

WASHINGTON STATE INVESTMENT BOARD: ANNUAL UPDATE – 2021

LEOFF 2 BOARD
NOVEMBER 17, 2021

Theresa Whitmarsh
Chief Executive Officer



OVERVIEW OF THE WSIB

Asset Management Profile

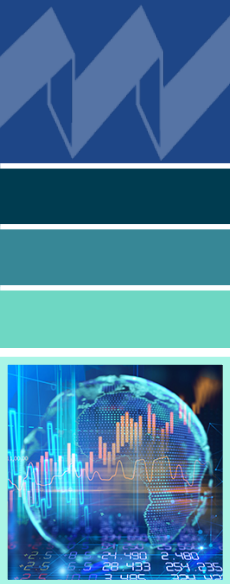
- \$186.3 billion in assets under management as of September 30, 2021
- 17 pension funds
- 5 Labor and Industry Funds
- 16 permanent and other trust funds

Mission

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

Investment scope and scale

- 76 different countries
- Across 6 continents and 49 currencies
- More than 14,000 investment holdings



- Board comprised of 15 members
 - 10 voting members
 - Advised by 5 non-voting investment professionals, who are selected by the voting Board members

3 EX-OFFICIO MEMBERS			2 LEGISLATORS	
Mike Pellicciotti	Tracy Guerin	Joel Sacks	Timm Ormsby	Mark Mullet
The State Treasurer	Director of DRS (Chair)	Director of L&I	Member of the House of Representatives	Member of the Senate
5 REPRESENTATIVES OF THE PUBLIC EMPLOYEE PENSION SYSTEMS				
Greg Markley	Judy Kuschel	Yona Makowski	Sara Ketelsen	Vacant
Member of LEOFF (Vice-Chair)	Active Member of PERS	Retired Member of State Pension System	Member of TRS	Member of SERS
INVESTMENT PROFESSIONALS				
David Nierenberg	William A. Longbrake	Ada Healey	Mary Pugh	George Zinn



WHO WE ARE – STAFFING AND INVESTMENT PARTNERS

- Staffing: 115 employees
- Two offices: Olympia and Seattle; remote work since March 2020
- 130+ external investment managers and partners across five asset classes
- 60 investment professionals
- 55 financial/accounting professionals and executive/administrative staff
- Mission-driven culture based on non-negotiable integrity and fiduciary duty



WSIB INVESTMENT RESPONSIBILITY (38 FUNDS MANAGED)

17

Retirement Funds

- Public Employees' Plans 1, 2, 3
- School Employees' Plans 2, 3
- Teachers' Plans 1, 2, 3
- Law Enforcement Officers' and Firefighters' Plans 1, 2
- Judicial Retirement Account – Defined Contribution
- Washington State Patrol Plans 1, 2
- Volunteer Firefighters' and Reserve Officers' Relief and Pension
- Deferred Compensation Program
- Public Service Employees' Plan 2
- Higher Education Retirement Plan Supplemental Benefit

5

Permanent Funds

- Agricultural College
- Common School
- Normal School
- Scientific
- State University
- American Indian Endowed Scholarship
- Foster Care Endowed Scholarship (unfunded)

Labor & Industries' Funds

7

- Accident
- Medical Aid
- Pension Reserve
- Supplemental Pension
- Industrial Insurance Rainy Day (unfunded)

Other Funds

9

- Guaranteed Education Tuition
- Developmental Disabilities Endowment (Private and State)
- Washington State Opportunity Scholarship (Scholarship, Endowment, Tech Pathway, and Degree Pathway)
- Long-term Services and Support (unfunded)
- Dan Thompson Memorial

RETIREMENT PLANS AND MARKET VALUES

SEPTEMBER 30, 2021

■ DB plans and hybrid DB/DC plans commingled into one investment fund (CTF) run by the WSIB

Defined Benefit and Hybrid Defined Benefit/Defined Contribution Plans	Market Value
Public Employees' Retirement System Plan 1 (PERS)	\$9,398,513,425
Public Employees' Retirement System Plan 2/3	\$61,095,868,890
Teachers' Retirement System Plan 1 (TRS)	\$7,008,777,066
Teachers' Retirement System Plan 2/3	\$30,281,792,018
Washington State Patrol Retirement System Plan 1 (WSPRS)	\$1,574,250,382
Washington State Patrol Retirement System Plan 2	\$174,752,857
Law Enforcement Officers' & Fire Fighters' Plan 1 (LEOFF)	\$7,201,364,138
Law Enforcement Officers' & Fire Fighters' Plan 2	\$19,489,154,965
School Employees' Retirement System Plan 2/3 (SERS)	\$10,575,458,521
Public Safety Employees' Retirement System Plan 2 (PSERS)	\$1,204,208,046
Higher Education Supplemental Insurance Plan	\$153,904,646
Total	\$148,158,044,956

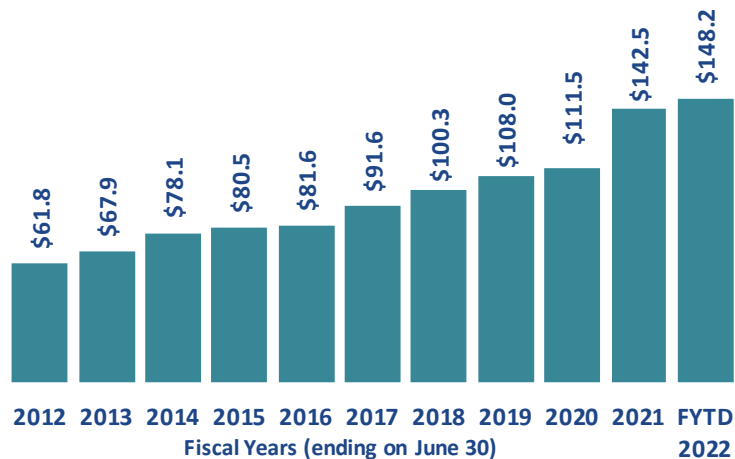
Retirement Plan(s) Outside the CTF	Market Value
Volunteer Fire Fighters' and Relief Officers' Pension Fund (VFFRO)	\$251,500,402
Total	\$251,500,402

Defined Contribution Plans	Market Value
Plans 3 Outside of the CTF	\$7,214,019,240
Deferred Compensation Program (DCP)	\$6,135,143,043
Judicial Retirement Account (JRA)	\$9,441,439
Total	\$13,358,603,721

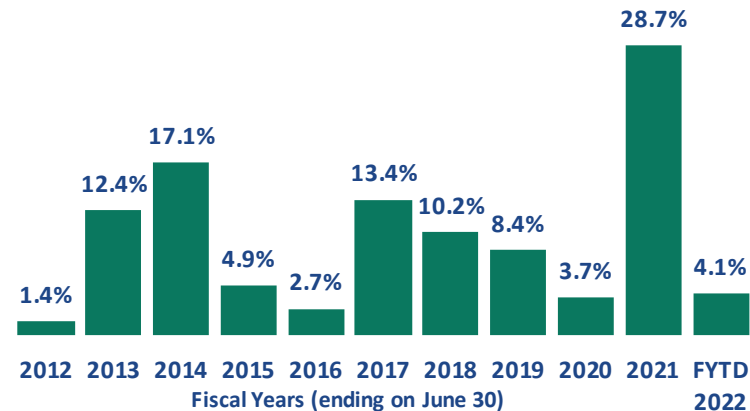
COMMINGLED TRUST FUND MARKET VALUES AND PERFORMANCE

SEPTEMBER 30, 2021

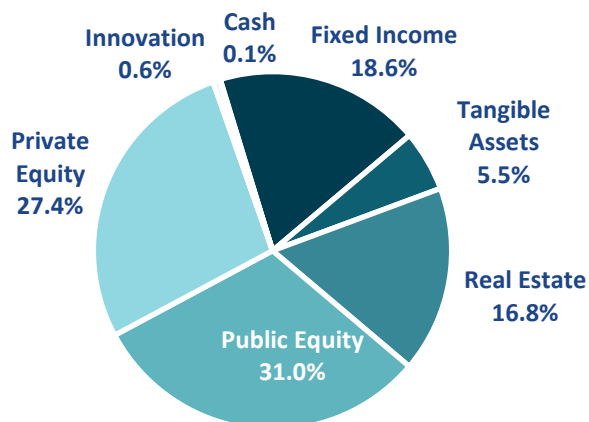
Historical Market Value (\$ Billions)



Historical Annual (FY) Returns



Asset Allocation



Market Values and Returns

	(000s)	1 Year	3 Year	5 Year	10 Year	20 Year
Total CTF	\$148,158,044,955	26.9%	13.7%	12.7%	11.2%	8.9%
Fixed Income	\$24,722,791,820	0.2%	6.5%	4.1%	4.0%	5.2%
Tangible Assets	\$8,136,341,687	16.4%	6.4%	6.8%	5.1%	N/A
Real Estate	\$24,946,970,381	16.8%	22.1%	13.7%	12.4%	12.5%
Public Equity	\$46,396,593,482	29.5%	12.5%	13.4%	12.5%	8.5%
Private Equity	\$40,638,549,774	55.8%	22.7%	20.7%	16.2%	12.8%
Innovation	\$844,711,498	26.9%	14.5%	-5.2%	2.8%	N/A
Cash	\$2,472,086,311	0.1%	1.2%	1.3%	0.7%	1.4%

WHAT WE DO – MARKET RISK SPECTRUM

- WSIB seeks diversification across the portfolio and within each asset class
- Implementation within each asset class will determine how risk is concentrated
- Weight of each asset class must match risk profile

Lower Risk ————— Higher Risk

FIXED INCOME

Treasury Bills

Credit Bonds

High Yield

TANGIBLE ASSETS

Less Leverage
Income Producing
Fully Hedged

Levered
Speculative Construction
Unhedged

REAL ESTATE

Less Leverage
Developed Markets
Fully Developed

Levered
Emerging Markets
Raw Land

PUBLIC EQUITY

Developed Markets
Large Cap

Emerging Markets
Small Cap

PRIVATE EQUITY

Mezzanine Debt

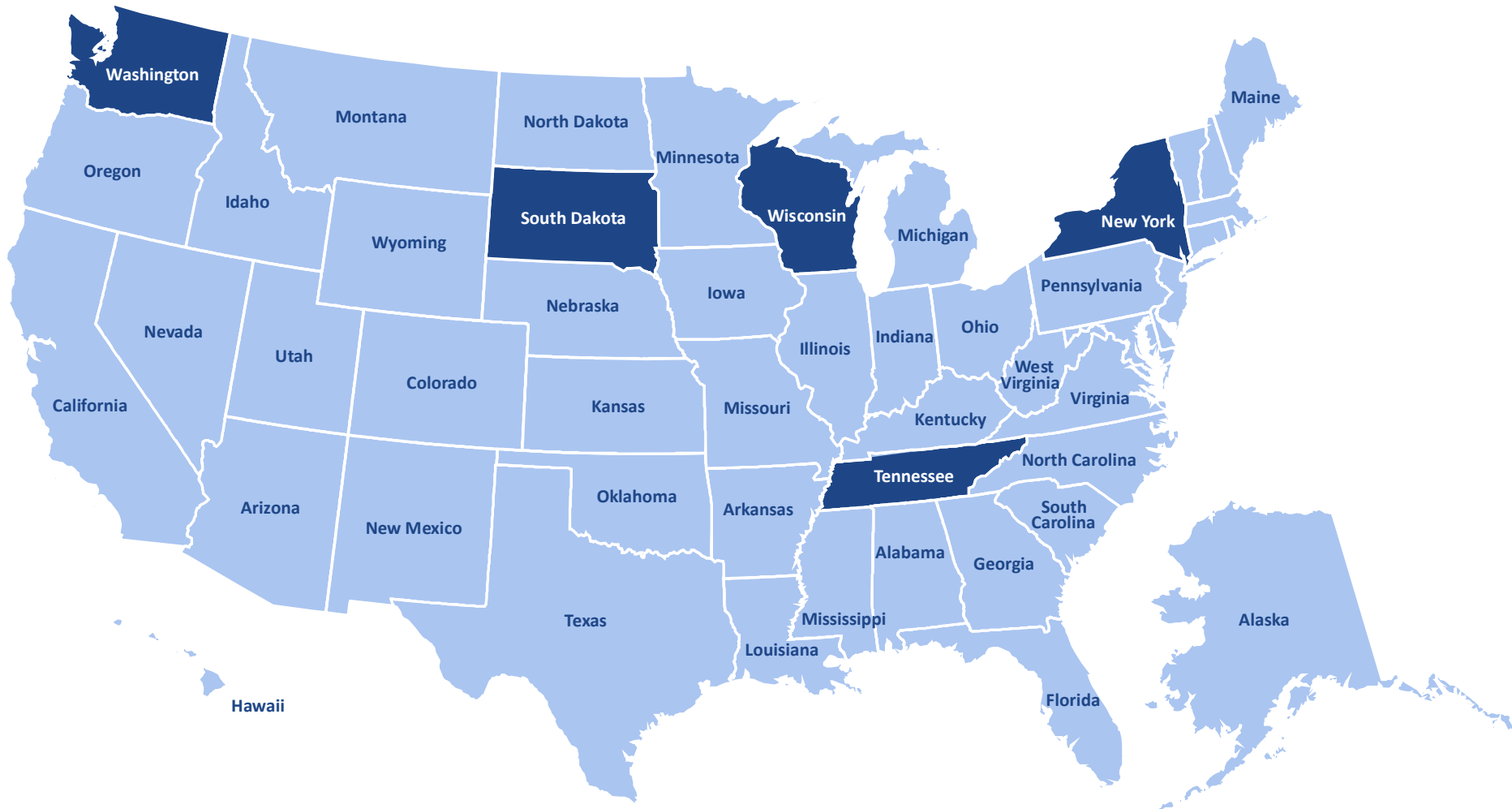
Large Buyouts

Venture Capital

OUR RESULTS – A STRONG REPUTATION

ONE OF THE BEST FUNDED PENSION SYSTEMS IN THE NATION

Top 5 Funded States





KEY INITIATIVES

Leadership transition moving forward

- Allyson Tucker confirmed as new CEO, starts January
- Curt Gavigan on board as Chief Operating Officer
- Actively recruiting for future CIO

TAP into TDF launched in October for Plan 3 and Deferred Comp Plan

- Extends full diversification (private markets) into Target Date Funds
- Enhances risk-adjusted returns within the age-adjusted fund glidepath
- Strong collaboration between WSIB and DRS team

Developing investment plan for new WA Cares program

- Dedicated portfolio with a fixed income investment plan
- Goal is to create the most advantageous investment program permitted under law
- Management of assets to begin during 2Q 2022

Launched new Diversity, Equity and Inclusion Committee

- Robust participation and engagement among staff
- Catalyst for surfacing vital management and culture issues



IN SUMMARY

Fulfillment of mission and fiduciary duty will remain front and center

Focus on retaining and attracting top talent will be a continued focus

Resources will be managed to support retirement plans plus a broader array of vital stakeholder interests

Management of ESG factors (e.g., climate, diversity) must be integrated effectively into investment process and strategies

Reshaped global economy will require mix of adaptation and unwavering discipline