



## LTSS Trust Commission Investment Strategy Subcommittee Meeting

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June 25, 2025



# Meeting Guidelines

## Commission Members

- Please turn on video
- Stay muted unless talking
- Encourage active participation
- Raise hand to speak if necessary

## Audience Members

- Opportunity to provide public comment later in the meeting



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**WELCOME &  
CALL TO ORDER**

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# Meeting Goals

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- Approve Consent Agenda
- Provide Input on May LTSS Trust Commission Finance Update
- Receive Update from Cross-Agency Accounting Workgroup
- Receive Update on SJR 8201 Potential Implementation

Process

# Approve Consent Agenda

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- 11/14/2024 Investment Strategy Subcommittee Meeting Minutes

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# WA Cares Fund Program Refresh

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Ben Veghte, DSHS



# WA Cares Fund Program Refresh

## Program timeline

**2014**

Research on policy options for long-term care

**2019**

Legislature passes LTSS Trust Act and governor signs into law

**2022**

Legislature adds pathway to partial benefits for near-retirees, establishes voluntary exemptions for certain groups

**2023**

**July 1**

Workers begin contributing

**2024**

Legislature gives workers the ability to take their benefit out of state

**2025**

Legislature creates supplemental private insurance market, gives workers with private insurance exemptions window to join WA Cares

**2026**

**July 1**

Benefits become available for qualified, eligible individuals



# WA Cares Fund Program Refresh

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## Key program details per current statute (RCW 50B.04):

- **Premium rate** - \$0.58 cents for every \$100 earned
- **Lifetime benefit maximum** –\$36,500, adjusted annually up to inflation, paid directly to providers
- **Three pathways to qualified individual status**
  - Contribute 10 years
  - Contribute 3 of the last 6 years from the date of application for benefits
  - For near-retirees (born before 1968): contribute at least one year, earning one-tenth of the lifetime benefit amount for each year contributed

A person must work 500 hours during a year to receive credit for a qualifying year
- **Eligible beneficiary**
  - A qualified individual who requires assistance with at least 3 activities of daily living (i.e., bathing, eating, ambulation, medication management, toilet use, transfer, etc.), and their need for assistance is expected to last for at least 90 days
  - You can take your benefit with you if you leave the state





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# May LTSS Trust Commission Finance Update

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Ben Veghte, DSHS

# May LTSS Trust Commission Finance Update

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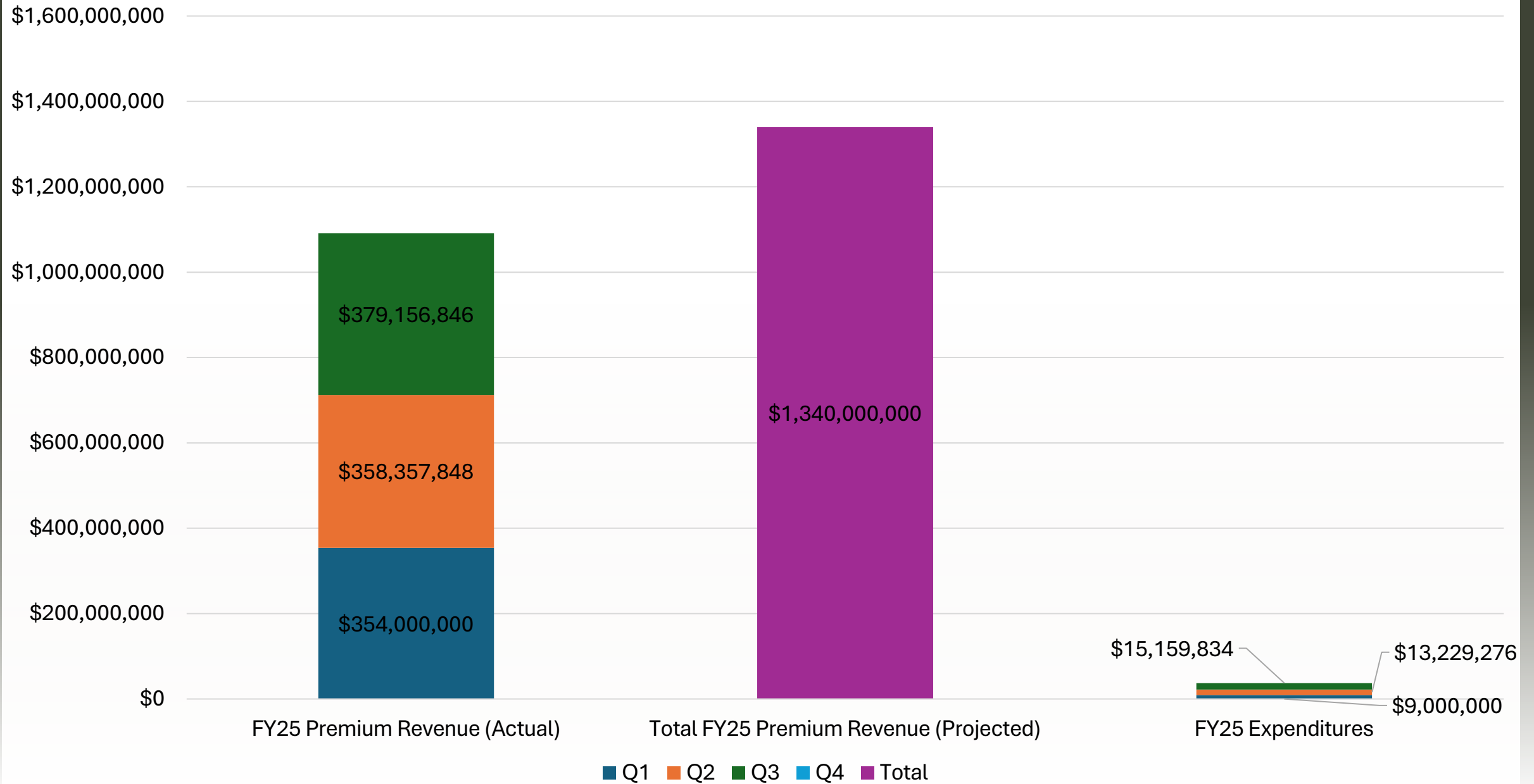
- **Q&A between ISS and SIB on Investment Performance Update provided by SIB at May LTSS Trust Commission Meeting**




# Cross-Agency Accounting Workgroup

Rebecca Doane, DSHS

## WA Cares Fund Premium Revenue and Expenditure





# SJR 8201 Potential Implementation Process

Ben Veghte, DSHS  
Kristi Bromley, SIB

# LONG-TERM SERVICES AND SUPPORTS INVESTMENT STRATEGY SUBCOMMITTEE

## STRATEGIC ASSET ALLOCATION OVERVIEW

**JUNE 25, 2025**

**Kristi Bromley, Assistant Senior Investment Officer**  
**Risk Management and Asset Allocation**





## AGENDA

### Washington State Investment Board (WSIB) Overview

- Fundamental Policies
- Assets Under Management
- Long-Term Services and Supports (LTSS) Current Investment Strategy

### Strategic Asset Allocation Study Overview

- What is a strategic asset allocation study?
- The importance of strategic asset allocation
- Matching portfolio to program needs
- Understanding asset class roles

### Strategic Asset Allocation Workflow if Constitutional Amendment Passes



The WSIB's mission is to invest the funds entrusted to us with integrity, care, and skill to maximize return over the long term at a prudent level of risk for the exclusive benefit of beneficiaries

### **Investment Objective**

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

### **Prudence**

- “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 (1))

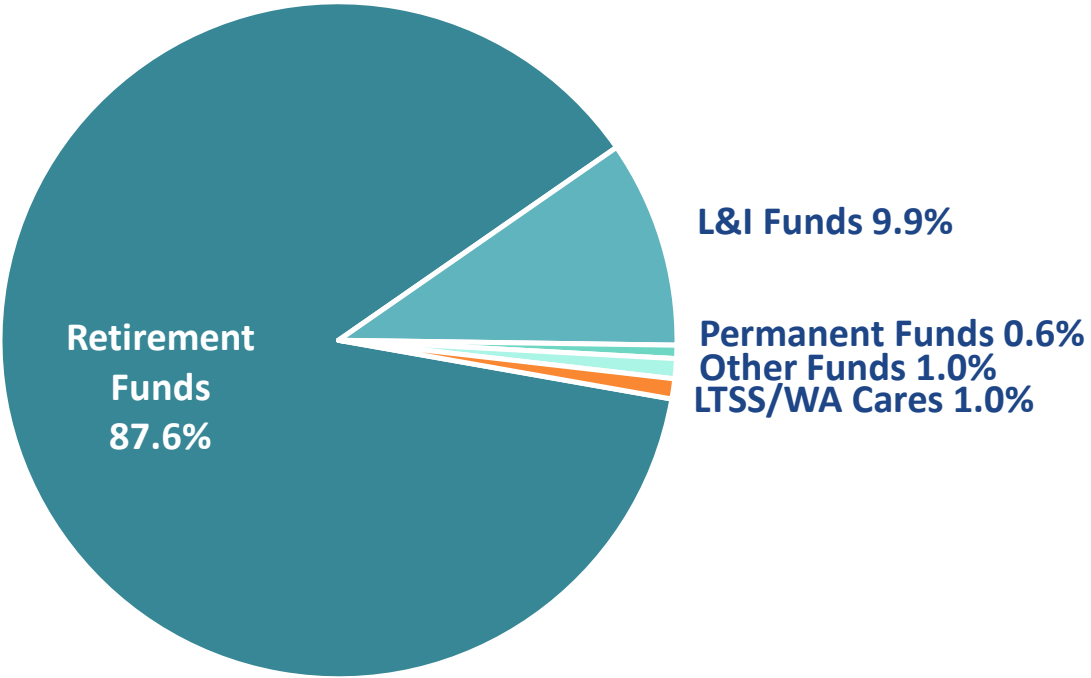
### **Diversification**

- “The Board shall diversify investments, unless members reasonably determine the purposes of a particular fund are better served without diversifying.” (RCW 43.33A.140 (2))

The Washington State Investment Board (WSIB) had more than \$213.2 billion of assets under management as of March 31, 2025

The WSIB works closely with its clients to ensure its investment strategies meet their risk and return objectives

Total Assets Under Management	\$213.2
Retirement Funds	\$186.7
L&I Funds	\$21.1
Permanent Funds	\$1.4
Other Funds	\$2.0
LTSS/WA Cares	\$2.0



The WSIB currently invests the LTSS Trust Account in a customized fixed income investment program designed to maximize return at a prudent level of risk while abiding by the constitutional limitations

The investment program is actively managed by the WSIB with the following characteristics

- Invested in interest-producing debt securities with varying maturity, structure, and credit ratings
- Expected to meet or exceed the return of the Bloomberg U.S. Universal Index
- Managed to maintain a portfolio duration within plus or minus 25 percent of the index

The Board-adopted policy can be found at

[https://www.sib.wa.gov/docs/policies/2\\_35\\_600.pdf](https://www.sib.wa.gov/docs/policies/2_35_600.pdf)



## STRATEGIC ASSET ALLOCATION STUDY OVERVIEW

### WHAT IS A STRATEGIC ASSET ALLOCATION STUDY?

Asset allocation is the process of dividing a portfolio among major asset categories such as bonds, stocks, or cash

- A strategic asset allocation study defines construction of a portfolio in order to pursue the highest level of return at a level of risk that is prudent for the portfolio
- Diversification is the foundation of strategic asset allocation because asset classes behave differently
  - Holding diversified positions allows the portfolio to have stronger performance in an area that offsets weaker performance in another
- The WSIB uses optimization models to analyze risk and return characteristics which form a basis for allocation recommendations
  - It is important to understand that asset allocation is a combination of art and science
- There is no one right answer
  - Asset allocation policy should reflect the return objectives and risk tolerances of the stakeholders



## STRATEGIC ASSET ALLOCATION STUDY OVERVIEW

### THE IMPORTANCE OF STRATEGIC ASSET ALLOCATION

Selection of asset classes, the amount invested in each, and the correlation of those asset classes are the greatest source of return and risk to investment portfolios

- The asset allocation mix is the foundation of the WSIB investment programs and crucial to their success

Data from 82 large U.S. pension plans indicate that investment policy (strategic asset allocation) dominates investment strategy (market timing and security selection), explaining on average 91.5 percent of the variation in total plan return

Brinson, Singer, Beebower 1991, (Update to BHB 1986)





## STRATEGIC ASSET ALLOCATION STUDY OVERVIEW

### MATCHING PORTFOLIO TO PROGRAM NEEDS

#### Specific Goals

#### Return Objectives

- Growth
- Income
- Capital preservation

#### Risk Tolerance

- Volatility of return
- Correlation of returns (interaction between asset class movements)

#### Other Considerations

- Time horizon
- Liquidity
- Unique circumstances or preferences

# STRATEGIC ASSET ALLOCATION STUDY OVERVIEW

## UNDERSTANDING ASSET CLASS ROLES

Asset classes have different characteristics that lead to different behavior bringing diversification and risk mitigation to the total portfolio

← Growth Income →		
	Public Equity	Fixed Income
Objectives	<ul style="list-style-type: none"><li>■ Capital appreciation</li><li>■ Liquidity</li></ul>	<ul style="list-style-type: none"><li>■ Current Income</li><li>■ Liquidity</li><li>■ Deflation protection</li></ul>
Characteristics	<ul style="list-style-type: none"><li>■ Globally oriented</li><li>■ Externally managed</li><li>■ Passively managed</li><li>■ Low cost</li></ul>	<ul style="list-style-type: none"><li>■ Active internal management</li><li>■ Credit oriented</li><li>■ Emerging market exposure</li></ul>
Key Risks	<ul style="list-style-type: none"><li>■ Low growth</li><li>■ Currency</li></ul>	<ul style="list-style-type: none"><li>■ Interest rates</li><li>■ Credit</li><li>■ Inflation</li><li>■ Currency</li></ul>

## Strategic Asset Allocation Study Progression

### Research and Program Inputs

- Outcome of constitutional amendment (SJR 8201)
- Program goals and fund structures
- Actuarial assumptions and projections
- Program cash flow and liability estimates
- Other program needs

### Investment Planning

- Strategic Asset Allocation Study
- Investment Policy Revision

- Capital market assumptions
- Define return objectives, risk appetite, and constraints
- Develop and test model scenarios
- Define appropriate asset class mix
- Prepare strategic asset allocation recommendation and draft updated investment policy
- Present asset allocation plan at LTSS Investment Strategy Subcommittee meeting
- Request WSIB Board adopt strategic asset allocation recommendation and revised investment policy

### Implementation and Investment Management

- Open necessary investment accounts
- Revise performance reports
- Rebalance funds between investment accounts toward strategic asset allocation targets

## Web Site

- <https://www.sib.wa.gov>

## Address

- 2100 Evergreen Park Drive SW  
P.O. Box 40916  
Olympia, WA 98504

## Phone Number

- (360) 956-4600





# PUBLIC COMMENT

Submit written comments or questions to:  
[wacaresfund@dshs.wa.gov](mailto:wacaresfund@dshs.wa.gov).

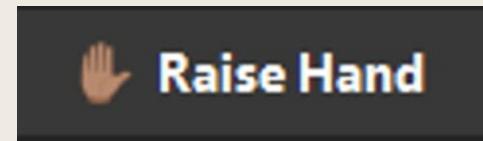
For more information about the program, visit  
[wacaresfund.wa.gov](http://wacaresfund.wa.gov).

# Sign up for Public Comment

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Submit written comments or questions to:  
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visit [wacaresfund.wa.gov](http://wacaresfund.wa.gov).



**Attendees:** click on the Raise Hand icon to sign up for public comment



**Phone callers:** press \*9 to raise your electronic hand.

Then, when recognized, press \*6 to unmute yourself



# Review Agenda for November 12<sup>th</sup> Meeting

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- Approve 6/25/2025 Investment Strategy Subcommittee meeting minutes
- Receive Finance Update
- Receive Investment Performance Update
- Receive Update from Cross-Agency Accounting Workgroup
- Elect a new Chair for 2026

# Wrap Up

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- Action items review
- Adjourn

THANK YOU



**WA**  
**CARES**  
**FUND**

