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Brian Sonntag

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August 9, 1995

Citizens of the State of Washington:

Subject: State Investment Board Performance Audit

In consultation with the state's Legislative Budget Committee, we are conducting a performance audit of the State Investment Board. In planning what we need to focus on, I'm requesting your comments on the SIB's management practices and operations.

The Washington State Investment Board was created in 1981 to "...exercise all powers and perform all duties prescribed by law with respect to public trust and retirement funds." It has nine voting members and five non-voting members.

The Board is a public organization, operating as part of the Executive Branch of state government. As a state agency, Board members and staff comply with all statutory requirements and rules followed by other agencies, officials, and employees in the performance of their public duties. These responsibilities and requirements include, but are not limited to, financial management, contracting, procurement, personnel, public disclosure, public records, open public meetings, and ethical standards for state officers and state employees. The WSIB operated with the context of the prudent person rule and its fiduciary obligation.

Currently, the Board manages over \$28 billion in pension, Department of Labor and Industries', and other trust funds:

**Retirement Funds**

The nine retirement or pension funds comprise the largest class of funds under the investment control of the Board. Approximately 77 percent of the total funds managed are retirement funds. The Board employs broad diversification of assets in the retirement fund to reduce risk.

**Department of Labor and Industries' Trust Funds**

There are four Department of Labor and Industries' trust funds or accident insurance funds. These funds are derived from insurance premiums paid by employers and employees throughout the state and are used to pay disability, medical, and death benefits to beneficiaries. Approximately 21 percent of the total funds managed by the Board are Labor and Industries' funds.

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**Permanent and Other Trust Funds**

There are six permanent funds plus four other trust funds:

- Agricultural Permanent Fund
- Millersylvania Park Trust Fund
- Normal School Permanent Fund
- Permanent Common School Fund
- Scientific Permanent Fund
- State University Permanent Fund
- Game Special Wildlife Fund
- Self-Insurance Revolving Fund
- State Employees Insurance Reserve
- Radiation Perpetual Maintenance

The permanent funds are land grant funds whose earnings are dedicated to the capital development and maintenance of facilities and equipment at common schools and institutions of higher education. Approximately 2 percent of the total funds managed by the Board are permanent and other trust funds.

Your comments and suggestions for this performance audit are important and will help decide what we look at. Please send your comments and suggestions to me at the following address:

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 State Auditor  
 "SIB Performance Audit"  
 PO Box 40021  
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Comments and suggestions may also be sent via Internet to [shelerli@wln.com](mailto:shelerli@wln.com). **I need to receive your comments within three months of the date of this publication.**

You can make a difference! I look forward to hearing from you!

Sincerely,



**BRIAN SONNTAG**  
 STATE AUDITOR

BS:LLS:pvh