

4. INVESTMENT PORTFOLIO

Funds Managed

The WSIB manages billions of dollars in investments for state retirement, industrial insurance, permanent, and other trust funds. It has management responsibility for more than 30 funds which are categorized in four classes: the retirement funds, the industrial insurance trust funds, permanent, and other trust funds.

Retirement Funds

The public retirement or pension funds comprise the largest class of funds under the investment control of the Board. Over three-quarters of the total funds managed are retirement funds. The retirement funds include a defined benefit only and a hybrid defined benefit/defined contribution option. The retirement funds also include the state deferred compensation plan, which is a voluntary retirement savings program for state employees.

Insurance (Labor and Industries) Funds

The Labor and Industries funds or industrial insurance funds are derived from insurance premiums paid by employers and employees throughout the state and are used to pay disability, medical, and death benefits to injured workers. These funds represent approximately 15 percent of the total funds managed.

Permanent Funds

With the exception of the very small Millersylvania Park Trust, the permanent funds are land grant funds whose earnings are dedicated to the capital development and the maintenance of facilities and equipment at common schools and institutions of higher education. The permanent funds typically represent less than two percent of the total funds managed.

Other Trust Funds

The other trust funds invested by the WSIB are the Game and Special Wildlife Fund, the State Employees Insurance Reserve, the Radiation Perpetual Fund, the Reclamation Revolving Fund, Guaranteed Education Tuition, the Developmental Disabilities Endowment Trust, and the State Emergency Reserve Fund. These funds represent less than two percent of the total funds managed.

Asset Allocation

One of the fiduciary duties of the WSIB is the duty to diversify. The Board makes investments from these eligible investments:

INTRODUCTION: BACKGROUND INFORMATION

- 1) Cash Equivalents
- 2) Fixed Income
- 3) Equities
- 4) Alternative Investments, including Leveraged Buyout and Venture Capital Limited Partnerships
- 5) Real Estate Equity and/or Debt
- 6) Other investments accounted for within the Innovation Portfolio

To maintain the desired diversification, the Board has adopted asset allocation policies. Monthly, Board staff report the current allocation of assets with a comparison of how allocations match the Board adopted ranges for each asset class.

Asset allocation policies are periodically reviewed by the Board and can be changed or retained depending on the results of studies and long-term market expectations.