



WSIB Investment Beliefs

LABOR & INDUSTRIES' FUNDS

Executive Summary

The following document sets out various investment beliefs of the WSIB. These beliefs pertain specifically to the investment funds managed on behalf of the Department of Labor and Industries (L&I) and do not necessarily apply to the other types of assets under management.

Mission

- 1) The mission of the L&I portfolios is to invest for a balance between risk and maximizing investment return based on input from L&I. Rate stability and solvency are the primary goals of the funds followed by lower costs to the participants. The time horizon for this mission is short-term (i.e., 3 to 5 years).

Risk

- 2) Only some investment risks can be clearly defined and measured at the present time (or ever in some cases).
- 3) The Department of Labor & Industries portfolio returns should be commensurate with the investment risks it takes. It is important to note that adding more risk does not guarantee more investment return.
- 4) Risk must be considered at the investment, asset class, and portfolio level and is influenced by the amount of capital the fund has in the contingency reserve over time.

Asset Allocation

- 5) Asset-Liability management will be utilized to lower risk and help limit fluctuations in insurance premium rates and in the contingency reserve while maintaining diversification.
- 6) The relative performance of asset classes and investment styles is generally subject to reversion to the mean, although timing such moves is challenging.

Active Management

- 7) Active management in an asset class is warranted if:
 - a. The L&I investment portfolios have special needs;
 - b. There exist managers or partners with skill, persistent performance, and sufficient capacity to meet the WSIB's needs; and
 - c. The WSIB is able to cost-effectively identify and retain those skilled managers or partners.
- 8) Investment or asset class constraints and/or mandates reduce investment returns.
- 9) Most good investment opportunities attract investment capital and so do many poor investment opportunities.



Performance Measurement

- 10) The primary performance measure for the L&I portfolios is performance relative to the portfolios' Comparable Market Index (CMI). It is important to note that the CMIs are not investment benchmarks, rather they are hypothetical portfolios with characteristics similar to the funds being managed.
- 11) The most relevant performance measure for a public market investment manager is performance relative to an appropriate passive market benchmark.
- 12) Expenses of the portfolios are expenditures of assets of the trust and, therefore, should be carefully measured and managed.

Organizational Core Competencies

- 13) The WSIB must fulfill the mission of the L&I portfolios in a manner consistent with the highest fiduciary standards. In keeping with this belief, we abide by the following principles:
 - a. Integrity is not negotiable; and
 - b. Prudence is best demonstrated by a well documented and sound process.
- 14) The success of the investment program and the fulfillment of our mission does not depend on a single competency, but rather requires multiple competencies, including:
 - a. Clear, rational, and strongly held investment beliefs;
 - b. Excellence in board governance;
 - c. Highly skilled staff;
 - d. Alignment of investment policies and practices with investment beliefs;
 - e. Operational excellence and continuous improvement; and
 - f. Effective utilization of best-in-class managers, investment partners, and advisors.