Washington State Investment Board

WSIB Update
Select Committee on Pension Policy

Theresa Whitmarsh,
Executive Director
November 16, 2010

Overview

- Mission & Fiduciary Duty
- Governance Structure
- Commingled Trust Fund Performance
- Asset Allocation
- Return Assumptions
- Investment Challenges
- Summary

Mission and Fiduciary Duty

Mission:

Invest with integrity, prudence, and skill to meet or exceed the financial objectives of those we serve.

Fiduciary Duty:

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

"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)

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Governance Structure

- Board comprised of 15 members
  - 10 voting – represent system stakeholders
  - 5 non-voting – selected by voting members for their investment expertise
- 79 staff

	Appointment Authority	Name	Position
10 Voting	Ex-Officio	Jim McIntire, Vice Chair	State Treasurer
		Steve Hill	Director, DRS
		Judy Schurke	Director, Labor & Industries
	Senate President	Lisa Brown	State Senator
	House Speaker	Sharon Tomiko Santos	State Representative
	Governor	Vacant	Active Member, PERS
		George Masten	Retired Member, PERS
		Patrick McElligott, Chair	Active Member, LEOFF
	Superintendent of Public Instruction	Judi Owens	Active Member, SERS
		Mike Ragan	Active Member, TRS
5 Non-voting	Selected by the Board	Robert Nakahara	
		Jeffrey Seely	
		David Nierenberg	
		William A. Longbrake	
		Richard Muhlebach	

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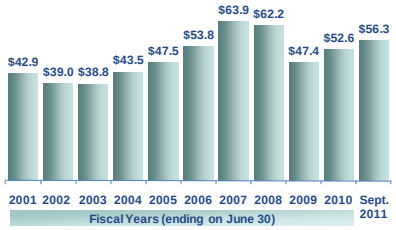
Commingled Trust Fund (CTF) Performance & Market Values

September 30, 2010

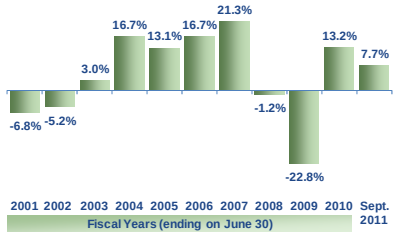
Historical Market Value (billions)



Since Inception

Since Inception Return (June 1992): 8.48%

Historical Fund Returns



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	$56,319,476,030	10.91%	-3.75%	4.62%	4.73%
Fixed Income	$11,827,646,128	10.68%	9.47%	7.62%	7.57%
Tangibles	$602,519,787	7.12%	0.15%	N/A	N/A
Real Estate	$7,609,239,916	-2.79%	-9.26%	3.69%	8.98%
Public Equity	$20,859,537,009	9.93%	-7.32%	2.36%	1.86%
Private Equity	$14,259,424,187	20.91%	-5.21%	8.73%	7.22%
Innovation	$502,468,248	7.66%	N/A	N/A	N/A
Cash	$658,640,755	0.15%	1.49%	2.84%	2.22%

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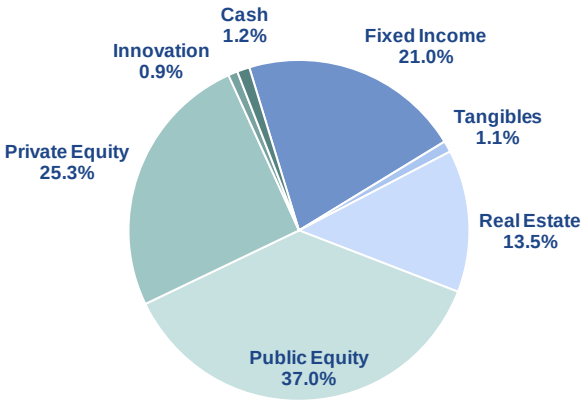
CTF is Well Diversified by Asset Type



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CTF is Well Diversified by Country

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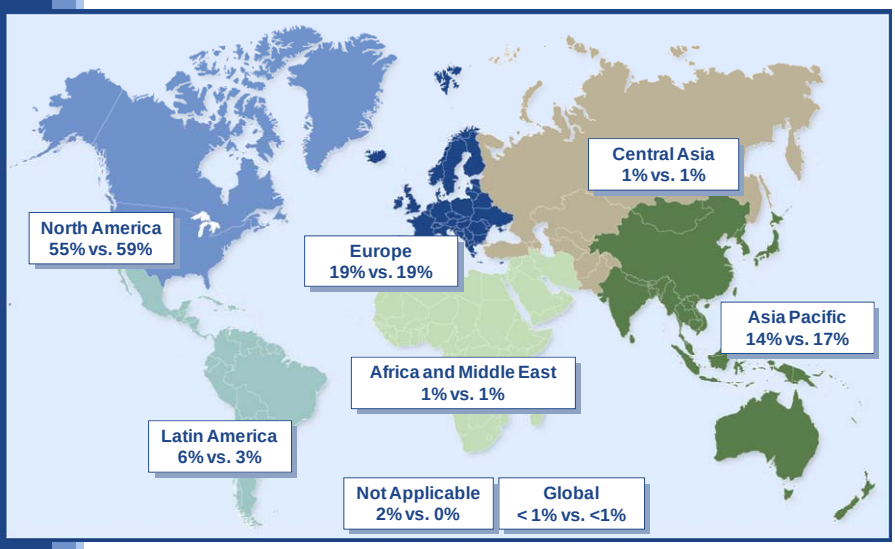

The comparison is to the CTF's passive benchmark (Dow Jones 69% and Barclays Capital 31%)

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CTF is Well Diversified by Sector

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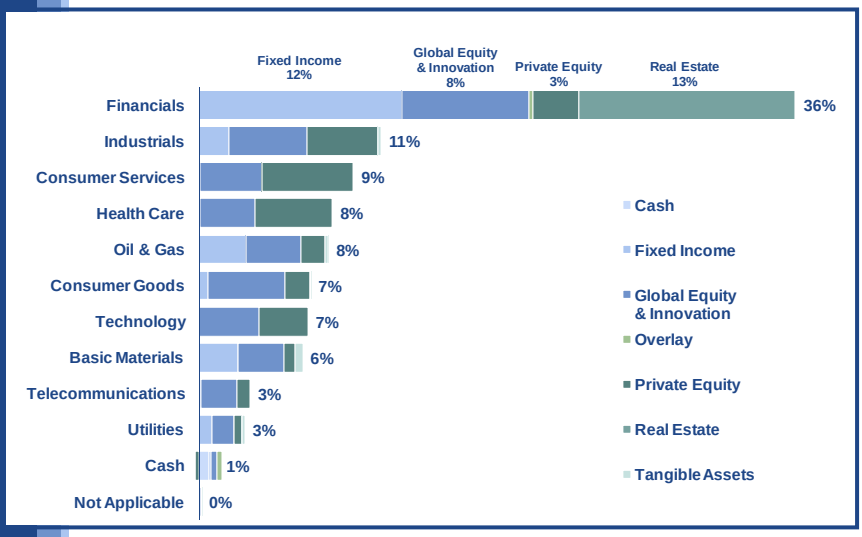

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Current Outlook – Tougher Return Environment Going Forward

Capital market assumptions (CMA) are the projected behavioral characteristics of the asset classes in terms of risk (volatility), reward (return), and relationship (correlation)

How they are used by the WSIB

- For asset allocation
- Strategic use, not tactical
- They do not attempt to anticipate short-term (1-5 year) variations
- They do adjust accordingly when markets have had extreme movements as in the recent past

	2009 CMA	2010 CMA	2009 Standard Deviation	2010 Standard Deviation
TIPS	4.50	4.50	6.00	6.00
Fixed Income	4.75	4.50	4.75	5.00
Tangible Assets	6.50	6.50	8.00	8.00
Real Estate	8.00	8.00	15.00	15.00
Global Equity	9.25	8.90	16.90	17.30
U.S. Equity	9.25	8.75	17.00	17.00
International Equity	9.25	9.00	19.00	19.00
Private Equity	12.25	11.75	29.00	28.00
Cash	3.00	3.00	1.50	2.00
Inflation	2.50	2.50		1.75
Expected Return	7.98	7.68		

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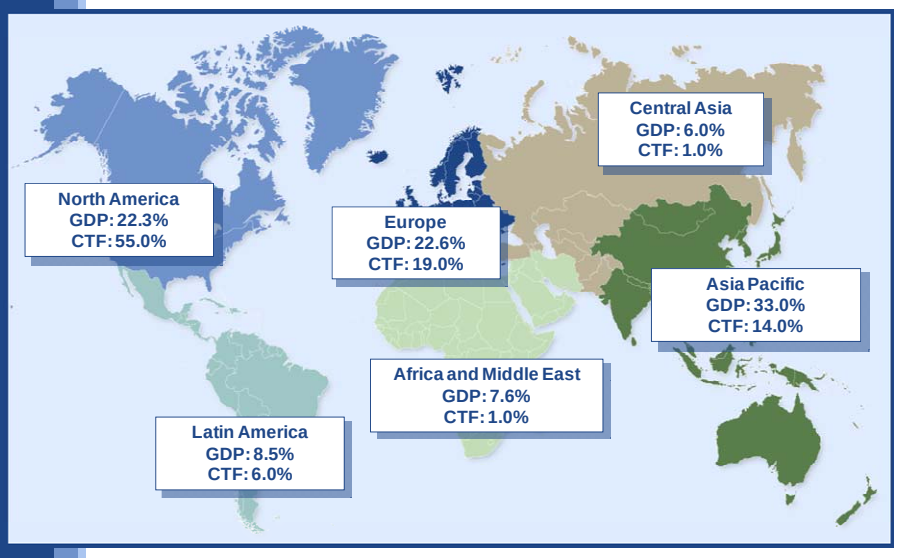
Gross Domestic Product (GDP) Geographic Concentration (2009) versus CTF Geographic Concentration



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Investment Strategy – Prudently Position Portfolio to Capture Growth

By geography

- Gross Domestic Product (GDP) and demographic growth outside United States

By Asset Types

- Addition of new asset types
  - Infrastructure
  - Agriculture
  - Commodities
  - Timber

Requires

- Additional research resources
- Skilled staff
- Technology and risk systems

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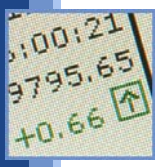
Summary



- Global long-term investor with a proven record of success
- Well positioned for realities of today and tomorrow's economy
- Disciplined approach to investment with the highest standards of integrity
- Dedicated to working for the best interests of our beneficiaries

Web address: http://www.sib.wa.gov

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