

**GOVERNMENTAL OPERATIONS**

Agency 126

**State Investment Board**

**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
<b>2005-07 Expenditure Authority</b>	72.0	300	16,123	16,423
<b>Total Maintenance Level</b>	71.4		16,747	16,747
Difference	(.6)	(300)	624	324
Percent Change from Current Biennium	(0.8)%	(100.0)%	3.9%	2.0%
<b>Performance Changes</b>				
Risk Management Program	1.0		154	154
Internal Audit Capacity	1.0		200	200
Legal Services Increase			306	306
Implement Investment Strategy			1,042	1,042
Revise Pension Gain-Sharing #			(44)	(44)
Nonrepresented Staff Health Benefit			56	56
Nonrepresented Staff Salary Change			763	763
<b>Subtotal</b>	2.0		2,477	2,477
<b>Total Proposed Budget</b>	73.4		19,224	19,224
Difference	1.4	(300)	3,101	2,801
Percent Change from Current Biennium	1.9%	(100.0)%	19.2%	17.1%
<b>Total Proposed Budget by Activity</b>				
Investment Activities	73.4		19,224	19,224
<b>Total Proposed Budget</b>	73.4		19,224	19,224

**PERFORMANCE LEVEL CHANGE DESCRIPTIONS**

**Risk Management Program**

This item will improve the performance and accountability of the Washington State Investment Board (WSIB) by increasing capacity for identification, prioritization, measurement, and management of risk. (State Investment Board Expense Account-State)

**Internal Audit Capacity**

Current staffing for the Board's internal audit function is one FTE staff. This resource level to assess the Board's system of risks, controls, and governance appears to be substantially lower than comparable-sized pension funds. Funding is provided to add an internal audit position to help ensure adequate audit coverage for risks identified and in need of periodic review. (State Investment Board Expense Account-State)

**Legal Services Increase**

The number and complexity of real estate and private equity investments have increased in recent years, requiring additional legal review. The level of Attorney General support is increased from 1.23 to 2.0 FTE staff. (State Investment Board Expense Account-State)

## **GOVERNMENTAL OPERATIONS**

### **Implement Investment Strategy**

Two additional investment officers are needed in the Real Estate section to fully implement the Board's investment strategy. Funding is also provided for an assistant investment officer for the Risk and Compliance section and two support positions. (State Investment Board Expense Account-State)

## **ACTIVITY DESCRIPTIONS**

### **Investment Activities**

The Washington State Investment Board (WSIB) manages approximately \$69.9 billion in investments for retirement, industrial insurance, and permanent and other trust funds, including the defined benefit and new hybrid defined contribution retirement plans for teachers, school employees, law enforcement officers, firefighters, and public employees. The WSIB also has investment authority for the Deferred Compensation Plan, Guaranteed Education Tuition program, Emergency Reserve Fund, Developmental Disabilities Endowment Trust, Judges Supplemental Retirement Fund, and the Basic Health Fund. The goal of the board is to diversify the assets and maximize investment returns, at a prudent level of risk, for the exclusive benefit of the respective fund beneficiaries.