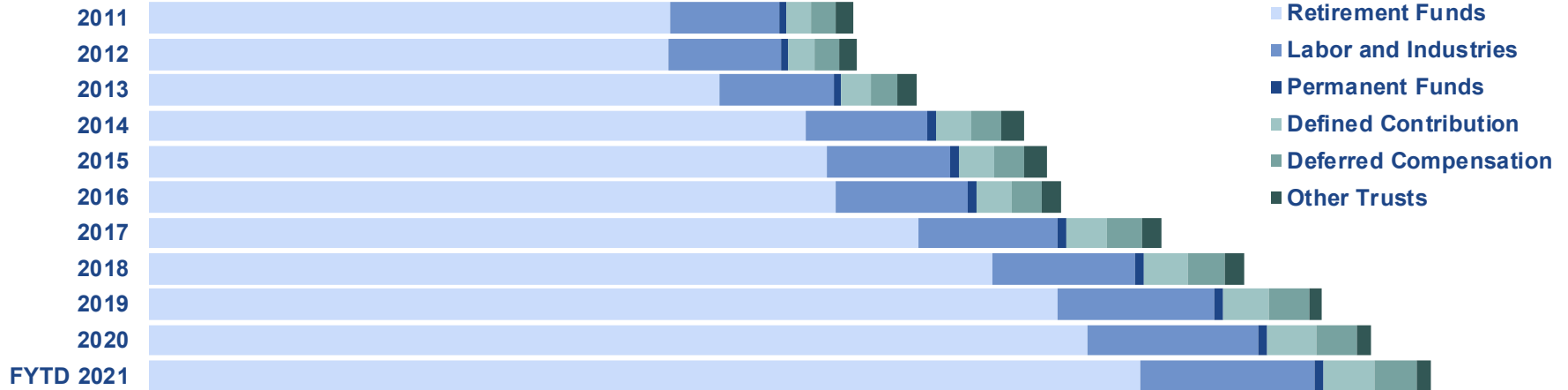
Mary Pugh

George Zinn

Total Assets Under Management

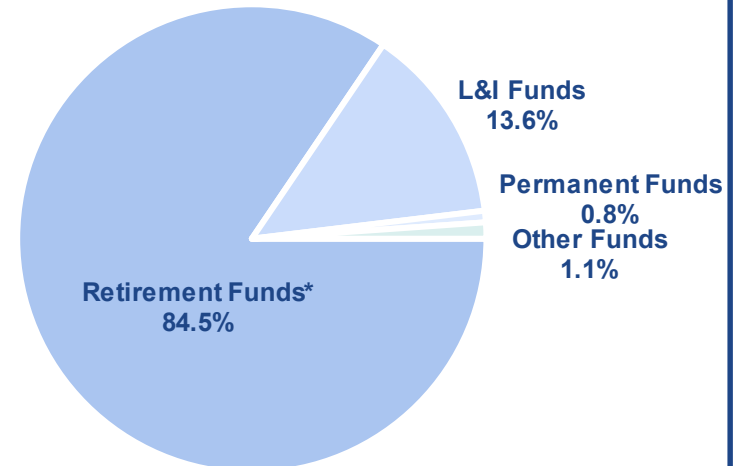
September 30, 2020

Past 10 Fiscal Years



Market Values and Allocation (in billions)

Retirement Funds*	\$128.9	84.5%
L&I Funds	\$20.8	13.6%
Permanent Funds	\$1.2	0.8%
Other Funds	\$1.7	1.1%
Total Assets Under Management	\$152.6	





Retirement Plans – Current Market Values

September 30, 2020

- Multiple plan types with investments structured in a commingled trust fund

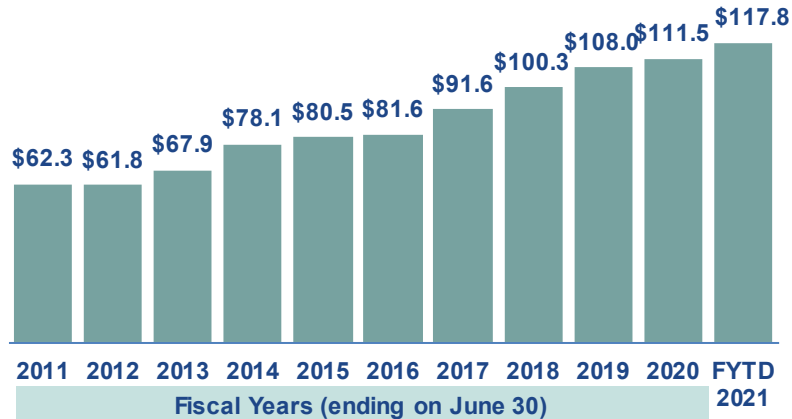
Defined Benefit and Hybrid Defined Benefit/Defined Contribution Plans	Market Value
Public Employees' Retirement System Plan 1 (PERS)	\$7,794,962,210
Public Employees' Retirement System Plan 2/3	\$48,145,285,911
Teachers' Retirement System Plan 1 (TRS)	\$5,812,856,707
Teachers' Retirement System Plan 2/3	\$23,701,377,316
Volunteer Fire Fighters' Relief & Pension Fund (VOLFF)	\$251,821,159
Washington State Patrol Retirement System Plan 1 (WSPRS)	\$1,294,385,177
Washington State Patrol Retirement System Plan 2	\$120,299,990
Law Enforcement Officers' & Fire Fighters' Plan 1 (LEOFF)	\$6,005,425,373
Law Enforcement Officers' & Fire Fighters' Plan 2	\$15,377,014,265
School Employees' Retirement System Plan 2/3 (SERS)	\$8,324,050,285
Public Safety Employees' Retirement System Plan 2 (PSERS)	\$872,713,888
Higher Education Retirement Plan	\$113,135,289
Total	\$117,813,327,572

Defined Contribution Plans	Market Value
Plans 3 Outside of the CTF	\$5,956,899,402
Deferred Compensation Program (DCP)	\$5,118,931,807
Judicial Retirement Account (JRA)	\$8,464,121
Total	\$11,084,295,330

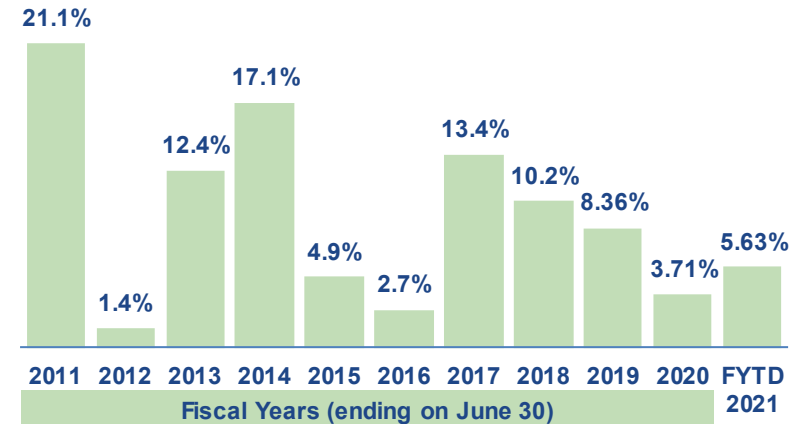
Retirement Plans (CTF) - Performance and Overall Market Values

September 30, 2020

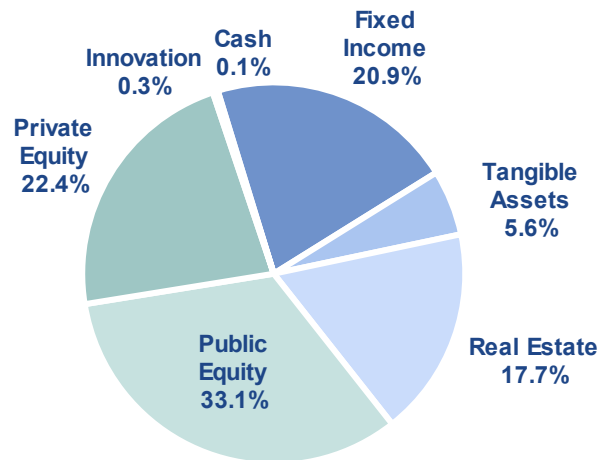
Historical Market Value (billions)



Historical Fund Returns



Actual Allocation



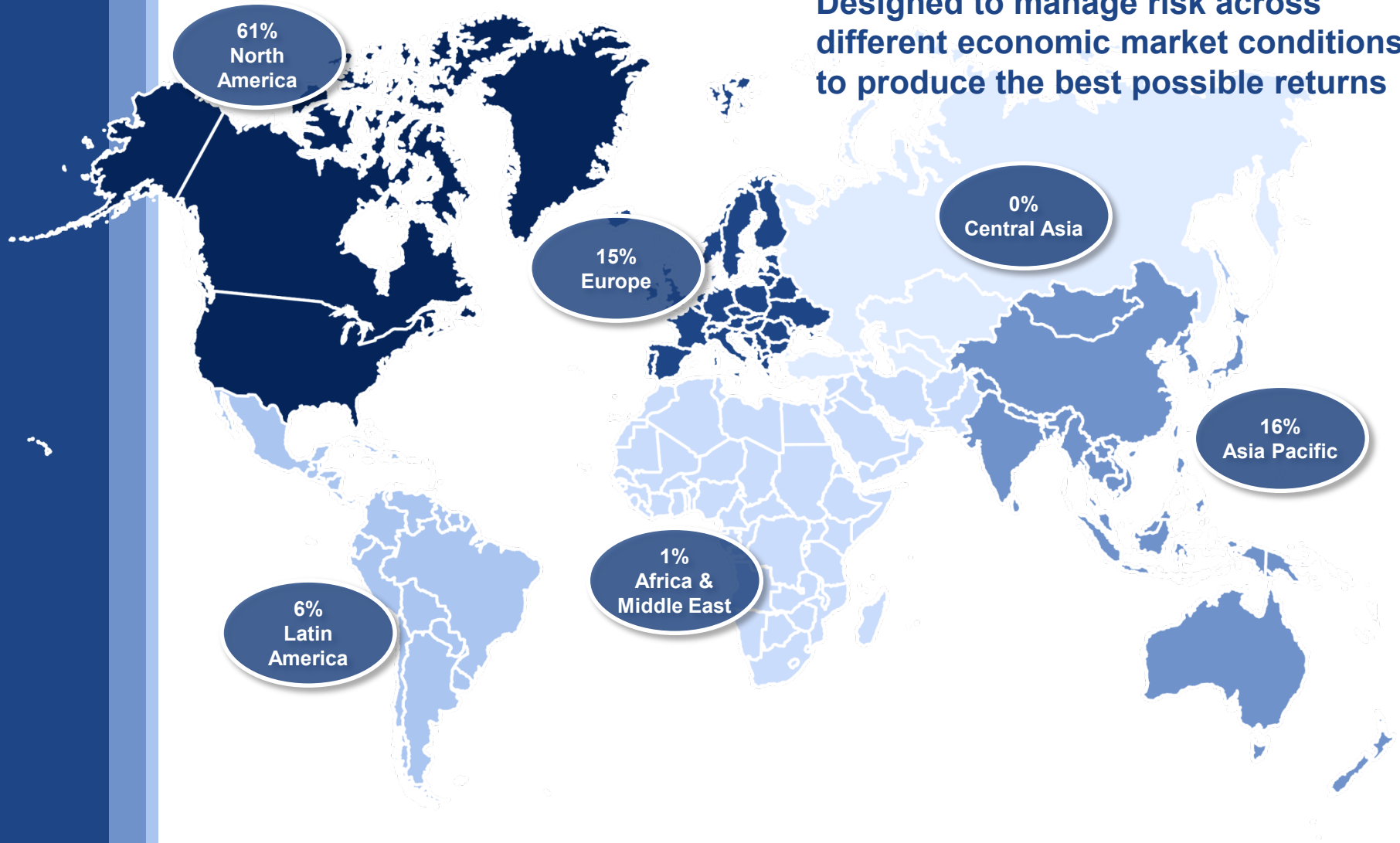
Market Values and Returns

Commingled Trust Fund (CTF) Market Values and Returns

	Market Value (000s)	1 Year	3 Year	5 Year	10 Year
Total CTF	\$117,813,327,571	7.74%	7.93%	9.41%	9.14%
Fixed Income	\$23,090,318,889	8.73%	6.04%	5.84%	4.23%
Tangible Assets	\$6,548,461,966	-0.60%	2.93%	4.38%	3.97%
Real Estate	\$20,851,007,765	18.43%	6.02%	9.17%	9.87%
Public Equity	\$38,019,576,006	8.57%	6.82%	10.34%	9.04%
Private Equity	\$26,374,843,981	7.56%	11.49%	11.46%	12.84%
Innovation	\$341,243,302	-0.75%	-11.69%	-8.26%	-0.93%
Cash	\$2,587,875,662	1.05%	1.75%	1.32%	0.73%

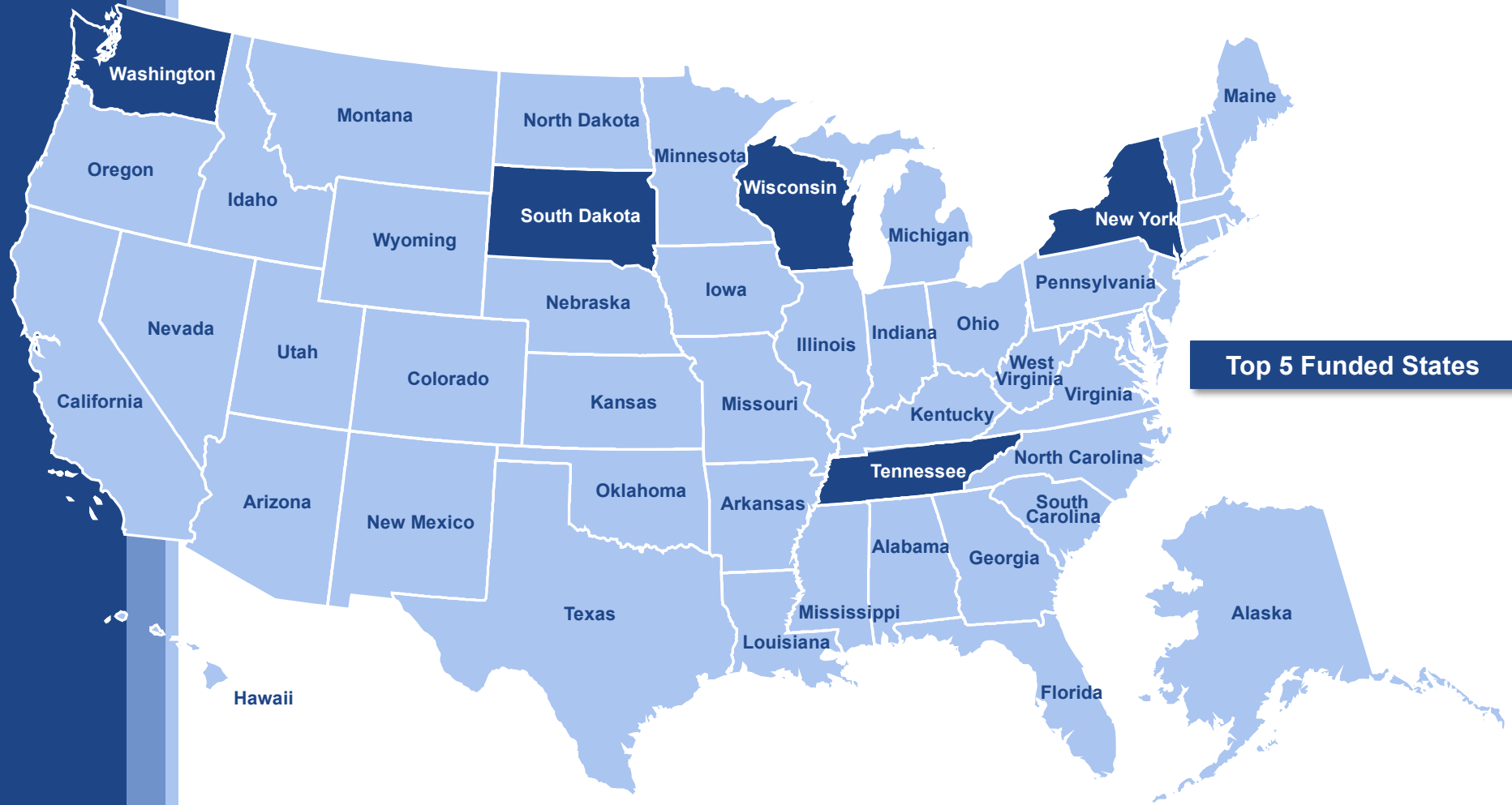
Investment Profile – Global Diversification

Designed to manage risk across different economic market conditions to produce the best possible returns



Our Results – A Strong Reputation

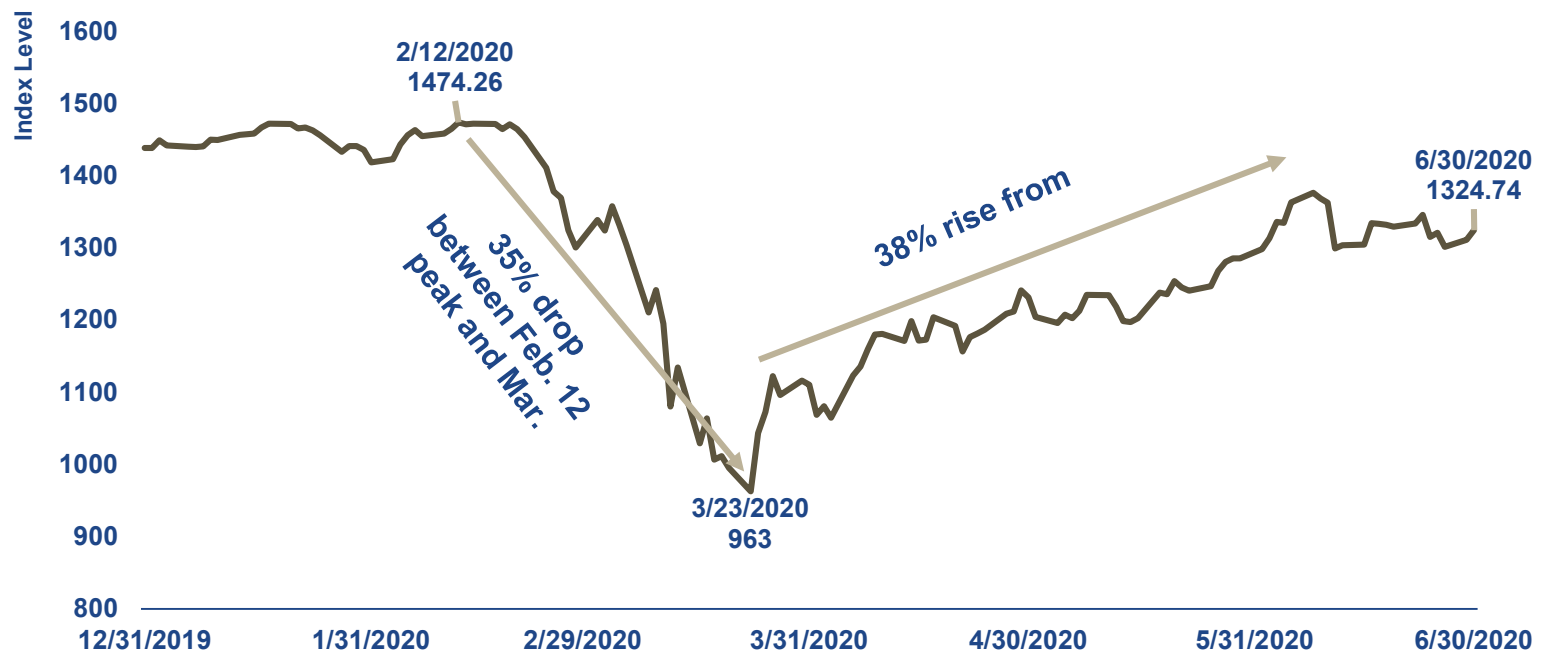
One of the Best Funded Pension Systems in the Nation



A Turbulent 2020 – The Markets in Perspective

The global stock market declined sharply in 1Q, and has since reversed upward in spite of negative economic news and an erratic COVID-19 trend

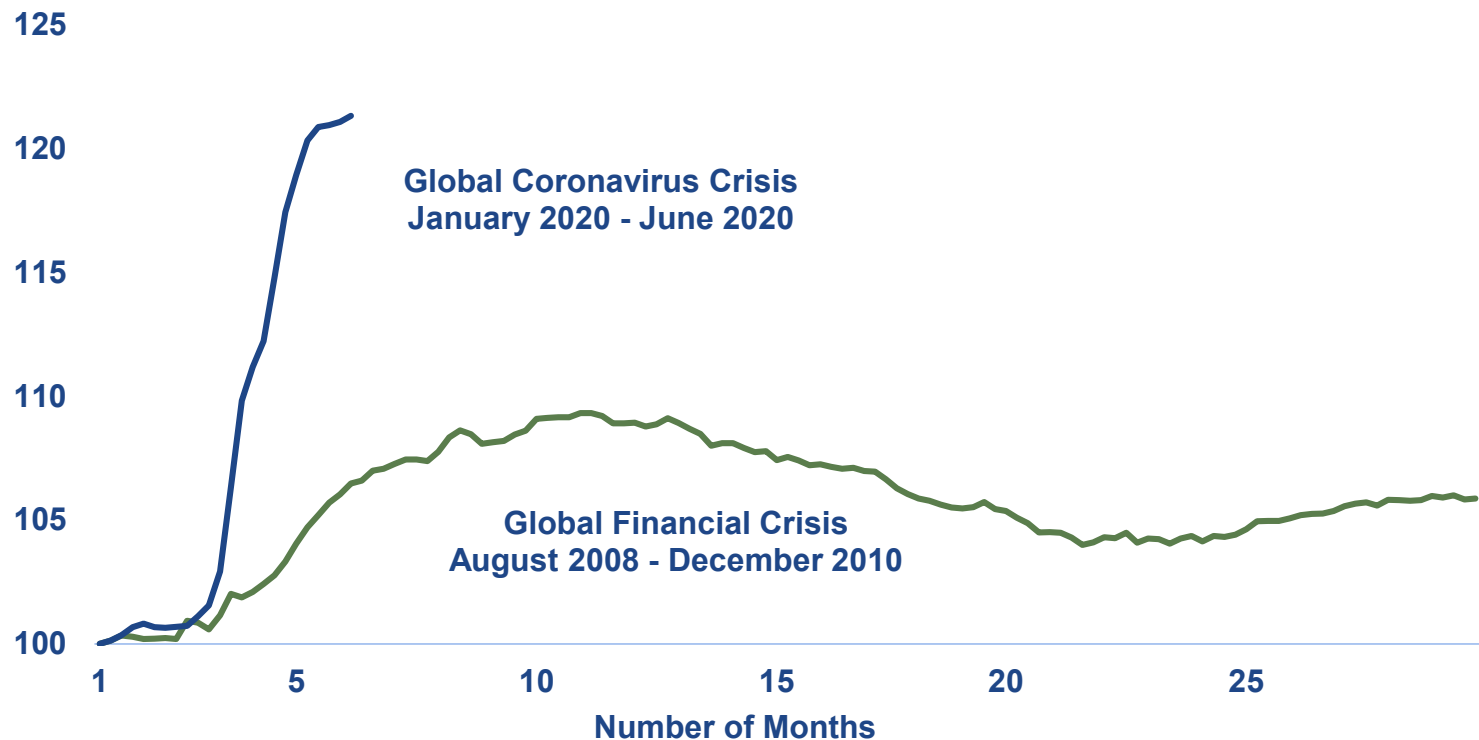
- The MSCI ACWI IMI index is shown below, January to June 2020
- A classic V-shaped recovery, but the story is far from over
- The speed of both decline and rebound were historically exceptional



A Turbulent 2020 – The Market in Perspective

The speed and magnitude of monetary stimulus in 2020 was far more aggressive than what we saw in the crisis of 2008-2009

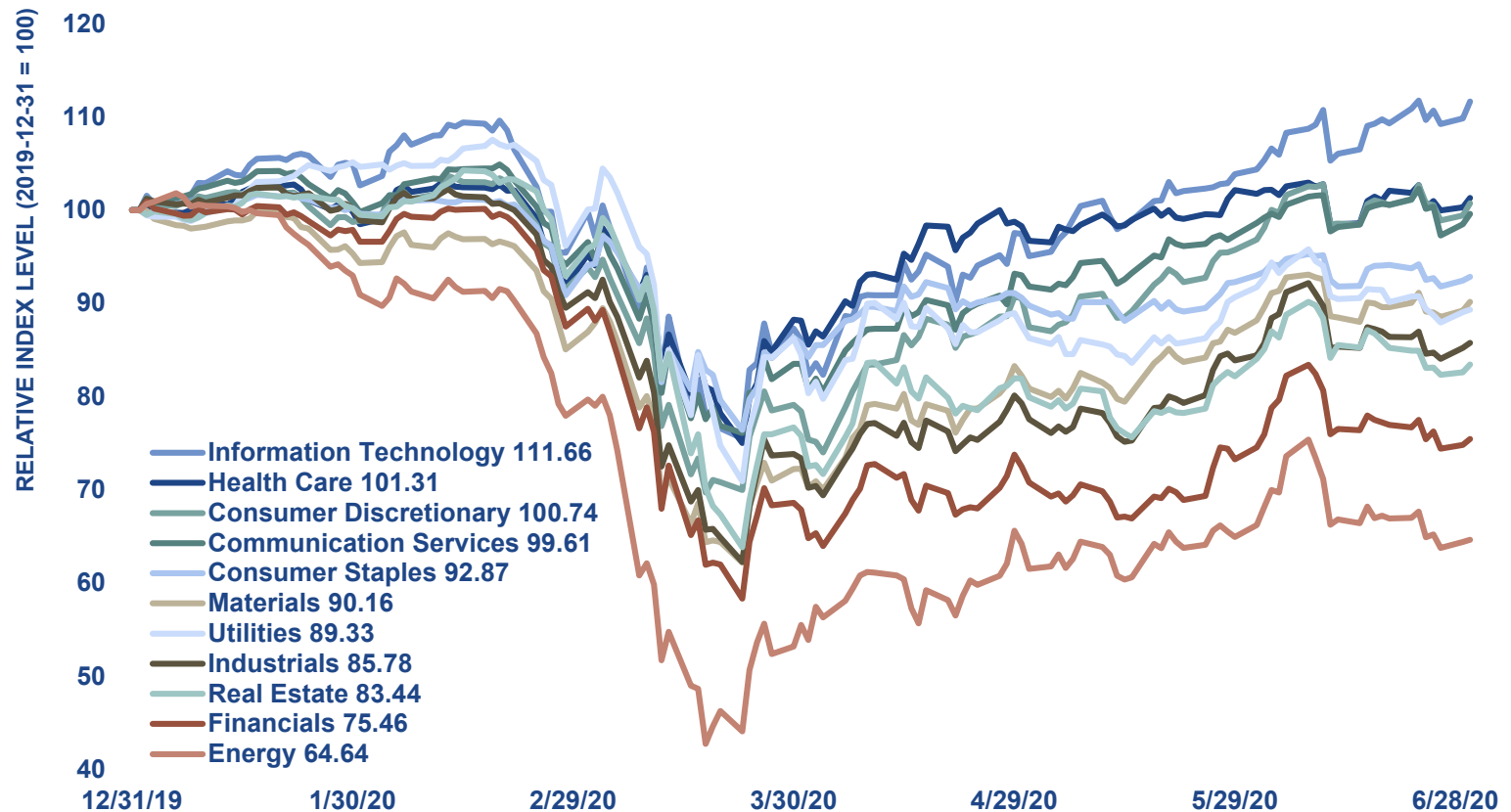
- ❑ Chart below shows the contrast in money supply + money market fund balances
- ❑ The Fed learned from the previous crisis and stepped in immediately
- ❑ U.S. government followed with commensurate fiscal stimulus



A Turbulent 2020 – The Market in Perspective

Economic sectors showed a wide disparity of performance in early 2020

- Chart below shows global stock market sectors (MSCI ACWI) through June 30 with performance indexed to December 31, 2019





Updates on Key Initiatives

Evaluating the COVID-19 economic impacts

- ❑ No V-shaped recovery for health impacts
- ❑ Watching for winners/losers and transformations
- ❑ Will need to evaluate Wall Street vs. Main Street implications long term
- ❑ Steadfast in our disciplines rather than introducing a wave of new initiatives

Updating our Capital Market Assumptions (CMAs)

- ❑ New set of assumptions due in 2021; collaborating with the Office of the State Actuary (OSA)
- ❑ CMAs will be a vital part of the policy-making equation

TAP into TDF for Plan 3 and Deferred Compensation Plan

- ❑ The Total Allocation Portfolio (TAP) will become one of the investment components in Target Date Funds (Plan 3 and DCP)
- ❑ Teaming up with the Department of Retirement Systems (DRS) now that new recordkeeper (Voya) is on board

In Summary



- ▣ Mission, focus, and discipline will remain unchanged
- ▣ Adapt to new risks and opportunities in a reshaped economy
- ▣ Continue Board/staff/stakeholder collaboration and education
- ▣ Be realistic and transparent with market assumptions and our investment results
- ▣ Build a sustainable, diverse culture in-house and among our partners