

# WASHINGTON STATE INVESTMENT BOARD ANNUAL UPDATE – 2022

**LEOFF 2 BOARD**  
**NOVEMBER 16, 2022**

**Allyson Tucker**  
**Chief Executive Officer**



# OVERVIEW OF THE WSIB

## Asset Management Profile

- **\$175.5 billion in assets under management as of September 30, 2022**
- **17 pension funds**
- **5 Labor and Industry Funds**
- **16 permanent and other trust funds**

## Mission

- **WSIB's mission is to manage investments with integrity, prudence, and skill to maximize investment return at a prudent level of risk for the exclusive benefit of fund participants and beneficiaries**

## Investment scope and scale

- **93 different countries**
- **Across 6 continents and 52 currencies**
- **More than 17,000 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	
<b>Mike Pellicciotti</b>	<b>Tracy Guerin</b>	<b>Joel Sacks</b>	<b>Timm Ormsby</b>	<b>Mark Mullet</b>
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				
<b>Greg Markley</b>	<b>Judy Kuschel</b>	<b>Yona Makowski</b>	<b>Sara Ketelsen</b>	<b>Liz Lewis</b>
Member of LEOFF (Vice-Chair)	Active Member of PERS	Retired Member of State Pension System	Member of TRS	Member of SERS
INVESTMENT PROFESSIONALS				
<b>David Nierenberg</b>	<b>William A. Longbrake</b>	<b>Ada Healey</b>	<b>Mary Pugh</b>	<b>George Zinn</b>

## WHO WE ARE – STAFFING AND INVESTMENT PARTNERS

- Staffing: 113 employees
- Two offices: Olympia and Seattle
- Hybrid 60/40 workplace plan in place as of September 2022
- 130+ external investment managers and partners across five asset classes
- 51 investment professionals
- 62 financial/accounting professionals and executive/administrative staff
- Mission-driven culture based on non-negotiable integrity and fiduciary duty

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## 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

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## Permanent Funds

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

## Labor & Industries' Funds

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

## Other Funds

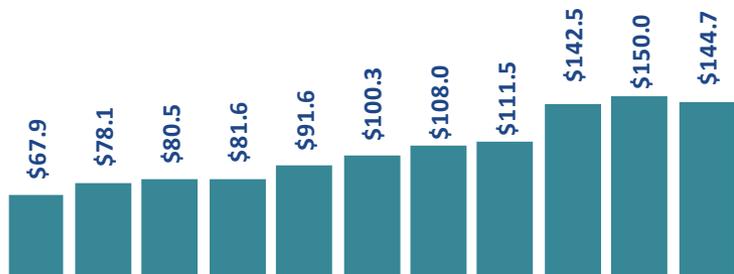
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- Guaranteed Education Tuition
- Developmental Disabilities Endowment (Private and State)
- Washington State Opportunity Scholarship (Scholarship, Endowment, Tech Pathway, and Degree Pathway)
- WA Cares Long-Term Services and Support (startup due during 2023)
- Dan Thompson Memorial

# COMMINGLED TRUST FUND (CTF) PERFORMANCE AND MARKET VALUES

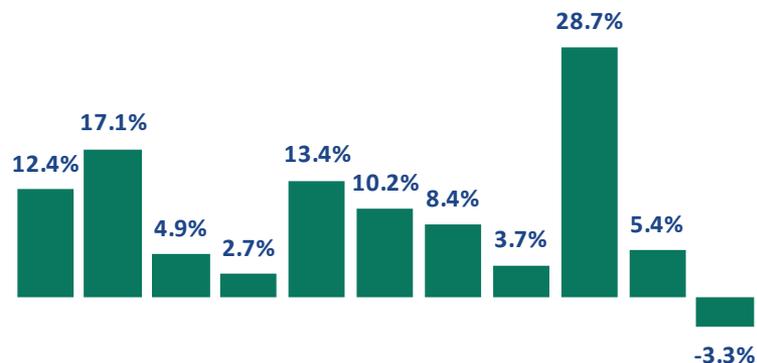
SEPTEMBER 30, 2022

## Historical Market Value (\$ Billions)



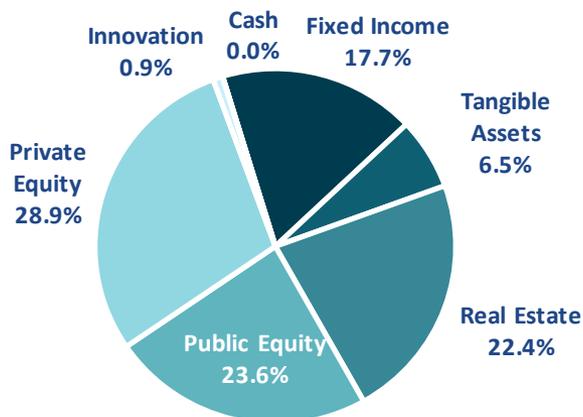
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 FYTD  
Fiscal Years (ending on June 30) 2023

## Historical Fund Returns



2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 FYTD  
Fiscal Years (ending on June 30) 2023

## Asset Allocation



## Market Values and Returns

	(000s)	1 Year	3 Year	5 Year	10 Year	20 Year
Total CTF	\$144,663,683,018	-2.1%	10.2%	9.3%	9.6%	9.1%
Fixed Income	\$23,734,176,853	-14.3%	-2.3%	0.5%	1.5%	4.0%
Tangible Assets	\$9,420,865,375	10.1%	8.4%	6.9%	5.6%	N/A
Real Estate	\$32,394,877,700	34.5%	20.3%	16.4%	14.7%	11.9%
Public Equity	\$33,972,022,602	-21.1%	3.5%	4.5%	7.7%	8.2%
Private Equity	\$41,848,777,737	1.8%	19.5%	17.1%	15.4%	13.7%
Innovation	\$1,255,712,436	8.6%	11.0%	-1.0%	1.8%	N/A
Cash	\$2,037,250,315	0.8%	0.6%	1.2%	0.8%	1.3%

# RETIREMENT PLANS AND MARKET VALUES

SEPTEMBER 30, 2022

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

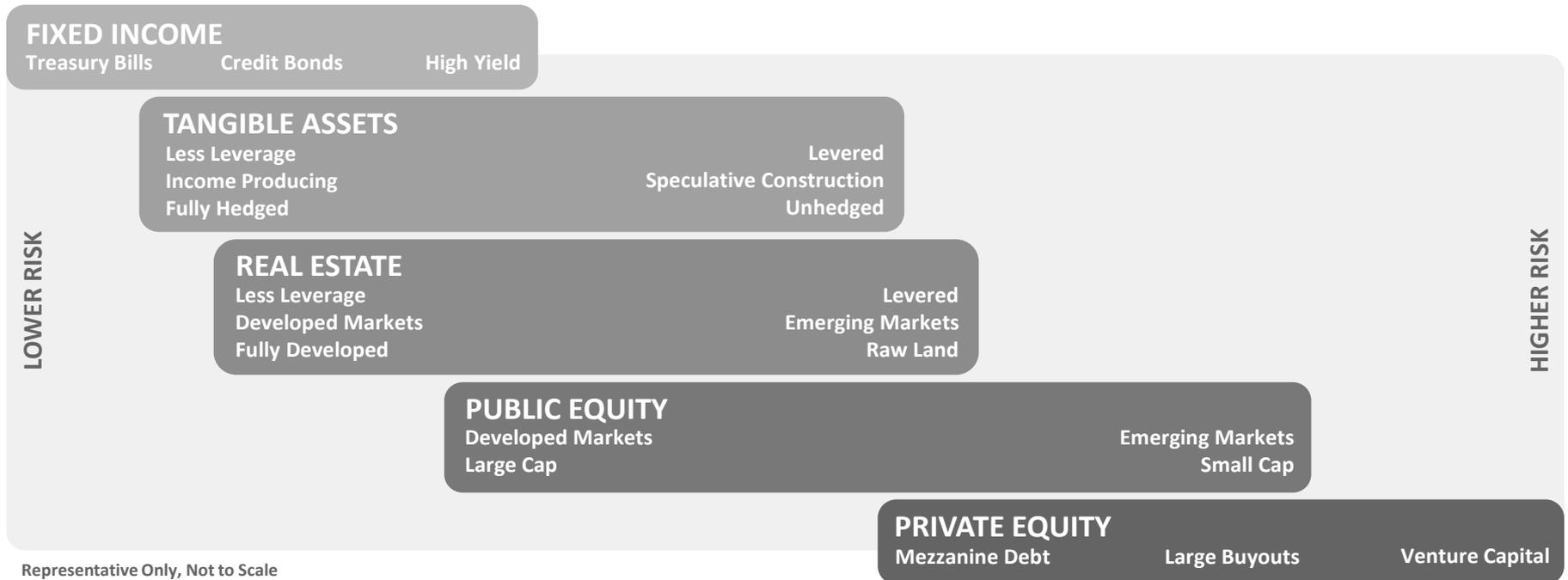
Defined Benefit and Hybrid Defined Benefit/Defined Contribution Plans	Market Value
Public Employees' Retirement System Plan 1 (PERS)	\$8,659,549,866
Public Employees' Retirement System Plan 2/3	\$59,399,951,041
Teachers' Retirement System Plan 1 (TRS)	\$6,513,709,896
Teachers' Retirement System Plan 2/3	\$29,749,549,171
Washington State Patrol Retirement System Plan 1 (WSPRS)	\$1,474,014,965
Washington State Patrol Retirement System Plan 2	\$188,646,770
Law Enforcement Officers' & Fire Fighters' Plan 1 (LEOFF)	\$6,691,309,743
Law Enforcement Officers' & Fire Fighters' Plan 2	\$18,996,634,442
School Employees' Retirement System Plan 2/3 (SERS)	\$10,332,723,624
Public Safety Employees' Retirement System Plan 2 (PSERS)	\$1,245,807,744
Higher Education Supplemental Insurance Plan	\$159,764,613
Target Date Funds (TDF)	\$1,252,021,144
<b>Total</b>	<b>\$144,663,683,020</b>

Retirement Plan(s) Outside the CTF	Market Value
Volunteer Fire Fighters' and Relief Officers' Pension Fund (VFFRO)	\$198,633,723
<b>Total</b>	<b>\$198,633,723</b>

Defined Contribution Plans (Less TDF money that is in the CTF)	Market Value
Plans 3 Outside of the CTF (TAP)	\$5,392,987,244
Deferred Compensation Program (DCP)	\$4,793,903,075
Judicial Retirement Account (JRA)	\$7,091,142
<b>Total</b>	<b>\$10,193,981,461</b>

# WHAT WE DO – MARKET RISK SPECTRUM

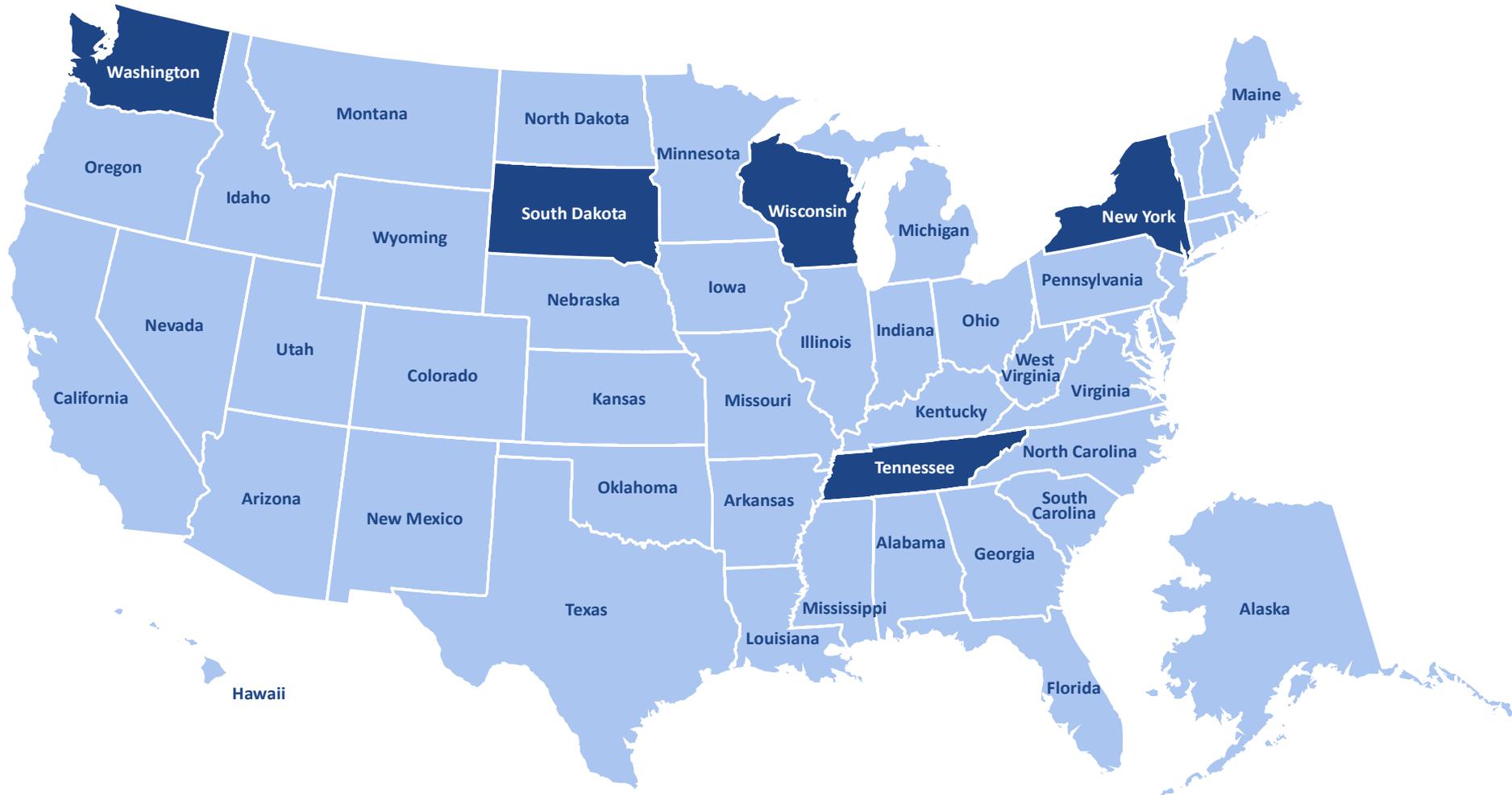
- WSIB seeks diversification across the portfolio and within each asset class
- Implementation within each asset class will determine how risk is concentrated
- Weight of each asset class must match risk profile



# OUR RESULTS – A STRONG REPUTATION

## ONE OF THE BEST FUNDED PENSION SYSTEMS IN THE NATION

Top 5 Funded States



## Key leadership and staff transitions

- Chris Hanak promoted to Chief Investment Officer
- Fabrizio Natale promoted to head of Private Equity
- Li Gao promoted to head of Risk Management and Asset Allocation
- James Aber hired as Institutional Relations Director

## Developing Board-approved Climate and Diversity, Equity, and Inclusion (DEI) Blueprints

- Climate: a guiding roadmap to help navigate climate risk within investment process
- Diversity: keep building accountability to DEI, both internally and externally
- Environmental, social, and governance (ESG) factors are viewed through lens of investment outcomes and role as fiduciary

## Launching a Vision, Mission and Values project

- Retain the best of our legacy culture; enhance the rest

## Continue disciplined approach amid multiple market uncertainties

- Strong investment process: capital market assumptions, asset allocation studies
- Strong partnerships: Actuary, Department of Retirement Systems, Office of Financial Management, Office of the State Treasurer
- Service to stakeholders

