

**LTSS Trust Commission Investment Strategy Subcommittee  
Meeting Minutes**

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| <b>Meeting Date</b> | 4/5/2022 | <b>Time</b> | 2:30 to 4:00 |
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**Attendees**

|   |   |   |
|---|---|---|
| ✓ Senator Karen Keiser  | ✓ Representative Paul Harris  | ✓ Senator Judy Warnick  |
| Representative Frank Chopp  | ✓ Representative Nicole Macri   | ✓ Senator Steve Conway  |
| ✓ Senator Curtis King   | Representative Drew MacEwen (Chair)   | ✓ Bill Moss<br>Assistant Secretary, ALISA, DSHS                                   |
| ✓ Kelly Lindseth<br>LTSS Manager, ESD   | ✓ Jilma Meneses<br>Secretary, DSHS  | TBD, person considered experienced and qualified in the field of investment, #1   |
| TBD, person considered experienced and qualified in the field of investment, #2 | TBD, person considered experienced and qualified in the field of investment, #3 | ✓ TBD, person considered experienced and qualified in the field of investment, #4 |

**Guest Speakers**

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| ✓ Christopher Hanak<br>WA State Investment Board |  |  |
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| Topic | Minutes |
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| <b>Welcome and call to order</b>                | <ul style="list-style-type: none"> <li>Investment Strategy Subcommittee members in attendance indicated above.</li> <li>Senator Conway reviewed the goals for today's meeting.</li> </ul>   |
| <b>Consent Agenda</b><br>Minutes from 11/9/2021 | <ul style="list-style-type: none"> <li>Senator King moved that the minutes from the 11-9-2021 Investment Strategy Subcommittee meeting be approved. The motion was seconded by Representative Harris. A voice vote was taken, and the motion was passed unanimously.</li> </ul> |

| Topic  | Minutes   |
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| <p><b>Old Business</b><br/>WA Cares Fund<br/>Investment plan</p> | <ul style="list-style-type: none"> <li>• Chris Hanak shared <ul style="list-style-type: none"> <li>○ WSIB are fiduciaries whose mission is to manage investments for retirement and public trust funds.</li> <li>○ WSIB requirement is to use prudence and care while investing the program's funds.</li> <li>○ WSIB is building a fixed income portfolio due to limitations provided by the state constitution.</li> <li>○ Due to recent legislative changes, the fund will begin accumulating assets in the third quarter of 2023.</li> <li>○ WSIB is comfortable with including credit investments in the portfolio</li> <li>○ The proposed benchmark is a Bloomberg U.S. universal bond index.</li> <li>○ WA Cares Fund will be invested in similar manner to the fixed income component of the Retirement Funds' Commingled Trust Fund (CTF).</li> <li>○ The recommended portfolio is based on modeling using the most recent WSIB capital market assumptions and Milliman's most recent cash flow projections.</li> <li>○ WSIB capital market assumptions reflect 15-year projected returns, which consider normalization of central bank easing policies that could result in higher interest rates. Long-term fixed income returns are heavily impacted by bond yields at purchase, and higher future interest rates would help increase expected return as the portfolio is built out through future contributions.</li> <li>○ WSIB will review this analysis at least every 4 years or more frequently if the Board believes there has been a fundamental change in the structure of the capital markets or the underlying cash flow or liability structure of the program.</li> <li>○ The long-term expected return for the program is 3.6%.</li> <li>○ The components of the investment policy include: <ul style="list-style-type: none"> <li>▪ Purpose and Standard of Care</li> <li>▪ Strategic Investment Objectives</li> <li>▪ Investment Performance Objectives</li> <li>▪ Investment Approach <ul style="list-style-type: none"> <li>• Permissible Fixed Income Instruments</li> <li>• Sector Allocations</li> <li>• Duration</li> </ul> </li> <li>▪ Market Changes and Portfolio Rebalancing</li> <li>▪ Risk Constraints</li> <li>▪ Reporting</li> <li>▪ Responsibilities and Policy Review</li> </ul> </li> <li>○ WSIB receives feedback from LTSS Trust Commission ISS on investment plan in May 2022</li> <li>○ WSIB Board considers WA Cares investment recommendation and policy for approval in June 2022</li> <li>○ WSIB implements new investment strategy in third quarter of 2023</li> <li>○ Milliman based their projections on 2.5%. The Treasury return would be lower. Milliman used a rate assumption the entire horizon modeled for, and they used an assumption that had changing rates as moved forward in time.</li> <li>○ In a significantly upward rate environment and due to not receiving funds at this time, it is conceivable that will be in a higher rate environment as those assets build.</li> <li>○ WSIB will update the ISS Subcommittee at the November 4 Meeting.</li> </ul> </li> </ul> <p><b>Meeting</b></p> |
| <p><b>Next Meeting Date and set agenda</b></p>                   | <ul style="list-style-type: none"> <li>• The next meeting was set for November 4.</li> <li>• Senator Conway reviewed the proposed agenda.</li> <li>• The ISS would like to review the Milliman findings at the November meeting.</li> <li>• Senator Keiser would like to look at the Milliman findings and revisit the structure of the Trust fund, which is different than the "pay go" PFLM plan.</li> </ul>  |

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| <b>Public Comment</b>  | <ul style="list-style-type: none"> <li>Two people provided public comment.</li> </ul>  |
| <b>Wrap-up</b> <ul style="list-style-type: none"> <li>Action item review</li> <li>Adjourn meeting</li> </ul> | <ul style="list-style-type: none"> <li>Action items noted in the table below.</li> <li>Meeting adjourned at 3:06.</li> </ul> |

### Action Items

| ID | Meeting Date | Action Item | Owner | Due Date | Comments/Updates | Status | Completion Date |
|----|--------------|-------------|-------|----------|------------------|--------|-----------------|
|    |              |             |       |          |                  |        |                 |

### Appendix: Public Comment

| Public comment provided during the meeting |   |
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| Name                                       | Comment   |
| Jeffrey Parmer                             | I'm an agent with New York Life so I have a lot of my clients wanting to know if there's going to be an extension by which they can opt out. Because several people got policies last year, and then have other people that are saying is there still time to opt out. Thank you so much for this opportunity. I appreciate you all.  |
| Carla Savage                               | I am also an insurance agent with Payne West Insurance in Yakima. I have many clients concerned about the cost of this program, and so I guess not a question, but I would just suggest and request that as the investment committee and the whole program in general be very forward in communicating with the public all along as to what you truly anticipate will be happening with the payroll tax rate. Based on how the investments are performing, I think many of us believe that the .58% payroll tax rate, even out the door, is under funding the program, and when we look at what is going to be increasing wages, we have an increasing minimum wage that obviously is going to just keep increasing, many people paying in over long periods of time. We have a multiplier effect of what's going to be happening with that payroll tax. We have a lot of concerns for people. For what is going to be providing I think in the view of many, a very minimal benefit. So people are very concerned, and trying to weigh that against what they're looking at buying as a potential alternative. I just think it's really important that the communication is very open and very clear as to what to expect. And that has been unfortunately very lacking. And we as agents have a big job to do to try to educate people about that. And unfortunately last year it was such a brief period of time to try to do that, to get people the information they need, and alternatives if they were interested in looking at alternatives, prior to November 1st, it's just been a real difficult challenge. and then with everything to be not necessarily undone, but that's where a lot of people feel they are. So going forward, it's going to need to have that real clear communication as to where we really see this investment going, and the trust, and how it's going to be able to fund the program. |