

WSIB Investment Exposure to Gun Manufacturing

The Issue

The Washington State Investment Board (WSIB) manages investments for 17 retirement plans on behalf of public employees, teachers, school employees, law enforcement officers, firefighters and judges. The WSIB also manages investments for 18 other public trust funds in support of workers' industrial insurance along with educational and developmental disabilities programs. Some beneficiaries have recently asked whether these funds are invested in companies that manufacture guns, ammunition and related products. The Board is sensitive to their concerns, and this information is provided to promote better understanding of this issue.

WSIB Investments and Governance

The WSIB manages \$128 billion in assets (as of December 31, 2017) in a globally diversified range of strategies that serve retirement plans along with the programs mentioned above. Investment returns allow Washington's Department of Retirement Systems to distribute approximately \$4 billion in annual benefit payments to more than 183,000 beneficiaries. These returns are projected to generate about 75 percent of the benefits paid out today and for future decades. The WSIB's 15-member Board, including representation from the state Legislature, the state Treasurer and state employees' groups, govern this investment program with a mission of maximizing return at prudent levels of risk.

WSIB Investments Involving Gun Manufacturers

As part of the WSIB's \$128 billion investment portfolio, some of the funds are public equity index funds that are constructed by including a small, proportionately weighted share of essentially every publicly traded company in the U.S. stock market. The WSIB's U.S. public equity index funds currently result in approximately \$5.3 million of investments (as of December 31, 2017) in U.S. companies whose businesses include some form of gun or ammunition manufacturing. This represents investment exposure of .004 percent (about 4 cents of a \$1,000 investment). These investments do not represent any actively selected investment in these companies; they are a byproduct of passive index funds.

WSIB Investment Funds Void of Gun Manufacturing Exposure

In some cases, retirement plan beneficiaries have selected defined contribution retirement plans that allow the individual investor to select their own funds from a provided list of fund options. Among those options, the following funds currently include no exposure to gun manufacturing companies:

- Short-Term Investment Fund
- Washington State Bond Fund
- Socially Responsible Balanced Fund
- U.S. Large Cap Equity Index Fund
- Savings Pool

WSIB's Approach to Social Issues

As a public fiduciary, the WSIB invests to generate maximum returns at prudent levels of risk. The WSIB does not divest or screen out specific companies or segments of the market in response to social or political mandates. The WSIB takes a purposeful approach to its fiduciary responsibility, and therefore engages closely with select industry groups and like-minded peer funds to advocate for desired changes. The Board also diligently exercises its shareholder rights by voting proxies on key corporate governance issues where its influence can help bring about positive change that aligns with its fiduciary mission.