WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
July 17-19, 2007

The Washington State Investment Board met in open public session at 1:08 p.m. on July 17, 2007, in the Olympic Room at The Inn at Port Ludlow, Port Ludlow, Washington.

Present:	Pat McElligott, Chair Glenn Gorton, Vice Chair Senator Lisa Brown Charlie Kaminski John Magnuson Allan Martin George Masten Sandy Matheson Treasurer Mike Murphy Bob Nakahara David Nierenberg Mason Petit Judy Schurke Dave Scott Jeff Seely Representative Helen Sommers
Also Present:	Joe Dear, Executive Director Gary Bruebaker, Chief Investment Officer Kristi Haines, Executive Assistant Paul Silver, Assistant Attorney General
	Professor Ed Burton, University of Virginia Allan Emkin, Pension Consulting Alliance, Inc. Professor Andrew Lo, MIT Sloan School of Management Bob McCrory, EFI Actuaries Neil Rue, Pension Consulting Alliance, Inc.

[Names of other individuals attending the meeting are not included in the minutes, but are listed in the permanent record.]

July 17, 2007

Chair McElligott called the business meeting to order and took roll call.

ADOPTION OF MINUTES – JUNE 21, 2007

Representative Sommers moved to adopt the June 21, 2007, Board minutes. Vice Chair Gorton seconded, and the motion carried unanimously.

[Mr. Petit arrived at 1:11 p.m.]

PUBLIC COMMENT

There was no public comment.

[Mr. Scott arrived at 1:12 p.m.]

STRATEGIC PLANNING

Mr. Dear presented a five-year plan for the WSIB as requested by Chair McElligott at the June Board meeting. He said the plan is not a finished product and member comments are welcomed.

Mr. Dear reviewed where the Board is now and some of the significant changes over the past five-year period. He said that, to be as good in five years as the Board is currently, the Board must continue to improve.

Mr. Dear described the environment in which the Board operates. Although the Board is independent, it is subject to actions by other organizations that can affect contributions, investment income, liabilities, global capital markets, investments, and expenses.

In response to Representative Sommers' question, Mr. Bruebaker said the Board currently manages $83 billion in assets; $63 billion of those assets are within the Commingled Trust Fund (CTF). The Board managed under $50 billion at the time Mr. Dear was hired. He said the annual return for the CTF was 21.33 percent as of June 30, 2007. Mr. Dear reviewed benchmark comparisons by basis points for each fund as of March 31, 2007.

Mr. Dear said that beneficiaries deserve to have funds managed by an organization that strives for excellence. He reviewed the strategic frameworks and value chain used to develop the current strategic plan.

Mr. Dear stated his belief that one area of great importance for the Board is in improving risk management. Staff can help quantify risk but the Board must define its risk appetite. Mr. Scott noted that a sense of risk principles is needed. Mr. Magnuson observed that different perspectives would apply in the separate asset classes. Chair McElligott remarked that the Board's current risk assessment is based on what it deems defensible.

Mr. Dear said that trends in the following areas were considered in developing the five-year plan: globalization, financial engineering, demographics, technology, and sustainability. He noted some of the Board's strengths include its long horizon perspective, relationships, reputation, cost structure, and commitment to excellence. Challenges lie in protecting the integrity of the investment decision-making process, moving beyond modern portfolio theory, maintaining conviction during periods of underperformance, building capacity, improving risk management, and earning recognition for exemplary Board governance practices. Some of the levers the Board can use are its ideas and insights, organizational capacity, and governance.

Staff prepared an analysis of how the Board has spent its time over the past five-year period. The breakout revealed that the Board spent 25.3 percent of its time on investment recommendations and decisions; 18 percent on reporting/monitoring; 17.2 percent on education; 13.2 percent on strategy; 10.1 percent on governance; 6 percent on operations, finance, and legal issues; 5.4 percent on policy/legislation; and 4.7 percent on human resource issues. Mr. Dear noted that most of the time spent on strategy can be attributed to efforts in the past few years. Mr. Nierenberg complimented staff on preparing the analysis. In response to Mr. Scott's question if any of the issues could have been dealt with outside of a meeting, Mr. Dear said that much of the reporting/monitoring could be accomplished in alternative ways. Mr. Seely was pleased to see the amount of time spent on education. He felt the proportion of time was the right mix.

Mr. Nakahara observed the analysis revealed a staggering amount of time spent by the Board, and he acknowledged the amount of staff time that is also involved to prepare for meetings. He suggested that the Board could optimize and use its time differently to channel its efforts toward issues of the most importance.

The members discussed the appropriateness of time spent on human resources, and the role of the Board and the executive director on those issues. Mr. Dear noted that his evaluation and investment officer compensation is the majority of the human resource time. He feels the evaluation process could be improved upon to make it more closely aligned with execution of the strategic plan.
The members discussed time spent on strategy and education. Mr. Magnuson suggested the two categories could be lumped together and categorized as "planning." In response to Treasurer Murphy's question, Mr. Bruebaker said that the time analysis includes all Board and Committee meetings. He said that the Public Markets Committee conducts a lot of education sessions. A discussion ensued on the varying educational needs among current members and the learning curve for new members.

Mr. Kaminski shared his perspective on organizational charts examined five years ago compared to those reviewed recently. He noted the incremental changes occurring over the past five years and said the organization is substantially better. He would like to see an investment organization going forward that is highly distributed so that decisions are made well enough to make a difference in a meaningful and powerful way. He asked Mr. Dear to comment on what he feels are the best successes. Mr. Dear said that the Board is to be complimented on taking its job seriously. The Board, along with the phenomenal staff, has incredible potential to work together, agree, and execute its plan. He feels the WSIB's biggest obstacle is getting out of its own way.

In response to Treasurer Murphy's comments about the projected FTE increase, Mr. Dear described the projecting as approximate at best. He said the FTE count is only approximate. Chair McElligott said that he asked staff for a best guess scenario.

[The Board briefly recessed at 2:44 p.m. and reconvened in open session at 3:06 p.m.]
[Ms. Matheson arrived at 3:06 p.m.]

STRATEGIC ASSET ALLOCATION

Review of Staff Presentations

Mr. Bruebaker defined asset allocation as a process of dividing a portfolio among major asset categories. Its purpose is to construct a portfolio that has the highest level of return at a set level of risk through diversification. Asset allocation is a combination of art and science.

Mr. Bruebaker reviewed the asset allocation of the top 200 defined benefit plans. The WSIB's asset allocation differs from this group in having lower domestic equity, and an overweighting in private equity and real estate. Peer comparisons were performed on the top alternative asset investors, endowments and foundations, countries that are investing in alternatives, and groups the WSIB is watching and building ideas from.

Mr. Bruebaker described manager risk, size risk, liquidity risk, external risk, and market risk scenarios. He reviewed the expected returns for the CTF using the current allocation and 2007 capital market assumptions at varying confidence levels using a single point-in-time reference. He said that staff's asset allocation recommendation would include an increase to private equity, which will increase risk. Ways of reducing risk also have been examined. The WSIB is behind the curve in tangible asset investing and staff would like to bring this into the portfolio.

Global Equities

Ms. Will defined an asset class as a category or type of investment that has return and risk characteristics which are shared by members of that class, and are measurably different from investments belonging to other classes. She said there are four main asset categories: equities, fixed income, cash equivalents, and tangible or real assets. The CTF currently has equities divided into three asset classes. Staff proposes to combine U.S. and international equities into one asset class. Ms. Will described the relationship between U.S. and international equity and how it fits into one definition in addition to historical return and risk levels that highly correlate as time moves forward.

A discussion ensued regarding dealing with liabilities in dollars, markets gaining size as a percentage of global capitalization, the inclusion of emerging markets, and the U.S. market diminishing in the portfolio.

Ms. Will compared the global indices, which include different numbers of countries and have varying percentages of U.S., developed, and emerging markets. The U.S., which is currently estimated as being 43 percent of the global market place, is estimated to decrease to 26 percent by 2026. Mr. Nierenberg observed that the differences among the indices in emerging markets suggest opportunity. He asked for a future Board discussion on the issue.

Ms. Will detailed the split between U.S. and international contributions to the global sector, and how they are similar and different. A discussion ensued on active versus passive management for international equity. Mr. Masten observed that additional money managers would be needed. Mr. Dear said that staff's recommendation relates to the benchmark and the decision on active versus passive would come later. The recommendation combines U.S. and international equities to form a global equity asset class. There would be no change to how the Board manages public equity; global equities would be tracked at a sub asset class level. Staff proposes that the current allocation of 23 percent U.S. and 23 percent international equities change to 20 percent U.S. and 26

percent international. The global benchmark recommendation would be presented to the Public Markets Committee along with policy changes incorporating rebalancing, and an implementation timeline. The Committee's recommendation would be brought to the full Board. Treasurer Murphy asked to have the active versus passive issue addressed at the same time the recommendation is brought forward, and include a recommendation on which global index to use.
[The Board briefly recessed at 4:29 p.m. and reconvened in open session at 4:40 p.m.]

Asset Classes
Mr. Rue introduced the project goal to review and possibly modify the WSIB's strategic allocation policy to reflect its unique definition and tolerance for investment risk.

Mr. Rue reviewed the 2005 allocation decision, and decisions made subsequently including the global equity framework and Innovation Portfolio. Areas of consideration include adding tangible assets as a new strategic asset class, updating to latest plan valuation, and incorporating legislative mandates. He said that tangible assets provide inflation-protected cash flows, producing more returns than appreciation. In response to Treasurer Murphy's question, Mr. Emkin described tangibles as hard assets instead of securities. A discussion ensued on the definition of tangible assets.

Mr. Rue said that 75 percent of WSIB's current portfolio is equity-oriented. WSIB's private equity and real estate staff have the capability to support the addition of this asset class. He said the asset allocation model will include tangible assets for the purposes of the exercise, but implementation will look different and is likely to take several years. There have been a number of conversations with staff regarding tangible asset segments, exposure, and assumptions of underlying components. From these conversations, two structures were examined for modeling purposes and Structure II, which is heavily weighted toward infrastructure and timber, was selected for inclusion in the next days' asset allocation presentation to be modeled up to 10 percent. Mr. Nierenberg spoke in favor of tangible assets. Mr. Rue said that tangible assets provide solid diversification and produce positive results in difficult economic environments. Treasurer Murphy requested an extensive discussion on tangible assets, and he shared his viewpoint on issues with public infrastructure investments.

[The Board recessed at 5:30 p.m. and reconvened in open session at 7:00 p.m.]

DINNER PRESENTATION
Professor Lo presented the adaptive markets hypothesis: market efficiency from an evolutionary perspective.

[The Board recessed at 9:20 p.m. on July 17, 2007.]

July 18, 2007

[The Board reconvened at 8:33 a.m. on July 18, 2007.]

Chair McElligott called the business meeting to order and took roll call.

RISK PRESENTATION
The Psychology of Risk
Professor Lo gave an overview and performed exercises on behavioral biases. He reviewed examples of behavioral biases involving investment alternatives, scenario analysis, probabilities, fixation on regret, and overconfidence.

[Senator Brown arrived at 9:11 a.m.]

Professor Lo discussed modeling of risk preferences. He said that four assumptions are needed for complete financial theory: non-satiation, transitivity, completeness, and diminishing marginal utility. He posed the question as to how risk preferences would model under periods of uncertainty, noting the affect of randomness. Professor Lo said that all current finance models are built on the expected utility theory, which he feels does not really work. He performed exercises on modeling risk preferences using the utility function. The result of one exercise which resulted in choices that seemed to be conservative were, in fact, not. He theorized that when people are faced with losses, they tend to be more risk seeking and when gains are expected, people tend to be more risk adverse. For these reasons, it is important to make investment decisions using a systematic framework. He stressed that objective performance metrics add value and should be identified in advance to determine if something is working and to avoid biases coming into play.

Professor Lo discussed current research projects, focusing mainly on the psychophysiology of risk processing and day-trader profiles.

[The Board briefly recessed at 9:52 a.m. and reconvened in open session at 10:11 a.m.]

Recent Advances in Risk Management
Professor Lo discussed the motivation and origin of risk management. He said there are three components to any successful protocol: prices, probabilities, and preferences. Risk management is important because it can be a source of alpha. He added that the art of risk management is an ability to make choices regarding the frequency, distribution, mean of the distribution, and volatility. He described the typical risk management protocol as identifying risk exposures, evaluating value-at-risk (VaR), targeting risks to hedge, selecting hedge vehicles, and evaluating the post-hedge VaR. He discussed the limitations of VaR, stating the practices can be improved upon by using mark-to-market versus mark-to-model, stress testing, scenario analysis, capital adequacy requirements, and dynamics. He noted that there are additional challenges involved with alternative investment risk management.

Professor Lo said the Board has to decide how much risk to bear and how much to hedge as well as what risks are acceptable and which are not. He said that risk factors should be well-defined and measurable, should explain significant common variability, and should be tradable. He commented on three types of investment strategies: passive, active, and hyperactive. Professor Lo provided examples of phase-locking behavior and regime-switching models.

Professor Lo suggested that risk management should be merged with the compliance function and separated from portfolio management due to the potential for conflict of interest and liabilities, in addition to psychological opinions.

[The Board briefly recessed at 11:12 a.m. and reconvened in open session at 11:29 a.m.]

Asset Allocation Revisited

Professor Lo gave a brief history of investments and the performance of stocks and bonds. He demonstrated the difference that can be made through asset allocation. A traditional view of asset allocation is short-, medium-, and long-term. He modeled the life-cycle of consumption/savings and the affect that asset allocation can have. He said that changes in market conditions, financial objectives, risk profiles, and predictable economic fluctuations motivate pension fund asset allocation.

Professor Lo said that, while change cannot be predicted, it is important to recognize change after the fact, so that policies can be adjusted to account for the change. He discussed practical implications for the adaptive markets hypothesis and recent asset allocation approaches. Two of the most recent approaches are dynamic optimization (bottom-up) and integrated asset allocation, which is a two-stage portfolio construction process (bottom-up and top-down). He expressed that the WSIB would be well served by taking advantage of its managers' views and add that information into its asset allocation, incorporating change into an overall investment policy, and through month-to-month tactical changes. He concluded by saying that effective asset allocation exploits change.

[The Board briefly recessed at 12:24 p.m. and reconvened in open session at 1:32 p.m.]
[Mr. Kaminski was no longer in attendance at 1:32 p.m.]

STRATEGIC ASSET ALLOCATION DISCUSSION

Mr. Rue introduced the asset allocation discussion. The data used in the asset allocation study includes five major strategic classes (including tangible assets); capital market assumptions adopted at the May 2007 Board meeting; and modeling constraints, policy allocations, and actual allocations. Mr. Rue described decision factors as plan attributes or characteristics that may be a priority for the Board. He said the decision factors are then quantified and calibrated to reflect concerns and priorities. A policy portfolio can be determined by simultaneously prioritizing decision factors and assessing portfolio ranks. He described the risk tolerance philosophy concept application to streamline and inform the decision-making process and explained those selected for inputs to the modeling. He highlighted the risk tolerance philosophies that resulted in the best allocations and the outputs.

Mr. McCrory discussed the purpose and importance of funding. He noted that investing is done in a manner that makes sense in terms of the way the assets will be used. He described the modeling, measurement, computer optimization, and policy inputs selected for computer simulations including the new gain sharing bill passed this year. He emphasized that the computer modeling is a tool to be factored into policy discussions. The modeling software model uses performance measures that were developed from discussions with staff and asset allocation decisions made during the 2005 study. Mr. Rue said that simulations were run on 9,000 possible portfolios. He said the challenge was how to pick the one that meets the risk tolerance of the Board.

The decision factors to be weighted were: (1) seek lowest average cost, years 4 through 20; (2) avoid actuarial costs of over 12 percent of pay during years 4 through 20; (3) achieve highest rate of return, years 1 through 20; (4) avoid real rate of return below -2.5 percent in any year, years 1 through 20; (5) seek the highest average funding ratio, years 4 through 20; (6) avoid a funding ratio below 100 percent in any year, years 4 through 20; and (7) avoid a PERS plan 1 funding ratio below 75 percent in any year, years 4 through 20.

Representative Sommers shared a concern that she was not sure how the modeling helps the decision-making process. Treasurer Murphy said he was uncomfortable with inclusion of the tangible asset class in the modeling and he is concerned about the liquidity of the portfolio. Mr. Dear said that staff believes the portfolio can take on more illiquidity. Chair McElligott said it was Board consensus to have a future discussion on tangible assets.

Mr. Rue emphasized that modeling tangible assets at specific allocation level does not mean the portfolio will have it at that level and, in fact, it will likely take several years to gear up. Mr. McCrory said the Board would need to weigh the criteria according to their risk tolerance.

[The Board briefly recessed at 3:10 p.m. and reconvened in open session at 3:29 p.m.]

Mr. McCrory input nonvoting members' weightings of each decision factor and displayed the output results showing that nonvoting members in attendance each put more than a 50 percent weighting on the highest average rate of return decision factor. The resulting asset allocation created a higher allocation to private equity. The nonvoting members commented on their weightings. Mr. Nierenberg defined risk as an absolute loss. Mr. Seely shared his concern with modeling PERS plan 1 separately. Mr. Magnuson commented on the necessity of keeping costs low. Mr. Nakahara said that, while providing the highest rate of return at a prudent level of risk is the mandate, he also tried to remain mindful of adverse events. Members were asked about their comfort level with a higher private equity allocation. Mr. Magnuson and Mr. Nierenberg expressed discomfort. Mr. Seely said he would be comfortable with a higher allocation to private equity. Chair McElligott observed that the nonvoting members were comfortable with their weightings, but not necessarily comfortable with the results. Mr. McCrory noted that is where policy comes into effect.

Mr. McCrory input voting member weightings and displayed the output results. He observed that some members put more weighting into one category, while other members spread their weightings. Representative Sommers said she was surprised that the results showed the category "highest rate of return" was only a 36 percent weighting based on the votes of voting members.

Mr. McCrory combined both voting and nonvoting weightings and displayed the results. Mr. Dear observed that the results indicated that members had a good handle on maximizing returns, but his concern is that there is not a shared understanding of what a prudent level of risk means. Senator Brown suggested that members discuss their risk focus. A discussion ensued about contribution rates.

Ms. Matheson suggested that the Board should further discuss characterization of alternative investments. While alternative investments have been characterized as risky, the fact is they are becoming mainstream. She tends to believe that public equity has more risk. Ms. Matheson thinks that private equity is a mature industry and, if she has a correct understanding of it, is comfortable with a higher allocation but would like the Board to discuss it further. Mr. Nierenberg noted that private equity risk is theoretical in terms of loss. He believes the risk is due to growth and competition, and the WSIB should continue to diversify to get a better spread over the benchmark. Mr. Magnuson asked for further Board discussion on the trend of private equity firms going public.

Mr. Dear invited more discussion on increasing the private equity allocation that resulted from member weightings. He said there is currently $11 billion in private equity and, additionally, $8 billion is committed but has not yet been called. Mr. Ruggels said that as of June, there was $1.7 billion in distributions and $1.5 billion in drawdowns, which is similar to last year's pace of $3.2 billion in distributions and $2.9 billion in drawdowns. Mr. Dear said that distributions are expected to slow. An increase in the current allocation can take five to six years to achieve.
[The Board briefly recessed at 4:26 p.m. and reconvened in open session at 4:37 p.m.]

Mr. McCrory input investment staff weightings and displayed the output results. Mr. Rue observed that staff voting was fairly consistent with the nonvoting members.

Chair McElligott asked for members to comment on the modeling allocation results. Mr. Bruebaker said that member input would help shape staff's asset allocation recommendation at the September Board meeting. He asked if members desired any additional analysis. Treasurer Murphy shared his concern regarding liquidity and maverick risk. Mr. Masten said an increased allocation to private equity is acceptable to him. Ms. Matheson spoke in support of a higher allocation. Mr. Seely said he would be comfortable with more plus or minus 4 percent. Chair McElligott agreed with Mr. Seely. Mr. Magnuson commented on the market potential for private equity. He said that increasing general partners will increase potential. Mr. Nierenberg shared a concern about loss of diversification and pointed out that the Innovation Portfolio had not been discussed. He would like to see a higher allocation to that portfolio. Mr. Petit expressed discomfort with the decreased allocation to fixed income. Treasurer Murphy reemphasized his concern with maverick risk and the substantial change in direction with combining domestic and foreign equity.

Mr. Bruebaker said that, while no final recommendation had been formulated, he personally would like to see real estate at 13 percent, plus or minus 3 percent. He said that staff plan to propose adding a tangible asset class, but the allocated percentage would remain within the fixed income asset class until suitable tangible asset investments were identified. He said the tangible asset allocation could take over six years to achieve and it would not be restrained if the Board wanted to reduce the tangible asset allocation level and put it into fixed income. Ms. Will observed that, with equity as one asset class, fixed income, tangible assets, and real estate having similar characteristics, money would not move around much from current buckets but the divisions inside the buckets would change. Mr. Silver noted that international equity and private equity have higher fees. In response to Mr. Nierenberg's stated concern about the lack of discussion of the Innovation Portfolio, Mr. Bruebaker described that the portfolio was set-up to be opportunistic. A discussion ensued regarding international private equity. Vice Chair Gorton noted that he would be willing to accept an increase in private equity within certain boundaries.
Mr. Dear said that staff would consider all of the input and bring an asset allocation recommendation to the September Board meeting. Treasurer Murphy said that the Board would

first need to take a position on what role, if any, tangible assets would have and that should be addressed first. He asked for simulations with tangible assets taken out of the allocation mix. Chair McElligott asked staff to present both issues at the September meeting. Mr. Masten said that fixed income needs some stability of income and less volatility; he supports the tangible asset class. Representative Sommers requested a copy of the end result modeling simulation. Mr. Nierenberg asked that staff obtain Mr. Kaminski's vote on weightings.

[The Board recessed at 5:23 p.m. and reconvened in open session at 7:00 p.m.]

PRESENTATION
Professor Burton provided background on some of the adversity faced in recent past by the Virginia Retirement System (VRS), how it was resolved, and how it currently operates.

[The Board recessed at 9:18 p.m. on July 18, 2007.]

July 19, 2007

[The Board reconvened in open session at 8:28 a.m. on July 19, 2007.]
[Mr. Nierenberg was no longer in attendance at 8:28 a.m.]

Chair McElligott called the business meeting to order and took roll call.

BOARD GOVERNANCE
Professor Burton reviewed the composition, members' terms, compensation, and authorities set forth in code for the VRS. He discussed the relationship between the VRS Board and staff. He emphasized the importance of attracting and retaining the best staff. Professor Burton said the VRS Board hires the custodian and determines investment policy, asset allocation, allowable asset classes, and legal agreements. VRS delegates total investment authority to its staff, and staff has complete authority for hiring and terminating money managers. The VRS Board receives a staff activity summary at its meetings. Professor Burton said the VRS Board annually approves staff's compensation plan and bonuses. He briefly discussed travel, gift allowances, and disclosure requirements.

Professor Burton said that board governance becomes difficult when there is clique or trustee dominance, trustee turnover, policy timidity, or political interference. He believes it is in a board's best interest to make everything as public as possible; have engaged lawmakers, consultants, and outside auditors; involve the board in policy and significant cash outlays; and encourage openness between board and staff.

Chair McElligott announced that the Board would go into executive session at 9:33 a.m. to review and discuss the performance of Board members and of the Board. He said the executive session was expected to last until 10:00 a.m., at which time the Board would reconvene in open session.

[The executive session concluded at 10:04 a.m.]
[The Board took a brief recess at 10:04 a.m. and reconvened in open session at 10:23 a.m.]

2008 BOARD PLANNING

Materials from the past year's Private Markets Committee and Board meetings were displayed to demonstrate the amount of paperwork that members receive. Mr. Dear asked for input on whether members feel they receive too much material and if they would like to discontinue any practices, or if there is anything members want that has not been made available in the past. He added that it would also be helpful to staff if immediate feedback could be received from members at the conclusion of each Board meeting to determine what worked well and what did not.

Treasurer Murphy said that it is more efficient to have materials sent in advance with the packet mailing as opposed to receiving it just prior to the meeting. He suggested that presenters who do not supply materials in advance should be put off until the next meeting agenda. A discussion ensued on whether general partner presentations for fundraising are worthwhile. Some members find it helpful. Most members agreed they want to continue receiving all available materials and self-select what they find helpful to review. Ms. Matheson said she needed more time to consider the question concerning materials and would participate in any restructuring effort the Board would like to consider.

Mr. Dear introduced a proposed 2008 Board and Committee meeting schedule. Staff included recurring reports and policy-related matters where applicable. He said the plan is for at least six Board meetings and a winter research meeting. He asked members for input on areas of interest and noted that additional meetings could be put on the schedule if necessary.

Senator Brown said she had a suggestion to be discussed in executive session. She also said she and Representative Sommers agreed there is a need for an overview on where pension systems are at and the policies and politics involved, so that members are better aware of where the WSIB exists within that environment. Representative Sommers commented there is a need for more awareness of liabilities.

Ms. Matheson asked for an interactive session on the components of risk. Mr. Magnuson suggested a session on what real estate investing may look like in five to ten years. Treasurer Murphy asked for fixed income education at the Board level. Mr. Petit said he would like to hear what investments staff wants to do or do more of, and learn more about infrastructure and alternative investments. Mr. Nakahara suggested more education on international investing.

BOARD EVALUATION DISCUSSION AND FEEDBACK

Chair McElligott announced that the Board would go into executive session at 10:53 a.m. to review and discuss the performance of Board members and of the Board. He said the executive session was expected to last until 11:30 a.m., at which time the Board would reconvene in open session.

[The executive session concluded at 11:53 a.m., and the Board reconvened in open session.]

OTHER ITEMS

There was no further business to come before the Board. The meeting adjourned at 11:53 a.m. on July 19, 2007.

Pat McElligott
Chair

ATTEST

Joseph A. Dear
Executive Director