

## LTSS Trust Commission Investment Strategy Subcommittee

Meeting Minutes			
Meeting Date	11/12/2020	Time	3:00 to 5:00

Attendees			
Investment Strategy Subcommittee Members			
<input checked="" type="checkbox"/> Senator Karen Keiser	<input checked="" type="checkbox"/> Representative Paul Harris	<input checked="" type="checkbox"/> Senator Judy Warnick	
<input type="checkbox"/> Representative Frank Chopp	<input type="checkbox"/> Representative Nicole Macri	<input checked="" type="checkbox"/> Senator Steve Conway	
<input checked="" type="checkbox"/> Senator Curtis King	<input type="checkbox"/> Representative Drew MacEwen	<input checked="" type="checkbox"/> Bill Moss (Chair) Assistant Secretary, AL TSA, DSHS	
<input checked="" type="checkbox"/> Kelly Lindseth LTSS Manager, ESD	<input type="checkbox"/> TBD, Person considered experienced and qualified in the field of investment, #1	<input type="checkbox"/> TBD, Person considered experienced and qualified in the field of investment, #2	
<input type="checkbox"/> TBD, Person considered experienced and qualified in the field of investment, #3	<input type="checkbox"/> TBD, Person considered experienced and qualified in the field of investment, #4		
Guest Speakers			
<input checked="" type="checkbox"/> Matt Smith, State Actuary	<input checked="" type="checkbox"/> Ben Veghte, Director, LTSS Trust, AL TSA	<input checked="" type="checkbox"/> Theresa Whitmarsh, Washington State Investment Board	
<input checked="" type="checkbox"/> Luke Masselink, Office of the State Actuary	<input checked="" type="checkbox"/> Chris Phillips, Washington State Investment Board	<input checked="" type="checkbox"/> Chris Hanak, Washington State Investment Board	
<input checked="" type="checkbox"/> Chris Giese, Milliman			

Topic	Minutes
<ul style="list-style-type: none"> <li>• Investment Strategy Subcommittee Chair</li> </ul>	<ul style="list-style-type: none"> <li>• Bill opened nominations for the Chair of the Investment Strategy Subcommittee for the calendar year 2021. Representative Harris nominated Representative MacEwen. Curtis King nominated Bill Moss. Bill noted that Representative MacEwen has an investment background, but Bill does not. Representative Harris also noted that Representative MacEwen is interested in being the chair.</li> <li>• A voice vote was taken and Representative MacEwen was unanimously elected as the chair of the Investment Strategy Subcommittee for calendar 2021.</li> </ul>
Unfinished Business	<ul style="list-style-type: none"> <li>• None</li> </ul>



## LTSS Trust Commission Investment Strategy Subcommittee

Topic	Minutes
<p>New Business</p> <ul style="list-style-type: none"> <li>• <b>Solvency considerations</b></li> </ul>	<ul style="list-style-type: none"> <li>• Matt Smith, the State Actuary, provided an overview of solvency considerations for the LTSS Trust. He noted that since it looks like ESJR 8212 failed, there is an impact on investment returns and program solvency over the long-term if there isn't a future constitutional change that removes restrictions on Trust investments.</li> <li>• The role of the Investment Strategy Subcommittee is to provide guidance and advice to the WSIB on investment strategies for the LTSS Trust. The State Actuary's role is to assist the WSIB by providing Trust related cash flow analysis, projections and any other analysis the WSIB needs.</li> <li>• The four key inputs to the WSIB asset allocation study are:               <ul style="list-style-type: none"> <li>○ Cash flow</li> <li>○ Capital market assumptions</li> <li>○ Financial goals</li> <li>○ Applicable laws – e.g. the state constitution which can impact how the Trust funds can be invested</li> </ul> </li> <li>• Once the asset allocation is set, then the assumed rate of return for investments can be modeled.</li> <li>• As conditions change, the rate of return used for modeling will be frequently re-evaluated.</li> </ul>
<p>New Business</p> <ul style="list-style-type: none"> <li>• <b>State Investment Board presentation</b></li> </ul>	<ul style="list-style-type: none"> <li>• Theresa Whitmarsh, Executive Director of the State Investment Board, provided an overview of SIB's approach to asset management and how the SIB operates.</li> <li>• The SIB has a single goal to make money by establishing investment policies designed to maximize return at a prudent level of risk.</li> <li>• Currently the largest fund managed by WSIB is the retirement fund, with a market value of \$128.9 billion, and the second largest is the L&amp;I fund at \$20.8 billion. Based on cash flow projections for the Trust, it will become the second largest fund over time.</li> <li>• The SIB will work with the Subcommittee to determine the preferred risk tolerance for the Trust.</li> <li>• Chris Hanak, SIB Senior Investment Officer from the risk management and asset allocation group, provided an overview and timeline of doing an asset allocation study, developing a policy and implementing a portfolio and then monitoring the portfolio. He noted that since ESJR 8212 did not pass, a full asset allocation study will not be required at this time, but the process of determining how the funds can be invested and should be invested within the current law is still needed so that an investment policy can be approved before SIB implements investments of the Trust fund. Periodically the asset allocation will be reviewed to make sure it's still appropriate and adjustments will be made if needed. For instance, if a constitutional amendment is passed that removes restrictions on Trust investments, a full asset allocation study will then be needed.</li> <li>• Chris Phillips, SIB Director of Institutional Relations, gave an overview of the SIB service team that will be working with the Subcommittee.</li> </ul>



## LTSS Trust Commission Investment Strategy Subcommittee

Topic	Minutes
New Business <ul style="list-style-type: none"> <li>• <b>WSIB asset allocation study &amp; general timeline</b></li> </ul>	<ul style="list-style-type: none"> <li>• Ben Veghte (DSHS), LTSS Trust Director, provided a general timeline for the asset allocation study. Reviews and approvals of the study will be completed in time for investment implementation of LTSS Trust assets beginning in early 2022.</li> <li>• If a constitutional amendment is passed at some point the investment strategy can be changed.</li> <li>• Typically asset allocation studies are done on a four-year cycle, but there are exceptions that allow them to be done sooner if needed.</li> <li>• The outcome of ESJR 8212 will be discussed at the next Commission meeting on December 3<sup>rd</sup>.</li> <li>• A motion was made to request SIB to proceed with the needed asset allocation study, to be completed and approved by December 17, 2021. The motion was seconded. A voice vote was taken and the motion was passed.</li> </ul>
New Business <ul style="list-style-type: none"> <li>• <b>Draft Investment Strategy Subcommittee Charter</b></li> </ul>	<ul style="list-style-type: none"> <li>• Ben provided an overview of the draft charter.</li> <li>• There was a suggestion to rotate the chair between the House and the Senate members of the Subcommittee. There were no objections to this recommendation.</li> </ul>
Next Steps <ul style="list-style-type: none"> <li>• <b>Subcommittee meetings in 2021</b></li> <li>• <b>Set agenda for spring 2021 meeting</b></li> </ul>	<ul style="list-style-type: none"> <li>• Bill shared there are two meetings of the Subcommittee planned in 2021, one in the spring and one in the fall. Additional meetings will be scheduled if needed.</li> <li>• Suggested agenda items for the spring meeting include:                             <ul style="list-style-type: none"> <li>○ Update on the asset allocation study from SIB</li> <li>○ Confirm dates for reviews and approvals of the study</li> </ul> </li> <li>• There was a recommendation to include a discussion on a constitutional amendment at the spring meeting.</li> </ul>
Wrap up <ul style="list-style-type: none"> <li>• <b>Action Items</b></li> <li>• <b>Adjourn</b></li> </ul>	<ul style="list-style-type: none"> <li>• Action items are captured in the table below.</li> <li>• Meeting adjourned at 4:24.</li> </ul>

### Action Items

ID	Meeting Date	Action Item	Owner	Due Date	Comments/Updates	Status	Completion Date
23	11/12/20	Add rotation of the Subcommittee chair to the charter	Ben Veghte	12/31/20	<b>2020-11-12:</b> A suggestion was made to rotate the chair of the Subcommittee between House and Senate members of the Subcommittee and put this in the Subcommittee charter.	New	
24	11/12/20	Add discussion on a constitutional amendment to the Spring 2021 meeting	Ben Veghte	11/12/20	<b>2020-11-12:</b> Commission staff will include a discussion on a constitutional amendment regarding LTSS Trust investments on the Spring 2021 Subcommittee meeting agenda.	New	

