



LTSS Trust Commission Investment Strategy Subcommittee Meeting

July 31, 2024



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

**WELCOME &
CALL TO ORDER**

Meeting Goals

- Approve Consent Agenda
- Receive Finance Update
- Receive Investment Performance Update
- Receive Update from Cross-Agency Accounting Workgroup

Approve Consent Agenda

- 10/25/2023 Investment Strategy Subcommittee Meeting Minutes

WA Cares Fund Program Refresh

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 & governor signs into law

2021

Legislature improves coverage for adults with disabilities that onset prior to age 18

2022

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

2023

July 1
Workers begin contributing

2024

Legislature makes benefits portable

2026

July 1
Benefits become available for qualified, eligible individuals

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 without interruption of five or more consecutive 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.)
 - You can take your benefit with you if you leave the state

Finance Update

Matt Smith, OSA

Ibrahim Dembele, ESD

Finance Update: Monitoring Early Experience

Presentation to: LTSS Trust Commission Investment Strategy Subcommittee

Matthew M. Smith, State Actuary



Finance Update: Monitoring Early Experience

- As part of the Risk Management Framework (RMF), Phase 1 is largely focused on data collection, monitoring, and updating actuarial projections
- Actual experience will be used in future actuarial projections
- When comparing actual to assumed data, sustained deviations or significant short-term deviations could have long-term impacts
 - Depending on the source of the deviation, it could take years before there is sufficient credible experience to modify assumptions based on actual experience
 - This is consistent with Phase 1 of the RMF
- In the meantime, OSA and Milliman will be monitoring emerging experience and reporting on any impacts to long-term fund solvency

Questions? Please Contact: The Office of the State Actuary

leg.wa.gov/OSA; state.actuary@leg.wa.gov

360-786-6140, PO Box 40914, Olympia, WA 98504

Matthew M. Smith

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Thank You





Finance Update

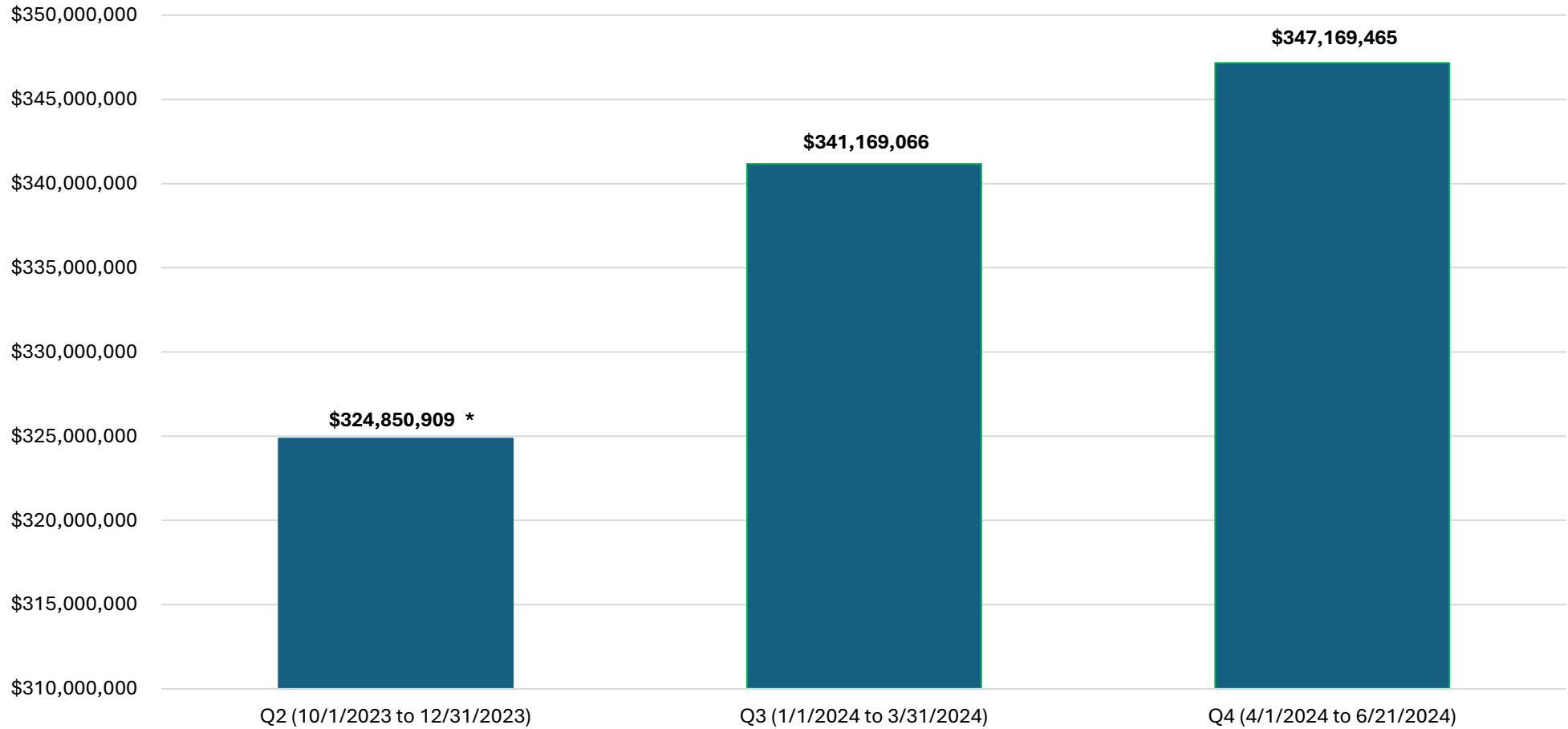
Ibrahim Dembele, Employment Security Department Treasury Director



Quarterly Finance Update

- **Premium Payments received from 4/1/2024 – 6/21/2024: \$347.2 million**
- **Account transfers and retention since 4/1/2024**
 - \$347.2 million transferred to State Investment Board
 - \$1.56 million transferred to General Fund to complete Loan Payoff
 - \$12.1 million retained for FY24 budget appropriations and safety margin
- **WA Cares Fund Balance on 6/21/2024: \$16,849,726**

FY24 Quarterly Premiums Collected



* Includes \$62,542 collected in FY24-Q1

Information in the slide as of June 21, 2024

Cumulative transfers and retention

- General Fund loan repayment: **\$65,840,814**
- Total transfers to State Investment Board : **\$927,767,032**
- Retained for FY24 budget appropriations and safety margin: **\$12,063,478**
- Fund Balance on June 21st, 2024: **\$16,849,726**

Investment Performance Update

James Aber, SIB

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT (LTSS) PERFORMANCE REVIEW – 2Q 2024

JULY 31, 2024

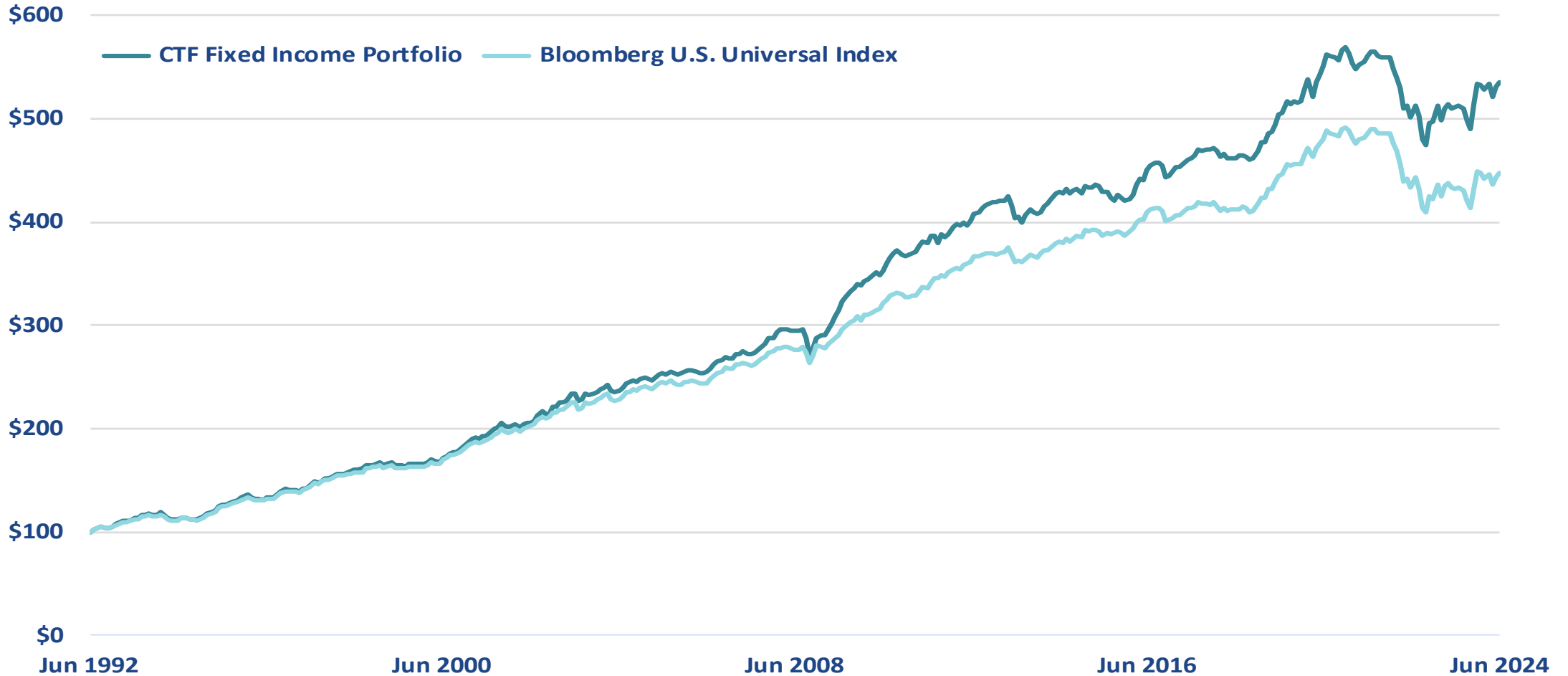
James Aber, Director of Institutional Relations



HISTORICAL INSIGHTS OF FIXED INCOME IN THE CTF

GROWTH OF \$100 SINCE INCEPTION

LTSS is invested in a similar manner to the fixed income component of the Retirement Funds' Commingled Trust Fund (CTF)



LTSS INVESTMENT POLICY AND STRATEGY

The WSIB approved the Long-Term Services & Supports Trust Account investment policy at its June 16, 2022, meeting

The customized fixed income investment program is designed to maximize return at a prudent level of risk while abiding by the constitutional limitations

The investment program will be actively managed by the WSIB with the following characteristics

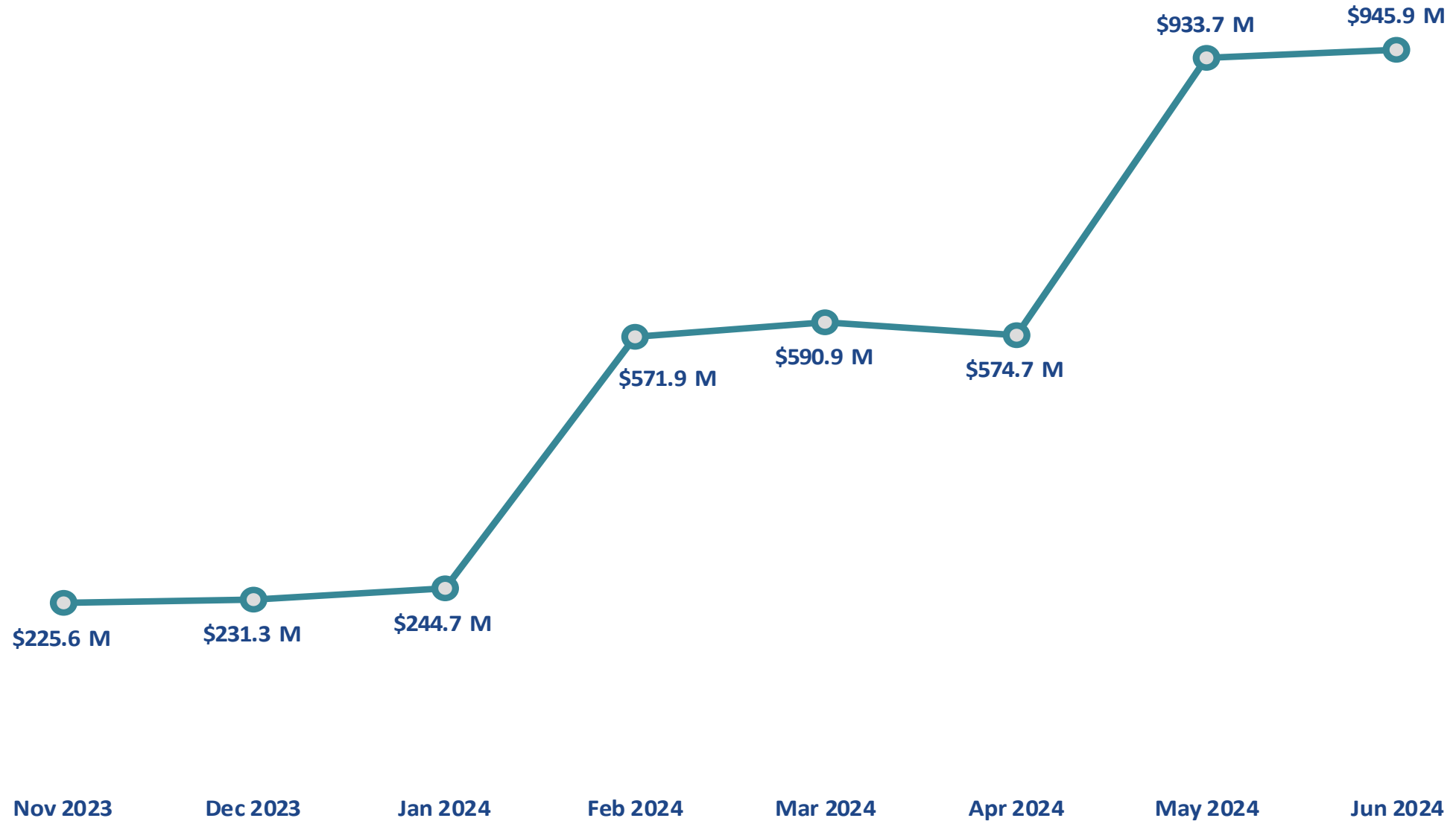
- Invested in interest-producing debt securities with varying maturity, structure, and credit ratings
- Expected to meet or exceed the return of the Bloomberg U.S. Universal Index
- Managed to maintain a portfolio duration within plus or minus 25 percent of the index

The Board-adopted policy can be found at

https://www.sib.wa.gov/docs/policies/2_35_600.pdf

HISTORICAL MARKET VALUE GROWTH OF LTSS

AS OF JUNE 30, 2024



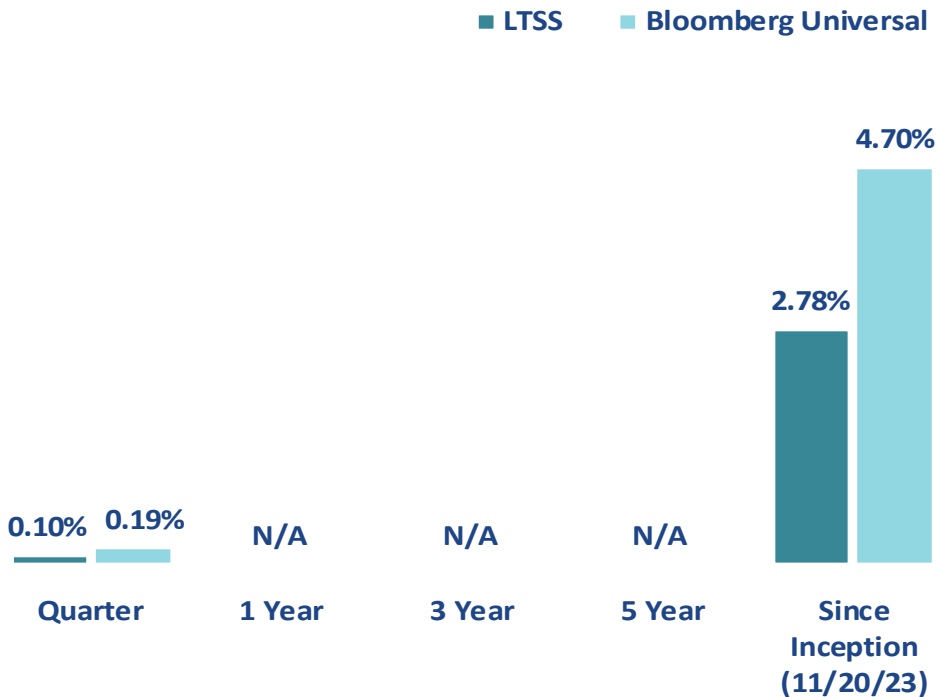
LTSS MARKET VALUE AND PERFORMANCE

AS OF JUNE 30, 2024

Market Value

Total	\$945,855,544
Fixed Income	\$945,855,544

Performance



The first assets arrived in November 2023, and with subsequent contributions during the first two quarters of 2024, fund assets have grown to nearly \$1 billion

Early in the fund's life, new contributions are large relative to existing fund balances

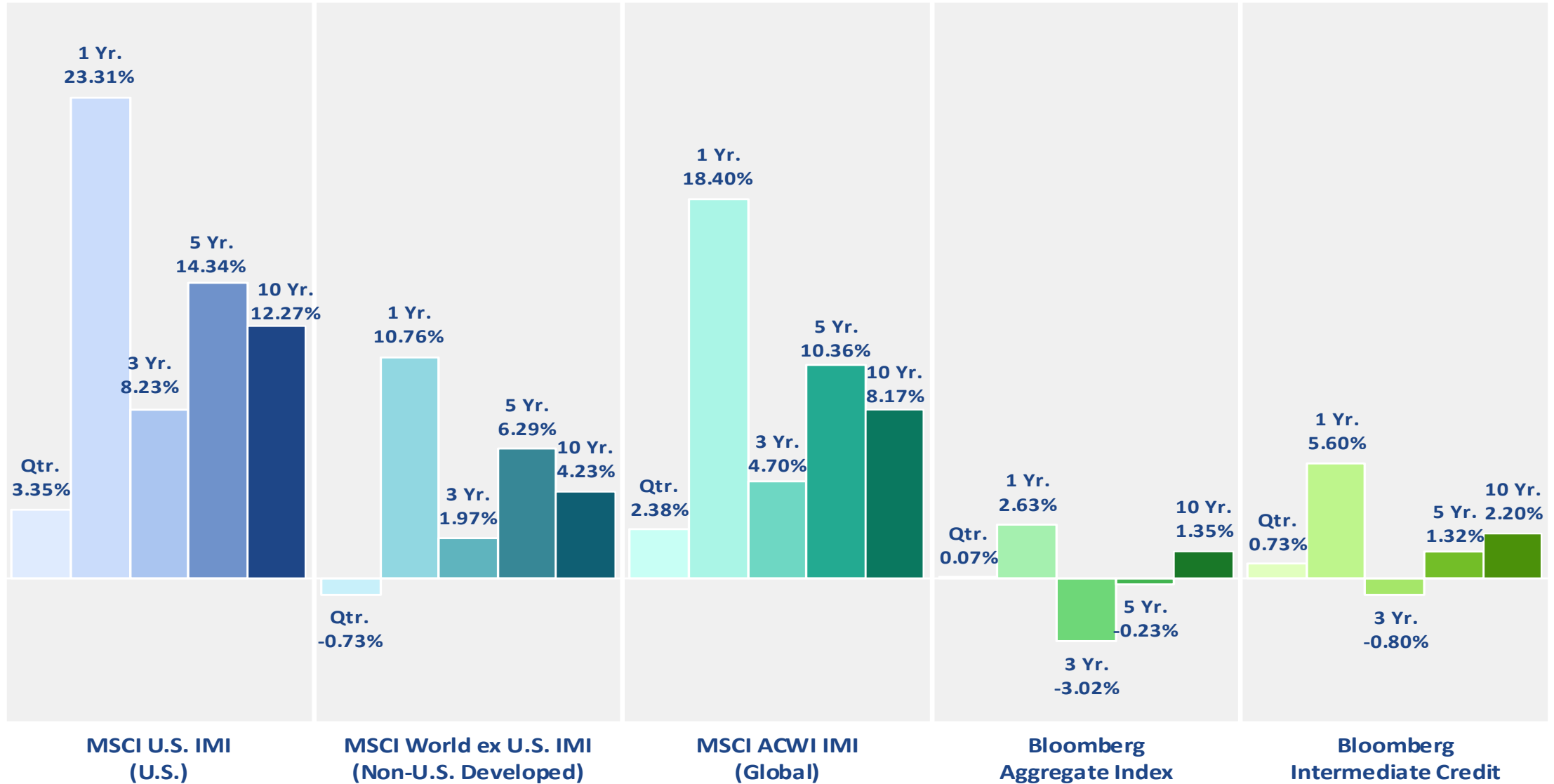
- Due to the pacing of these large new investments, early fund performance can differ from the benchmark

As the portfolio is built out and becomes broadly diversified, performance is expected to track the index more closely

- Economic conditions remained robust during the second quarter and expectations of multiple central bank interest rate cuts faded
- Hopes for soft landing in the U.S. remain in place as inflation figures gradually moved lower
 - Annual U.S. inflation, as measured by the personal consumption expenditures index, eased slightly to 2.6% in May from 2.7% in April
- In the eurozone, the European Central Bank (ECB) cut interest rates by 25 basis points in early June
 - However, the scope for further cuts may be limited by persistent inflation
 - Annual inflation in the eurozone ticked up to 2.6% in May, from 2.4% in April
- The Federal Open Market Committee (Fed) held two meetings during the quarter and, in highly anticipated moves, left the Federal Reserve Target Range unchanged at 5.25% to 5.50%
 - It's been almost a year since the Fed last raised rates at their July 2023 meeting
- The U.S. 10-year Treasury yield was higher for the quarter and ended at 4.4%, which was 0.2% higher than prior quarter end
 - Over the past year the 10-year rate is up 0.6%
- With interest rates moving slightly higher, returns for the various fixed income indices were fairly muted in the second quarter
 - The Bloomberg Treasury index was up 0.1%
 - The Bloomberg High Yield index, aided by higher income payouts, returned 1.1% for the quarter
 - The broader Bloomberg Universal index returned 0.2%

CAPITAL MARKETS AT A GLANCE

JUNE 30, 2024

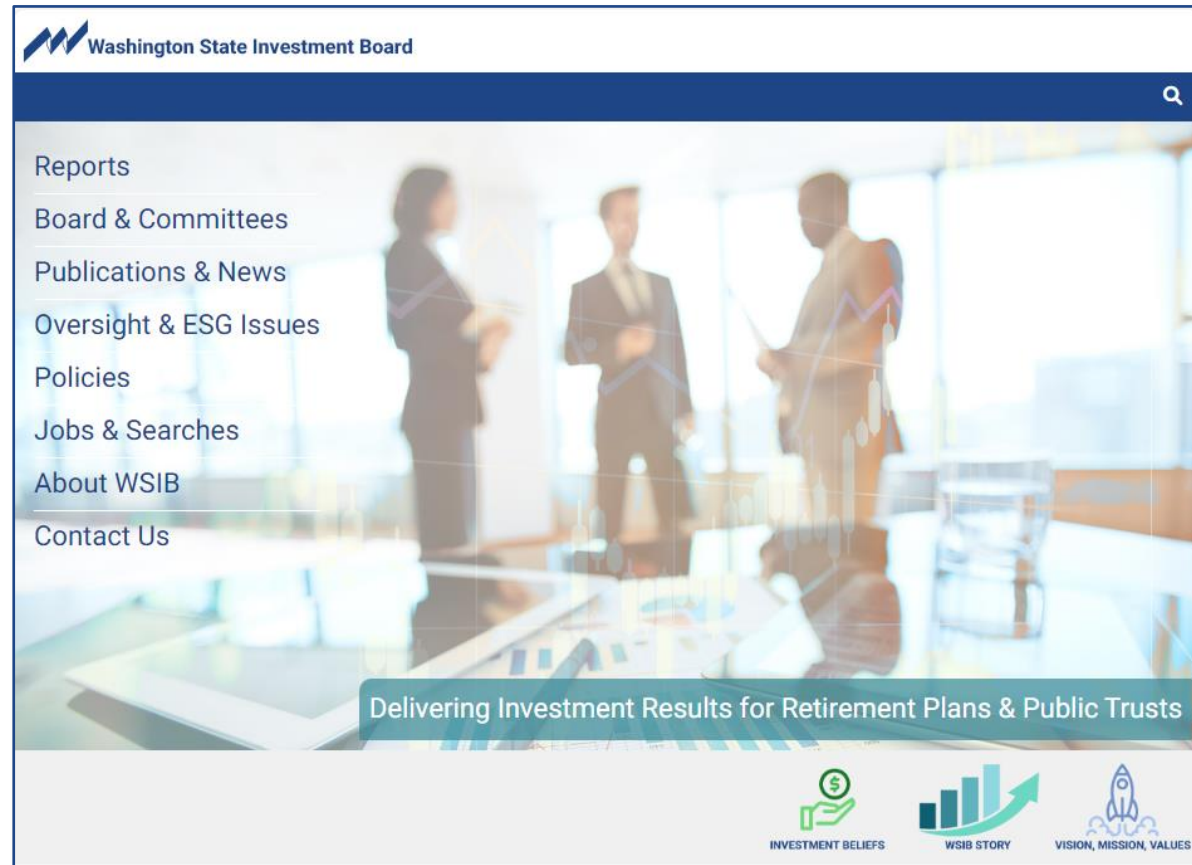


CONTACT INFORMATION

Website: <http://www.sib.wa.gov>

Address: 2100 Evergreen Park Drive SW
P.O. Box 40916
Olympia, WA 98504-0916

Phone: (360) 956-4600



Cross-Agency Accounting Workgroup

Ibrahim Dembele, ESD

Rebecca Doane, DSHS

Cross-Agency Accounting Workgroup

Process Flow

- Employers collect premiums from employees
- Employers remit premiums to ESD on a quarterly basis
- ESD deposits premiums into the Trust account
- ESD retains sufficient funds in the Trust account for administrative expenses and coordinates with DSHS to send the remaining balance to the SIB.
- SIB invests the reserves
- On the 21st of the following month, ESD and DSHS coordinate to send additional funds over to SIB in the middle of the quarter.

Cross-Agency Accounting Workgroup

Progress on Key Decisions

- New Chair – Rebecca Doane, Office Chief for Office of Accounting Services at DSHS
- The workgroup has established the Trust account and protocols for regular transfers to SIB.
- The workgroup will soon start moving towards Phase 2 of their work which entails establishing processes for estimating and retaining sufficient funds to pay not only administrative costs but also providers (benefit costs).

PUBLIC COMMENT

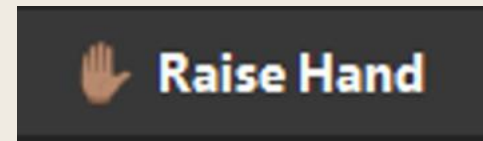
Submit written comments or questions to:
wacaresfund@dshs.wa.gov.

For more information about the program, visit
wacaresfund.wa.gov.

Sign up for Public Comment

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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 14th Meeting

- Approve 7/31/2024 Investment Strategy Subcommittee meeting minutes
- Receive Finance Update
- Receive Investment Performance Update
- Update from Cross-Agency Accounting Workgroup
- Elect a new Chair for 2025

Wrap Up

- Action items review
- Adjourn

THANK YOU



WA
CARES
FUND

