

June 2025 LTSS Trust Commission Investment Strategy Subcommittee Meeting Minutes							
Meeting Date		6/25/2025		Time		1:00 – 2:30 p.m.	
TVW Link		https://tvw.org/video/long-term-services-and-supports-trust-commission-investment-strategy-subcommittee-2025061085/					
Attendees							
☒	Senator Curtis King (Chair)	☐	Representative Steve Conway	☒	Senator Rebecca Saldaña	☐	Vacant, Representative
☐	Vacant Representative	☒	Representative Nicole Macri (Chair)	☐	Vacant, Representative	☐	Senator Judy Warnick
☐	Daniel Zeitlin, Employment Security Department	☒	Acting Secretary Bea Rector, Department of Social and Health Services	☒	Gary Bruebaker, person considered experienced and qualified in the field of investment, #1	☒	Judy Kuschel, person considered experienced and qualified in the field of investment, #2
☐	Vacant, person considered experienced and qualified in the field of investment, #3	☐	Vacant, person considered experienced and qualified in the field of investment, #4				
Guest Speakers							
☒	Ben Veghte, Department of Social and Health Services	☒	Rebecca Doane, Department of Social and Health Services	☒	Kristi Bromley, State Investment Board	☒	Porsche Everson, Facilitator

Topic	Minutes
Welcome and Call to Order	- Commission members in attendance indicated above. - Acting Secretary Bea Rector reviewed the meeting goals.
Approve Consent Agenda	No objections were made; items were adopted.
WA Cares Fund Program Refresh	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.
May LTSS Trust Commission Finance Update	• No comments or discussion were made.
Cross-Agency Accounting Workgroup	<u>Open for Discussion</u> • King: Is the overhead or cost of running the program \$37 million dollars for 2025? ○ Doane: This is just the administrative cost because we haven't started making payments yet ○ Veghte: This is just the first three quarters. We're still waiting for the figures from the fourth quarter. To provide a little more context, in the early years (2020-2021), ESD had the most intensive phase of building their IT systems, so they had higher administrative expenses. Those expenses have lowered since then. Now DSHS and HCA are building our IT systems to administer benefits, so our admin expenses are higher. Those IT expenses will level off, but then we'll have field expenses when we're administering benefits in the summer of 2026. So, these early years are a bit unusual. We won't have a clear idea of what our annual expenses are going to be until 2028-2029.
SJR 8201 Potential Implementation Process	<u>WSIB Overview - Fundamental Policies</u> 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 <u>Investment Objective</u> • "The Board shall establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk." (RCW 43.33A.110) <u>Prudence</u> • "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)) <u>Diversification</u> • "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)) <u>WSIB Overview - LTSS Current Investment Policy and Strategy</u> 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

	<u>Strategic Asset Allocation Study Overview – What is a strategic asset allocation study?</u> 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 <u>Strategic Asset Allocation Study Overview – Matching Portfolio to Program Needs</u> <u>Specific Goals</u> 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 preference <u>Open for discussion</u> • Macri: If the ballot measure is successful, do you have a sense of the timeline for how long this process takes, or when you might bring a recommendation to this subcommittee? ◦ Bromley: The strategic asset allocation process typically takes a year, and we would start working on it as soon as we know the outcome of the ballot measure. • Bruebaker: Would you hire a consultant to assist you on a program like this? ◦ Bromley: No, we would not. The Risk Management Framework and Asset Allocation Unit would do the work.
Public Comment	• There was no public comment provided.
Set Agenda for November 12 th Meeting	• 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	• There were no action items captured.

• Action Item Review • Adjourn	• Meeting adjourned at 1:28 pm.
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