WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
July 14-16, 2015

The Washington State Investment Board met in open session at 1:15 p.m. on July 14, 2015, in the Olympic Ballroom, at 10 E. Alderbrook Drive, Union, WA.

Present:	Marcie Frost, Chair Kelly Fox, Vice Chair Senator Mike Hewitt Arlista Holman Judy Kuschel Bill Longbrake George Masten Treasurer Jim McIntire Stephen Miller Richard Muhlebach Bob Nakahara David Nierenberg Representative Timm Ormsby Joel Sacks Jeff Seely
Also Present:	Theresa Whitmarsh, Executive Director Gary Bruebaker, Chief Investment Officer Victor Moore, Chief Operating Officer Liz Mendizabal, Institutional Relations Director Steve Draper, Senior Investment Officer – Real Estate Bill Kennett, Senior Investment Officer – Fixed Income Phil Paroian, Senior Investment Officer – Public Equity Tom Ruggels, Senior Investment Officer – Private Equity Allyson Tucker, Senior Investment Officer – Risk Management and Asset Allocation Diana Will, Senior Investment Officer – Tangibles Beth Vandehey, Risk & Compliance Director Kristi Haines, Confidential Secretary Mary Lobdell, Attorney General's Office Tor Jernudd, Attorney General's Office Donald J. Rissmiller, Strategas Howard Marks, Oaktree Richard Bookstaber, Department of the Treasury - Office of Financial Research Jim Coulter, TPG Dr. Wendy S. Becker, Shippensburg University

[Names of other individuals attending the meeting are listed in the permanent record.]

Chair Frost called the meeting to order and took roll call.

ADOPTION OF THE JUNE 18, 2015, MINUTES

> **Mr. Miller moved to adopt the June 18, 2015, minutes. Mr. Sacks seconded, and the motion carried unanimously.**

PUBLIC COMMENT
There was no public comment.

BUSINESS
Monthly Report
Ms. Whitmarsh reported on two items for the Board's information. She attended the Guaranteed Education Tuition (GET) Board meeting yesterday to hear discussion relating the impact of the Legislature lowering tuition on the GET fund. She said the basic issue is that lower tuition may lead to liquidation of units and GET is wrestling with issues for participants who may feel that it is unfair for the price they paid for certain units. Staff has discussed raising more cash in the fund, and feels comfortable with the Board policy limit of 5 percent at this time. The GET Board meets again in August and September and, depending on those discussions, staff may need to bring the Advanced College Tuition Payment Program Policy 2.35.100 to the Board to consider increasing the cash limit.

The second matter for the Board's consideration relates to public records exemptions. The state Public Records Exemptions Accountability Committee, commonly known as the Sunshine Committee, reviews all exemptions to the Public Disclosure Act. The retirement fund managers for the cities of Seattle, Tacoma, and Spokane are seeking to use the same exemption language as the Washington State Investment Board (WSIB) uses for its confidential information regarding investments and, when the Committee reviewed their request, they stated an interest in making some changes to the language. The Committee consulted with the WSIB, and staff has had a number of discussions with them and the city peer groups about the exemption language. After consulting with the Attorney General's Office, staff is seeking the Board's support to join with the cities in discussing a modified exemption that can be agreed upon for the Sunshine Committee's approval. The Sunshine Committee would like the WSIB to use exemption language used by the University of Washington (UW), but staff would prefer to join the cities with language applicable for retirement funds versus an endowment fund (as is UW). Responding to Mr. Masten's questions, Ms. Whitmarsh affirmed this would require a change in legislation. A discussion ensued on potential issues with requesting legislative changes, general partners' concerns with the current WSIB statute and access, and other states' disclosure requirements. Ms. Mendizabal noted that Washington State is more transparent than most of its peers. Ms. Whitmarsh said staff would meet with the Sunshine Committee and the cities and possibly bring proposed language to the Board at its September meeting.

Strategic Plan Update
Ms. Whitmarsh provided an update on the 2015 strategic plan initiatives. She said that Senior Investment Officers would individually present updates to their asset class annual plans.

Ms. Whitmarsh reviewed the strategic plan framework which includes value, support, and capacity initiatives, which rests upon the foundation of a skillful Board. She noted the three initiative areas typically fall to executive staff member assignments as follows: Value initiative with the Chief Investment Officer, Support initiatives with the Institutional Relations Director, and Capacity initiatives with the Chief Operating Officer.

For Value initiatives, Ms. Whitmarsh reported progress on the Commingled Trust Fund (CTF) Performance Contribution and Attribution project. Ms. Tucker co-leads the initiative with Mr. James Mackison, Director of Technology and Innovations, which is a cross-agency effort to build methodology for evaluating the investment decisions staff makes by taking advantage of the data warehouse to see what contributes to performance. The project includes: 1) educating staff around the methodologies, which has been completed; 2) evaluating existing tools in place and calculating what is possible to do currently—internal systems have been assessed and the draft analysis by asset class is under review; and 3) potentially building staff's own methodology, which would be more relevant to its investments decision making. This remaining work is both complex and technical, but progress is being made on documenting staff's investment decisions. Ms. Whitmarsh noted this is a multi-year project.

The next value initiative involves reviewing the ability for third-parties to invest in private markets (who currently do not). Private markets assets are currently only included in the CTF and there is an interest from other customers for exposure to private assets in their portfolios. This project is primarily driven by a request from Labor and Industries (L&I), but the Department of Retirement Systems is also potentially interested in adding private market assets to the Target Date Strategies. Staff has meet with both agencies, and done several presentations at L&I. The next step for L&I is to have conversations with stakeholders about the risks and rewards of having a more diverse L&I portfolio.

Ms. Whitmarsh reported on progress in reviewing whether to establish ownership of the Innovation Portfolio within the Asset Allocation and Risk Management unit. She said the investment process, role clarification, and resource requirements must be reviewed before a recommendation and proposed policy revision can be presented to the Board at the end of this year. She said there are still questions to be answered and unit capacity is a challenge.

For Capacity initiatives, Ms. Whitmarsh shared the workforce strategy project has been time consuming and involves two work streams: employee and leadership development, and succession planning. Staff is working with a consultant on the employee and leadership development piece, and has built leadership, and position-specific core competencies for staff. Lattices were developed for all staff positions, which provide information on development needed for promotion, lateral movement, or other career opportunities. A survey tool was built for staff to rate themselves against competencies and their relevance to their position, which results in a report the supervisor discusses with the employee. The next step is to develop training formats and opportunities to meet development needs in the competency areas. For the succession piece, the goal is to raise staff skill sets across the agency. All supervisors were asked to identify where there is key person risk, so that executive management can consider that in conducting an organizational review.

The next Capacity initiative involves an analysis of fiduciary risk. Staff has reviewed the Securities and Exchange Commission's personal trading regulations and industry best practices related to those, and is considering whether policy revisions or training are appropriate to improve monitoring.

For Support initiatives, staff has conducted a full review of proxy voting guidelines and the results will be presented at the September Audit Committee and December Board meetings. The other Support initiative deals with meeting with new legislators and leadership to orient them about the WSIB. Staff was advised the 2015 session was not good timing for those types of discussions due to the Legislature being consumed with budget issues. Staff will begin outreach efforts in the fall, and will continue sharing the WSIB Story with constituency groups as opportunities present themselves.

In the area of Skillful Board, staff built out the Board education calendar to provide more context for decisions, particularly in the areas of risk and strategy. Non-voting Board members' expertise will be leveraged through planned education sessions they will lead.

Public Equity Annual Plan Update

Mr. Paroian began by saying the implementation of the new investment belief relating to climate change includes a discussion on the topic with every manager at every meeting. He said the responses have been idiosyncratic, focusing on both the negatives and the opportunities, and gave examples of responses for opportunities. He said managers were already looking at risks and opportunities and feedback has been mostly positive, with a couple expressing some concerns. Public Equity has the ability to quantify these risks using Trucost data, which estimates carbon footprints and the impact ratios of public companies. That is then fed into Style Research, which can compare the data to that of passive benchmarks. On carbon footprint and impact ratios, the WSIB portfolio is slightly below the passive benchmarks. Mr. Paroian discussed the ability to measure on various time frames and explained how they get the data down to the manager, portfolio, and company levels.

[Representative Ormsby arrived at 1:57 p.m.]

Mr. Sacks asked if they are able to drill down enough to see changes in specific investments. Mr. Paroian said theoretically they could, but it can be challenging to understand what is driving the data at that level of detail.

Mr. Paroian explained that risk management focus is mostly qualitative, knowing WSIB managers really well, understanding their risks, and having high conviction in them. He said, quantitatively, staff uses Style Research, and he shared a sample Style Research chart for the portfolio based on 20 factors, reflecting total portfolio tilts. Reviewing this information over time, staff is able to see a risk profile of the portfolio and can have discussions with managers about what might be happening, increasing the usefulness of manager discussions.

Mr. Paroian provided an update to the 2015 Public Equity Annual Plan, sharing that, in the first six months, staff completed the standardization of risk reports and also completed the emerging markets search and transition, which went very well, at a cost of only about 17 basis points, as opposed to an initial estimate of about 70 basis points. He said staff will launch further research in transaction cost analysis in the second half of the year.

Mr. Paroian explained that recruitment is the biggest challenge faced by the unit, which has grown from two to four staff members, and, with a retirement at the end of the year, is now back down to three. He said the unit has the opportunity to grow to five, and staff has spent a great deal of time recruiting, making an offer which was declined.

Mr. Paroian said the CTF returns are positive for the 1-, 3-, and 5-year time periods. Equally important, all of the other funds are performing in line with projections.

Discussion ensued around the reasons for the employment offer declination and recruitment challenges, as well as partner interaction relative to the new investment belief and its projected impact to the decision-making process of WSIB partners.

EXECUTIVE SESSION
Chair Frost announced the Board would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. She said the executive session was expected to last until about 2:55 p.m., at which time the Board would take a brief recess and then reconvene in executive session until about 4:00 p.m., when it would return to open session for the final agenda item of the day.

Real Estate Annual Plan Update

[The Board went into executive session at 2:13 p.m.]
[Mr. Fox arrived at 2:16 p.m.]
[The Board took a recess at 3:04 p.m., and reconvened in executive session at 3:17 p.m.]

Private Equity Annual Plan

[Chair Frost announced the Board would extend its executive session.]

Tangible Assets Annual Plan

[The Board reconvened in open session at 4:31 p.m.]

BUSINESS
Defined Contribution and Savings Plans – Risks and Risk Management Strategies
Mr. Paroian explained that in defined contribution (DC) funds, which are any type of savings plans, it is up to the individual to determine risk levels, and traditionally the plan

sponsor does not have a big role. He said the philosophy is changing, referring to a recent article in *Pension & Investments*. Mr. Paroian said some of the risks are the same as in defined benefit (DB) plans, and some are quite different. He added that whatever plan a member belongs to, they also should be saving additionally in the Deferred Compensation Program, so improving risk management strategies could benefit all members. He explained the focus of this presentation was the Target Date Strategies, which are the default option.

Mr. Paroian detailed the breakdown of funds under management in the Target Date Strategies and said the primary concept he wanted to share is pooling versus lack of pooling; the crux of it is the choice between pooling assets and liabilities together versus being each individual's being separate. He explained, in DC, the scale of assets and timeframes are different, investing in private assets can be problematic, there are behavioral issues, and each individual takes longevity risk

Mr. Paroian shared the two main risks of DC; market volatility and longevity, providing a scenario of two individual DC participants to illustrate the effect of moving money at the wrong time and explaining how DB is able to ride out short-term market volatility.

Discussion ensued about the scenario, the effect of individual investment choices, and the impact of behavioral attitudes on the outcomes.

Mr. Paroian discussed longevity risk, which can happen for many reasons, including choices resulting in a lower account balance, the individual living longer than expected, and/or not having the benefit of pooling. Mr. Paroian described the potential approaches to mitigate risk, which fall into three areas: tactical, diversification, and insurance. These approaches include increasing return and/or decreasing volatility of components; making sure we have the very best management in each component; moving to multi-manager formats; reducing the volatility of the equity component by diversifying passive market-cap weighted strategies with some combination of active management and fundamental-weighted or alternative-weighted indices; adding private markets to the asset mix; or adding some form of guaranteed income/longevity insurance, such as AB Global's new Lifetime Income Strategy product.

Discussion ensued regarding the effect of the various approaches on returns, mitigants to reduce negative effects, the need for daily liquidity, the effects of investment activities of individual members, valuation challenges in private markets, differences between the Total Allocation Portfolio annuity and AB Global's Lifetime Income Strategy product, and the benefits of pooling of funds.

Mr. Paroian said there are many options available, and this discussion was designed to introduce the Board to the options that could be pursued.

Discussion ensued around the limitations of the WSIB with regard to taking on any risk in providing an insurance product for those who are in DC plans, and the fees and costs involved with an external insurance product.

Mr. Paroian asked the Board if there was interest in pursuing any of the options discussed, to which the Board responded affirmatively.

[The Board recessed at 5:22, and reconvened in open session at 7:15 p.m.]
[Messrs. Seely and Nakahara arrived at 7:15 p.m.]

PRESENTATION
Domestic Economic Outlook
Mr. Rissmiller, Strategas, presented his outlook for the U.S. economy in the areas of housing, oil, consumer spending, and wages; touched on the economic environments in Japan, the Euro area, and China; provided statistics on the U.S. unemployment rates and labor force demographics; and discussed the potential effects of an increased interest rate and other policy changes.

[The Board recessed for the day at 8:11 p.m. on July 14, 2015.]

July 15

Chair Frost reconvened the meeting at 8:30 a.m. on July 15, 2015, and took roll call.

BUSINESS
Fixed Income Program Mid-Year Review and Market Outlook
Mr. Kennett shared that Federal Reserve Chair Yellen testified earlier today that the labor market and economy are good. He said he would not be surprised if the Federal Reserve Board (Fed) raised interest rates. He said deflation is a bigger risk than inflation, sharing reasons for this, and said the International Monetary Fund in June suggested the Fed should not raise rates until next year. Mr. Kennett discussed the inequality of income, wealth, and opportunity, and said the dollar has been strong for the last year and it could keep increasing if rates are raised, while many countries are devaluing their currencies to get their economies going.

Mr. Kennett said the U.S. economy has been mixed, discussing gross domestic product (GDP), wage growth, the participation rate, the jobless rate, retail sales, housing, auto sales, and global manufacturing. He reported that JPMorgan and Goldman have both lowered potential growth expectations to two percent due to slow growth of productivity, which has become difficult to measure. Mr. Kennett explained that the inflation rate is not at the two percent target desired, although Chair Yellen thinks it is going in the right direction, and oil is still 40 percent below its peak in June 2014. He shared that staff follows oil prices and is concerned about stranded asset issues, as projections indicate prices are not going up any time soon. He said the federal budget is in good shape, and should be for five more years, consumer confidence is pretty good, and the U.S. is doing pretty well.

Mr. Kennett described international indicators, including global and individual country GDP, current activities in Greece, emerging markets central bank activities, and gave a general update on Brazil, India, Russia, Mexico, Nigeria and Turkey. He provided more commentary depth on China, including the rebalancing of the economy, manufacturing and property sectors, and local government debt. Discussion ensued around China's debt on a local and national level, the government's practice of taking land from individuals to sell to developers as an unsustainable source of revenue, and the implementation of property taxes for sustainable revenue.

Mr. Kennett discussed Brazil's recession, President Rousseff's micro-management, the Petrobras bribery scandal, Moody's comments relative to possible downgrading, citizen protests regarding corruption and mismanagement, the end of the commodity boom, forecasted contraction of between one and two percent, Petrobras' $17 billion charge against earnings, and the country's June interest rate increase. Mr. Seely inquired about the WSIB's above average allocation to corporates in Brazil. Mr. Kennett said the WSIB holdings should be fine.

Mr. Kennett described India's economy, goods and service tax initiative, private sector investment, bad debt, and interest rate cutting by the Reserve Bank of India. He said the outlook for emerging markets as a whole is not good due to weak aggregate demand, weak global manufacturing and trade, the uncertainty around the effects of possible U.S. interest rate hikes, the ongoing debate about climate change, and geopolitical risks remaining high.

Mr. Kennett said the U.S. is expected to grow two percent this year, the labor market is strong, housing is strong, productivity growth should remain low, and the Fed will increase rates, but increases will be gradual. He shared the Federal Open Market Committee's (FOMC's) central tendency for longer-run GDP growth, discussed labor productivity and labor growth projection of total growth at 1.75 percent; Eurozone growth projections and employment rates; emerging markets growth expectations; concerns around capital flows and currencies; reform initiatives and efforts to attract foreign direct investment and private sector participation in infrastructure projects; and the positives and negatives contributing to China's growth projections.

[Mr. Nakahara left at 9:26 a.m.]

Discussion ensued around relative GDP growth rates, with Mr. Kennett explaining that two percent growth in the U.S. may be low; however, two percent growth in Europe would be good.

Mr. Kennett shared the Fed summary of economic projections from the FOMC, highlighting the unemployment rate, and said the risks currently faced are weak global aggregate demand and low productivity growth, emphasizing slow productivity growth could mean lower GDP and lower asset returns in the future; China's slowdown; secular stagnation; climate change; and Greece as a wild card. He explained that climate change risks focused on are stranded assets—reserves in the ground that could have less value in the future.

Discussion ensued around the shipping of oil, oil pipelines, general safety of moving oil products, and the WSIB investment in one remaining Chinese coal company.

Mr. Kennett discussed the U.S. and global bond markets, yield curve changes, 10-year returns, year-to-date portfolio returns, and the management of the program, acknowledging the Fixed Income unit staff.

Discussion ensued around the effects of a rate increase by the Fed; corporate debt being utilized to buy back stock shares and for mergers and acquisitions; timing of the capital market assumption review; differences between Mr. Kennett's presentation and the previous night's presentation by Mr. Rismiller; and the differences between fixed income and equities with regard to the management of expectations relative to industry risk and investment time horizons.

[The Board took a recess at 10:02 a.m., and reconvened in open session at 10:20 a.m.]

EDUCATION
Enterprise Risk Management (ERM) Overview and Group Exercise
Ms. Vandehey introduced the presentation of the ERM program and group exercise, stating the goal is to enhance understanding of key risk indicators by reviewing the framework, tools, processes, and methods used by the organization to manage risk and seize opportunities.

Ms. Vandehey described the WSIB ERM team which leads risk management activities, maintains the risk framework, and develops tools for use in risk analysis. The team consists of senior managers from every unit, which meets monthly to raise awareness of risks across all agency functions. Having a strong risk culture implies that staff throughout the organization have a clear understanding of the boundaries of acceptable risk taking and new staff learn this by observing others. She said ERM's most significant impact is the creation of a risk culture in which risk is openly discussed so that policies and processes are improved, and the agency's reputation is maintained.

Ms. Vandehey reviewed ten of the commonly recommended practices for a healthy risk culture, noting that WSIB practices them all. WSIB is the only public pension fund that has been successful in creating Board-approved risk appetite statements. Ms. Whitmarsh noted the Focusing Capital on the Long-Term initiative used the WSIB risk statements as an example in best practices. The ERM Key Risk Framework is the foundation of the program and covers six key risks within three areas: fiduciary and investment risks (asset management area); strategic, governmental environment, and operational risks (organizational management area), and reputation risks (safeguarding reputation area). There are three tools supporting the framework: risk appetite statements, key risk analysis forecast, and risk discussions. Ms. Vandehey defined and gave examples of each of the six key risks.

Ms. Vandehey described risk appetite, which is the amount of risk an organization is willing to take on in pursuit of value. She reviewed where the WSIB's six key risks fall within the risk appetite scale, which shows the WSIB is more willing to take on investment risk but less willing with fiduciary and reputation risks. She said strategic, operational, and governmental environments risk tend to be situational and fall in between the others on the scale.

The key risk analysis forecast identifies 15 risks in the six key risk categories, with indicators that help staff challenge assumptions and create discussion. She said other risk discussions take place at the ERM meetings at least twice a year through use of creative case studies or articles. This helps build knowledge to identify connections and anticipate potential causes of failure. Ms. Vandehey said one thing that helps during these discussions are key risk indicators (KRIs). These are an inventory of potential issues that help alert staff when there is a potential risk. She said that Board members will refer to the WSIB's KRIs in the group exercise.

Board members broke out into work groups and discussed two of the key risk areas per group, checking the business assumptions for that framework, evaluating the KRIs to anticipate any potential causes for failures, and then reported back on their discussions and suggestions.

Ms. Vandehey said the ERM team would take all comments and suggestions into consideration and bring any revision work back to the Board.

[The Board took a recess at 11:45 a.m., and reconvened in open session at 1:00 p.m.]
[Mr. Nakahara returned at 1:00 p.m.]

EDUCATION – CONTINUED

Risk: In General and How to Handle it Today

Mr. Bruebaker introduced Mr. Marks and provided context to the relationship the WSIB has had with Mr. Marks and Oaktree, which consists of 15 investments and $2.2 billion invested since 1995.

Mr. Marks discussed the importance of diversification and shared examples of risk-related considerations in decision-making, explaining that managing risk cannot be quantified or reduced to a number, but it can be prepared for even though it cannot be predicted. He provided a definition of risk and explained the lack of correlation between a successful outcome or high returns and level of risk.

Mr. Marks explained that the risk of an activity lies not in the activity itself but in how the participants approach it; risk is low when investors behave prudently and high when they do not. He said to understand the risk you are taking, it is important to assess the performance of the participants in the market; risk is perverse and the riskiest thing in the world is widespread belief that there is no risk; and a high level of risk consciousness tends to mitigate risk.

Mr. Marks discussed his experience in the market, the potential for hidden risks due to market conditions, the correlation between risk and price and the effect market participants have on these, the perception that higher risk leads to higher returns, the process of investment risk management, and how risk can be borne intelligently.

Discussion ensued around a successful investment of Oaktree using the key risk ideas shared by Mr. Marks; the effects of the interconnectedness of the world on Oaktree's risk analysis and the markets in general; the effects of market participants on price and risk; the types of things the Board should be thinking about and the risks it is willing to take; diversification; and market efficiency and the need to pay attention to other market participants, avoid predictions, and be an above average player in the market.

[The Board took a recess at 2:18 p.m., and reconvened in open session at 2:30 p.m.]

Key Risk Analysis Forecast
Mr. Moore introduced the key risk analysis forecast presentation. He said the ERM team looks at key risks and prepares a trend analysis based on the current environment to determine whether risks are increasing or decreasing. To date, the Board has not been involved in that process, so this is an opportunity to get members' analysis of the current environment and what they expect could happen in the future. Mr. Moore stressed there are no right or wrong answers; it is the conversation and discussion about risks that is important. Mr. Moore described the group exercise the Board would participate in to indicate whether they believe 15 selected internal and external risk factors will increase or decrease in the future. Discussion ensued on Board members' viewpoints about each risk.

Risk Management During Market Crisis
Mr. Bookstaber discussed historical methods of systemic risk modeling, and presented information on an engineering-based model referred to as an agent-based modeling tool. He described what happens with leverage when liquidation occurs and the effect on inter-connected assets. He discussed what types of input is needed for the agent-based tool, stating this modeling provides for more dynamic stress testing, policy planning and actions, and data needs. It is a different way of thinking about risk.

[Mr. Miller left the meeting at 4:04 p.m.]

In response to Mr. Nierenberg's questions about what is the most important thing that staff and the Board can do in light of what was learned during the financial crisis, Mr. Bookstaber suggested having a common language and understanding to integrate all functions and come at things with the same approach.

Mr. Longbrake asked if the agent-based modeling could identify degrees of vulnerability before the crisis exits. Mr. Bookstaber replied that is its intended use, which can be accomplished through ongoing stress testing and using the tool once a crisis begins, as events can build-up slowly. In response to a follow-on question, Mr. Bookstaber said federal and market maker restrictions could have the potential to create a larger problem if a future financial crisis occurs.

[The Board took a recess at 5:07 p.m., and reconvened in open session at 6:45 p.m.]

PRESENTATION
Private Equity: A New Generation?
Mr. Coulter gave a presentation on private equity trends and its evolution, including industry tools; operational improvements due to changes in the way people do things; shifting deal structures; the impact of environmental, social, and corporate governance issues; the complexity in the marketplace; supply-demand considerations; and the rise in opportunistic investments.

[The Board took a recess at 6:45 p.m. and reconvened in open session at 7:30 p.m.]
[Vice Chair Fox and Mr. Seely left at 7:30 p.m.]
[The Board recessed at 7:30 p.m. on July 15, 2015.]

July 16

Chair Frost reconvened the meeting at 9:00 a.m. on June 16, 2015, and took roll call.

BOARD GOVERNANCE
Risk Management Workshop CalPERS Case Study
Dr. Becker introduced the planned Board member group break-out exercise. She provided an overview of the case study members would be asked to review and discuss what happened; events that led up to it; and governance, personal accountability, and organizational conditions. Members were also asked to consider how it could have been prevented, and what, if anything, should be done to strengthen WSIB processes to ensure these types of risks never occur.

Dr. Becker provided some research on managing ethics, its relationship with the law, different approaches, and a list of steps to be taken toward making sound ethical decisions.

Following the break-out discussions, Board members reported back to the full group. Discussion ensued about member appointing authorities and processes; tenure versus turnover; the value of non-voting Board member expertise and staff involvement; Committee structure; delegated authority, process controls, state procurement laws; Board member orientation and evaluation; attorney presence at Board meetings; annual planning, investment reporting and monitoring, manager oversight, use of consultants, and follow-up processes; public disclosure filings; internal and external audits and the Audit Committee; the appropriated and non-appropriated budget processes; and personal responsibility/ethics.

OTHER ITEMS
Chair Frost thanked staff for organizing the planning meeting. She bid a fond farewell to and congratulated retiring executive staff members, Ms. Mendizabal and Mr. Moore.

There was no further business to come before the Board, and the meeting adjourned at 11:01 A.M.

Marcie Frost
Board Chair

ATTEST

Theresa J. Whitmarsh
Executive Director