



## WSIB Update



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## Overview



- ▣ Mission
- ▣ The Board – Excellent Governance
- ▣ Impeccable Integrity
- ▣ Open and Transparent
- ▣ Manage Key State Assets
- ▣ Retirement Fund Performance and Value
- ▣ Global Strategy
- ▣ Essentials for Success
- ▣ Results



## Our Mission



The WSIB invests with integrity, prudence, and skill to meet or exceed the financial objectives of those we serve including members and beneficiaries of:

- ▣ 17 retirement plans for public employees, teachers, school employees, law enforcement officers, firefighters and judges
- ▣ Several other important public funds that help support Washington’s industrial insurance program, colleges and universities, and developmental disability programs



## The Board – Excellent Governance



The 10 voting and 5 non-voting members of the Board are fiduciaries whose mission is to manage investments for retirement and other public funds with the exclusive benefit of beneficiaries

	Appointment Authority	Name	Position
10 Voting	Ex-Officio	Jim McIntire, 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	Natasha Williams	Active Member, PERS
		George Masten	Retired Member, PERS
		Patrick McElligott	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	



## Impeccable Integrity



The Board has adopted rigorous code of conduct and conflict of interest policies to ensure that its actions meet the most stringent standards

Integrity is part of the WSIB's DNA and it demands excellence of an experienced and well governed Board of Trustees, staff, investment managers, and companies in which we invest

Members of the State Investment Board are fiduciaries held to the highest standard of professional conduct for the exclusive benefit of fund beneficiaries



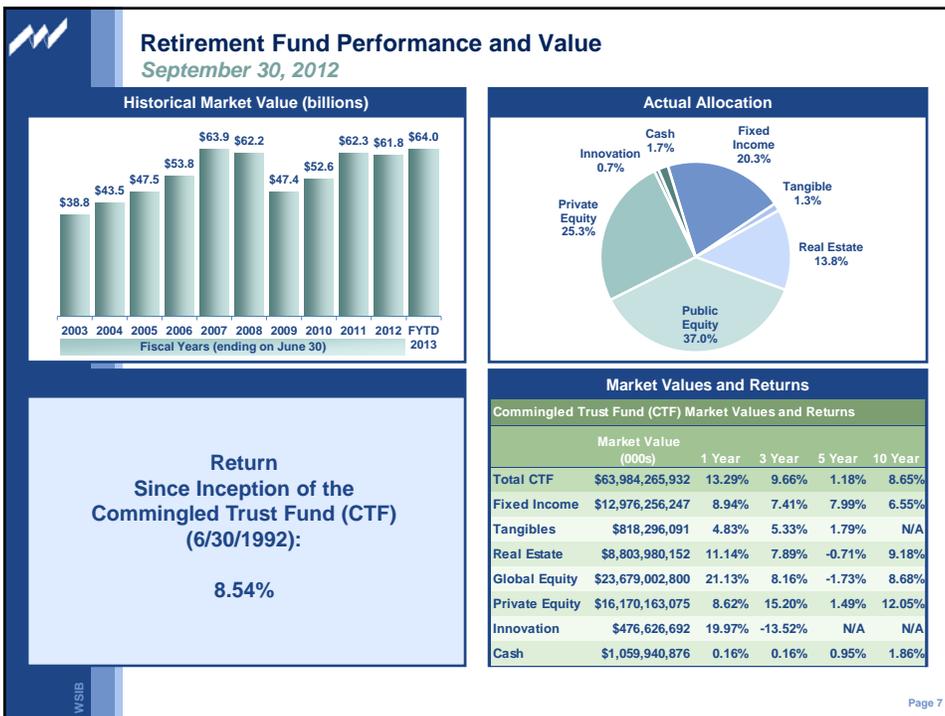
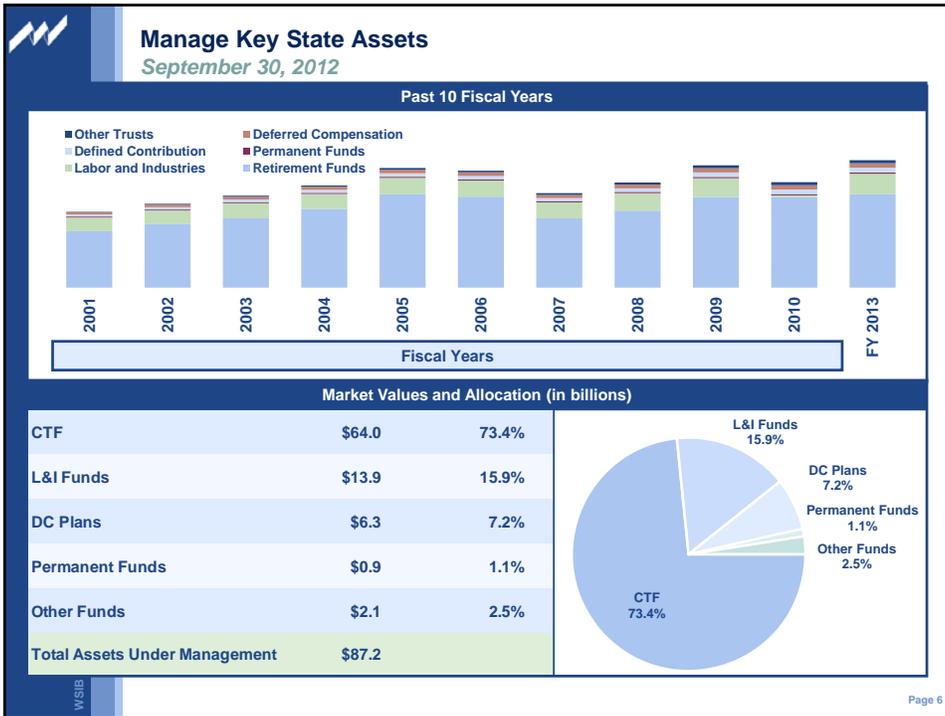
## Open and Transparent



[www.sib.wa.gov](http://www.sib.wa.gov)

The Board conducts business in open public meetings and provides a clear record of its investment policies and decisions on its award winning website

The website provides easy to access, timely and thorough information about how billions of dollars in investments for state retirement and other public trust fund assets are managed





## WSIB Pursues a Global Strategy

*Complexity is the Reality of the 21st Century*



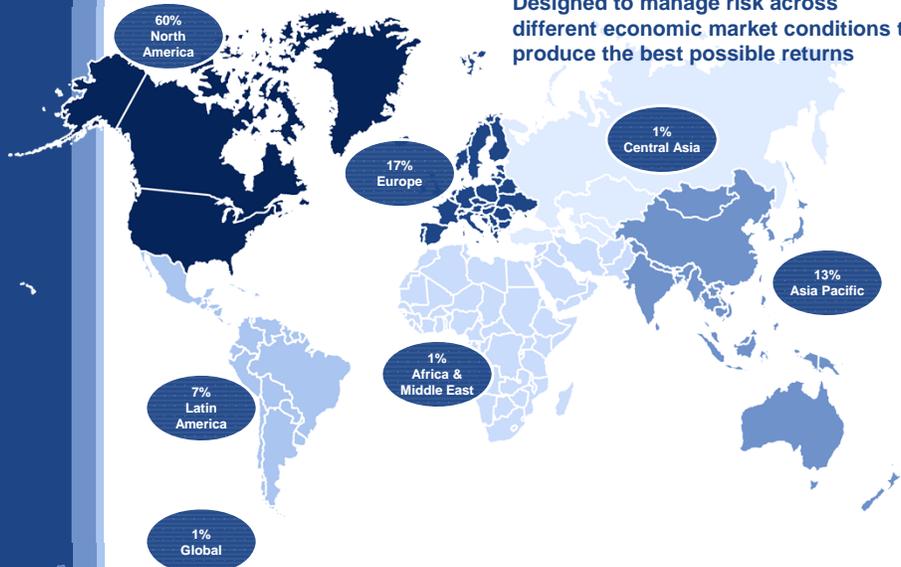
- We manage investments in:
- 33 different funds
  - 74 different countries
  - Across 6 continents
    - 49 currencies
    - Over 12,000 investment holdings



## CTF Geographic Diversification

*September 30, 2012*

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





## Challenges of Running a Global Portfolio



- ❑ Marketplace more complex with constant financial product innovation
- ❑ Competition much stiffer for partners, deals, and staff due to rise of sovereign wealth funds, new and rapidly growing pension funds, and family wealth offices in emerging markets
- ❑ Unpredictable geopolitical events have greater influence over investment returns
- ❑ Round-the-clock media coverage creates greater political and reputation risk challenges



## Essentials for Success in This Complex Global Market



WSIB past success has been the result of being:

- ❑ Ahead of the market
  - ❑ Alternatives
  - ❑ Global
- ❑ Willing to be different
  - ❑ Real estate operating company (REOC) strategy
  - ❑ Fixed Income – not benchmark driven
- ❑ Disciplined
  - ❑ Walk away from strategies that don't fit
  - ❑ Stayed with asset allocation while others de-risked

## Essentials for Success in This Complex Global Market

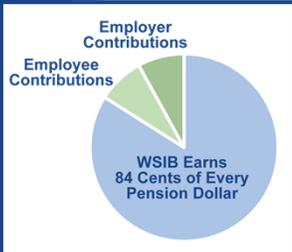


Success in future dependent on:

- ▣ **People**
  - ▣ Skilled staff, who can research, identify and execute successful investment strategies across far flung geographies
  - ▣ Sophisticated investment partners, consultants, and service providers with keen knowledge of local market conditions
  - ▣ Dedicated and competent Board
- ▣ **Resources**
  - ▣ Adequate budget for staff, research, technology, global travel
  - ▣ Appropriation and spending flexibility
- ▣ **Reputation**
  - ▣ Attracting skilled staff, access to good partners, willingness to serve on the Board and support for adequate resources is all dependent on the WSIB's reputation

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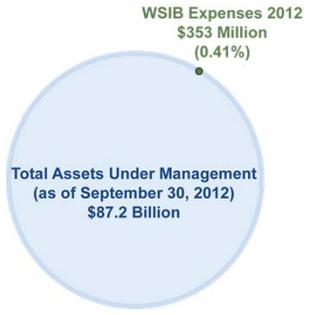
## WSIB Retirement Fund Results: Great Returns at Low Cost to System



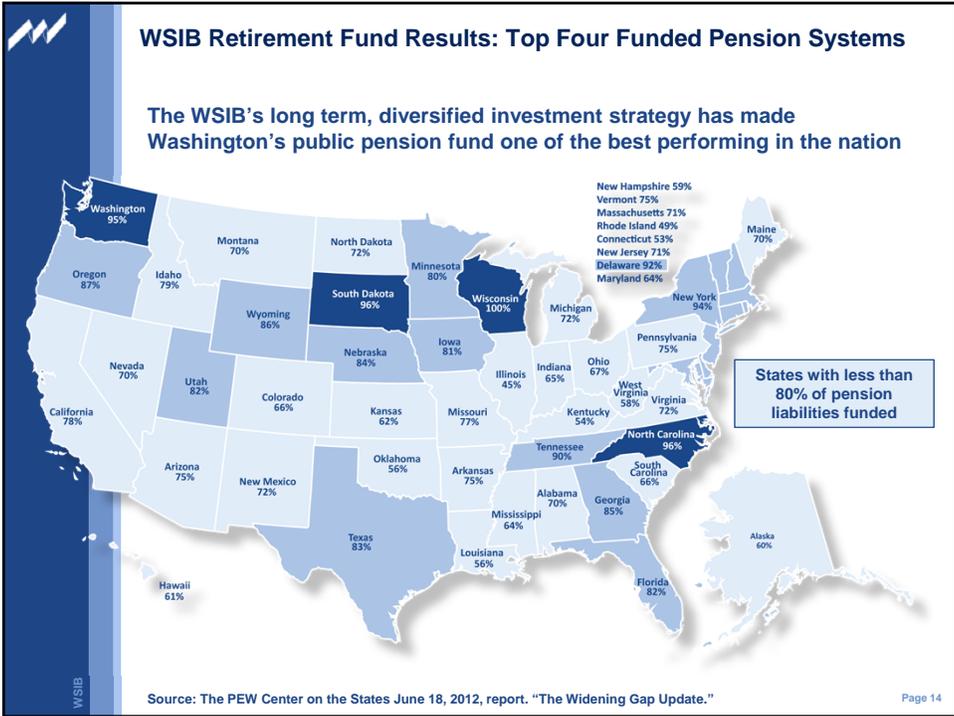
Roughly, 84 cents of every dollar needed to pay benefits is generated by our investment returns

All expenses of the WSIB are funded from the earnings of the funds managed by the WSIB at no cost to state taxpayers

International benchmarking studies have consistently ranked the WSIB in the top number of low cost and high performing institutional investors



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## Conclusion

Being a good investment manager is like walking up a down escalator...if you aren't moving forward, you are losing ground

**Challenges going forward:**

- ▣ Managing investment return expectations
- ▣ Consistently meeting the assumed rate of return
- ▣ Maintaining independence to fulfill fiduciary responsibilities
- ▣ Building and securing support for adequate resources to ensure satisfactory results and success well into the future

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