

WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
September 17, 2015

The Washington State Investment Board met in open session at 9:33 a.m. in the boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Present: Marcie Frost, Chair
Kelly Fox, Vice Chair
Senator Mike Hewitt
Arlista Holman
Judy Kuschel
Bill Longbrake
George Masten
Stephen Miller
Richard Muhlebach
David Nierenberg
Representative Timm Ormsby
Joel Sacks
Jeff Seely

Absent: Treasurer Jim McIntire
Bob Nakahara

Also Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment 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
Kate Sandboe, Corporate Governance Officer
Kristi Haines, Confidential Secretary
Stacy Conway, Investments Administrative Assistant

Tor Jernudd, Attorney General’s Office
Mike Heale, CEM Benchmarking

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

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

CHAIR/VICE CHAIR ELECTIONS

Chair Frost called for nominations for Board Chair.

Mr. Masten nominated Ms. Frost to serve as Chair. There were no other nominations, and Ms. Frost was declared Chair by acclamation.

Chair Frost called for nominations for Board Vice Chair.

Mr. Sacks nominated Mr. Fox to serve as Vice Chair. There were no other nominations, and Mr. Fox was declared Vice Chair by acclamation.

ADOPTION OF THE JULY 14-16, 2015, MINUTES

Ms. Holman moved to adopt the July 14-16, 2015, minutes. Senator Hewitt seconded, and the motion carried unanimously.

PUBLIC COMMENT

Mr. Michael Pineschi, UNITE HERE!; Reverend Dan Edwards, Clergy and Laity United for Economic Justice; and Mr. Jose Salgucro, a Palms Casino employee, provided comment related to the outsourcing of more than 200 jobs at the Palms Casino. They discussed concerns about the Palms Casino being one of just a few non-union casinos in the Las Vegas Strip market and shared that most of the Palms Casino's peers have committed to labor peace, while the Palms Casino has not. The Palms Casino is held within the WSIB portfolio through its partnership with TPG and Leonard Green. They are seeking a fair process to decide upon a union and labor peace to mitigate labor risk in the investment. They urged the WSIB to reach out to its partners to encourage labor peace. Chair Frost indicated that documents provided by UNITE HERE! were distributed to members.

EXECUTIVE DIRECTOR'S REPORT

Ms. Whitmarsh reported the October 1 Private Markets Committee and November 4 Public Markets Committee meetings are cancelled due to lack of business. She said the October 15 Administrative Committee and Board meetings are also likely to be cancelled. Ms. Whitmarsh reported on the August 18 Sunshine Committee meeting she attended. The Committee is comprised of legislators and members at large who advise on public records and the Open Public Meetings Act. She, and Messrs. Masten and Fox, testified at the meeting regarding the WSIB's exemption language and its Public Records Policy. She said staff would present a proposed policy revision later in today's meeting.

Ms. Whitmarsh said she is scheduled to give a bi-annual briefing to the Pension Funding Council this week and will speak at the Retired Public Employees Council convention next week.

Ms. Whitmarsh reported on another issue relating to the Securities and Exchange Commission's sanction against Mr. Ray Holmdahl, the audit partner with Peterson Sullivan who provided oversight on past WSIB audits. Once notified of the sanction, the Audit Director performed an analysis of the situation and advised the Audit Committee. The Audit Director also notified Eide Bailly, WSIB's current financial statement auditor. Eide Bailly's auditors performed an additional review of Peterson Sullivan's working

papers and determined no additional procedures were necessary as part of the current financial statement audits. Staff is continuing to monitor this closely, and a special Audit Committee meeting may be scheduled to more fully discuss the matter. The Audit Committee Chair will also speak with the audit partner Eide Bailly. Based on the review by the Audit Director and the current financial statement auditors, it appears there is no impact to the WSIB, but Ms. Whitmarsh said she wanted to publicly disclose the situation and the actions taken.

Ms. Whitmarsh acknowledged Ms. Mendizabal, who is retiring and attending her final Board meeting. She extended an invitation for Board members to attend a recognition event for Ms. Mendizabal on September 24.

Ms. Whitmarsh introduced new staff member Mr. Chris Biggs, Investment Officer – Public Equity, and the new State Street Bank on-site representative, Mr. Scott Guillerault. She announced Mr. James Mackison, Director of Technology and Innovation, is leaving as of September 30 for a position with the House of Representatives and noted that Ms. Dufie Addo left staff on August 31.

[Chair Frost left the room at 9:55 a.m.]

PRIVATE MARKETS COMMITTEE REPORT

Mr. Masten reported the Private Markets Committee met on September 3 to consider one private equity investment recommendation and one tangible assets investment recommendation, and to set the 2016 meeting schedule.

Warburg Pincus Private Equity XII, L.P.

Mr. Masten moved that the Board invest up to \$750 million, plus fees and expenses, in Warburg Pincus Private Equity XII L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Kuschel seconded the motion.

Mr. Masten said the fund will continue the general partner's successful multi-stage investing in private equity transactions including venture capital, growth capital, buyouts, recapitalization, and other special situations, primarily in North America, Europe, and Asia. The WSIB has invested in eight prior Warburg funds since 1994, and the proposed investment is consistent with both the Board-approved 2015 private equity annual plan and the model portfolio. He said the recommendation is based on the firm's stable and deep partner team, global presence, top-down investment strategy, solid long-term performance, excellent portfolio fit, successful long-term relationship, and other factors relevant to the recommendation.

The above motion carried unanimously.

Laguna Bay Agricultural Fund 1

Mr. Masten moved that the Board invest AUD 250 million, plus fees and expenses, in Laguna Bay Agricultural Fund 1 and any related vehicle, with the ability to invest up to an additional AUD 50 million if

total fund commitments exceed AUD 1 billion, subject to continuing due diligence and final negotiation of terms and conditions.

Ms. Kuschel seconded the motion.

Mr. Masten said the fund will invest in a diversified portfolio of upstream agriculture assets including row crops, permanent crops, protein, and water. The geographic focus of the fund is Australia and New Zealand, with the ability to invest in other Southern Hemisphere countries on a limited basis. The fund will invest via buy and leaseback, joint venture, or buy and operate strategies. The proposed investment is consistent with the revised 2015 tangible assets annual plan. He said the recommendation is based on the firm's attractive fee structure, diversification benefits when combined with existing Tangible Assets portfolio investments, demonstrated ability to optimize deal structure, deep relationships in Australia's agriculture sector, and attractive governance features.

The above motion carried unanimously.

PUBLIC MARKETS COMMITTEE REPORT

Mr. Sacks reported the Public Markets Committee met on September 1 to consider investment policy revisions, set the 2016 meeting schedule, and participate in an education session provided by Mr. Longbrake on the impact of macroeconomic trends on long-term investment returns.

Technical Policy Revisions

Mr. Sacks relayed that Board policies are required to be reviewed every 3 years to ensure they remain relevant and appropriate. As part of the 3-year review, technical changes are proposed for five Board policies: Public Markets Committee Charter Policy 1.00.150; Commercial Paper Investment Policy for State and Local Governments Policy 2.05.500; Fixed Income – Retirement Funds Policy 2.10.200; Bond Market Fund Policy 2.14.200; and Permanent Funds Policy and Addendum 2.25.100.

[Chair Frost returned at 10:00 a.m.]

Mr. Sacks moved that the Board approve the proposed revisions to policies 1.00.150, 2.05.500, 2.10.200, 2.14.200, and 2.25.100.

Ms. Holman seconded, and the motion carried unanimously.

AUDIT COMMITTEE REPORT

Chair Frost provided the Audit Committee report on behalf of Treasurer McIntire. The Committee met on September 1.

Global Proxy Voting Policy 2.05.200 Review

Chair Frost reported the Committee reviewed proposed revisions to the Global Proxy Voting Guidelines to clarify and expand on the types of issues the WSIB will consider supporting. Ms. Sandboe shared the revision incorporates governance best practices such as CEO succession planning, proxy access, specific compensation issues, reporting on greenhouse gas emissions and shareholder unfriendly bylaw amendments, and clawback policies. She added that none of the proposed revisions are a huge change from the manner in which WSIB has voted its proxies over the past few years but, rather, specify WSIB expectations of companies and define circumstances in which the WSIB will

support shareholder proposals. Staff is seeking input from the Board to incorporate into the final revised policy draft, which is scheduled for further consideration at the December Audit Committee and Board meetings.

Mr. Nierenberg reflected on the viewpoints shared by Lord Myners and Mr. Ira Millstein at the July 2013 Board meeting, that the corporate governance movement has descended into box checking, and the most important thing the WSIB can do is ensure companies are allocating capital to innovation and driving growth and employment. He shared his concerns that subscribing to the revised guidelines could drive away general partners, and the cost of compliance could be onerous for small public companies, as well as time consuming. He suggested four questions relating to governance the WSIB should ask companies: 1) Did the management team and board develop the correct strategy for the enterprise? 2) How well did the management teams execute its strategy in the interest of all shareholders? 3) Is there a logical and appropriate linkage between what the management team was paid for executing the strategy and their accomplishments? 4) Did the Board execute its oversight responsibilities? Mr. Nierenberg said he feels these areas are where proxy advisory firms and the WSIB should spend their time in order to have the most impact. He further suggested focusing on two areas: the 100 largest companies, and 50-100 cases a year of egregious examples of poor governance brought forth.

In response to Ms. Kuschel's questions, Ms. Sandboe said the guidelines apply to the almost 4,000 U.S. proxy votes ballots the WSIB votes each year. The guidelines are needed to guide her with prioritization and expectations, but she occasionally varies from them based on her knowledge of the company or circumstances to vote what is most appropriate for the WSIB. Senator Hewitt asked if the guidelines are considered policy. Ms. Sandboe advised the guidelines are an addendum to the WSIB's proxy voting policy. Ms. Whitmarsh said the guidelines are specific and subject to change, whereas the policy is broad in nature. Mr. Nierenberg said that is a meaningful distinction. He described how outsourced proxies have a season—all of the guideline issues have to be evaluated and processed in a compressed period of time, and the proxy documents are increasingly difficult to understand, which results in subjective interpretation and evaluation versus judgmental recommendations. He said more human interaction is needed for complex issues or with larger companies, and exemplified the public comments heard by the Board earlier on today's agenda, which would not normally be included in a typical proxy voting process.

Mr. Masten pointed out the WSIB has the legal and fiduciary obligation to vote all proxies. He is comfortable if staff pursues a process as Mr. Nierenberg suggests, but prefers that it be done outside of the proxy voting policy. Mr. Sacks confirmed with staff the guidelines represent guidance the WSIB receives from a third-party contractor, and asked whether there was a way to incorporate Mr. Nierenberg's suggested process into the guidelines when the contract is renewed. Ms. Whitmarsh responded that Glass Lewis is not equipped to do that work, but the Council of Institutional Investors, Ceres, and other collaborations among large institutional investors are trying to get at the broader issue of getting investors' viewpoints into the boardroom, with moderate and occasional success, but also with a lot of room for improvement. Ms. Sandboe discussed her membership with the Society of Corporate Secretaries and Governance Professionals and the open dialogue it promotes between companies and investors. Ms. Whitmarsh said

staff is working around the edges of these issues through these entities, as well as with the Millstein Center for Global Markets and Corporate Ownership, to try to come up with a solid strategy. Ms. Sandboe said proxy voting services provide research, analysis, and recommendations on voting, but there is a myriad of other corporate governance firms cropping up to fill niches, and staff could look at those to assess whether they could help the WSIB with more active engagement. Ms. Whitmarsh suggested adding this work to the 2016 Strategic Plan.

Audit Committee Charter 1.00.130 and Internal Audit Charter 1.00.190 – Technical Revisions

Chair Frost reported that staff is recommending technical changes to the Audit Committee Charter to include the responsibility of recommending to the Board the approval of the annual internal audit plan. Staff is also recommending technical changes to the Internal Audit Charter to reflect the Committee's recommendation of the annual internal audit plan to the Board and to add termination oversight of the Audit Director position as a Committee responsibility. The termination oversight is already included in the Audit Committee Charter.

Chair Frost moved the Board adopt the proposed technical revisions to the Audit Committee Charter 1.00.130 and Internal Audit Charter 1.00.190. Mr. Sacks seconded, and the motion carried unanimously.

IT Security and Data Warehouse Audits

Chair Frost reported the Committee reviewed the results and reports from the IT Security and Data Warehouse audits conducted by the Intrinium, the experienced external consulting hired by the Board. A summary of the findings are included under agenda item 17-A. An executive session will be called for any discussion, due to the confidential nature of the findings, after which the Board will be asked to take action to approve the audits once the Board has come back into open session.

Other Items

Chair Frost said the Committee received updates on the: 1) status of prior audit recommendations, 2) Internal Audit performance measures and quality assurance reporting for Fiscal Year 2015, 3) annual audit plan status for Fiscal Year 2016, and 4) Investment Referral Quarterly Report.

The Committee also received the results of a biennial review of WSIB compliance with Board governance policies. There were no compliance issues noted during the review.

ADMINISTRATIVE COMMITTEE REPORT

Chair Frost reported the Administrative Committee met earlier this morning.

Public Records Policy Exemption

Chair Frost said that Mr. John Lynch, Contracts and Public Records Manager, and Ms. Sandboe reported that, recently, the scope of WSIB's Public Records Policy has been misinterpreted by some to mean that the only public records the WSIB treats as potentially exempt from disclosure, under the WSIB-specific statutory exemption, are those related to current private market investment vehicles. She said the proposed policy revision makes clear that, regardless of asset class, the WSIB will withhold from disclosure (through

redaction if possible) sensitive financial, commercial, and proprietary information contained in its records, disclosure of which would harm the funds under management and/or the providers of the information contained in those records. A reference to the Gramm-Leach-Bliley Act was also added to the policy to protect financial reporting of Board members and staff submitted to the WSIB by a financial institution, along with clarifying language of how the WSIB will handle notification to providers of records to the WSIB.

Chair Frost moved that the Board adopt the proposed substantive revisions to Public Records Policy 2.00.250. Vice Chair Fox seconded, and the motion carried unanimously.

Non-Voting Board Member Expiring Term Review

Chair Frost reported the Committee reviewed the nomination procedures and discussed the expiring terms of non-voting Board members Messrs. Longbrake and Muhlebach, in executive session. She said the voting members of the Board will also discuss their performance at the end of today's meeting in executive session.

Assistant Attorney General's Report

There was nothing to report.

Other Items

Chair Frost said the Committee received a budget update. The appropriated budget closed the fiscal year with a balance of \$3.1 million (14.9 percent savings), and the non-appropriated budget closed the fiscal year with a balance of \$32.6 million (9.4 percent savings).

Confidential Secretary's Compensation Executive Director's Compensation

Chair Frost said the Committee discussed the compensation levels for the Confidential Secretary and Executive Director, and will share its discussion with the Board in executive session later in today's meeting.

POLICY DISCUSSION

Guaranteed Education Tuition (GET) Committee Update and Advanced College Tuition Payment Program Policy 2.35.100 Revision

Ms. Tucker introduced proposed policy changes, which are a result of significant changes to the GET Program. She provided some background on GET pricing and payout value trends, noting two reference points when discussing GET units: 1) The *unit purchase value*, which represents the purchase price for a unit in the stated enrollment year. She said the most recent GET unit price was \$172 per unit, and 2) the *unit payout value*, which is 1/100th of tuition prices or \$117.82 currently. She described that in-state tuition had exhibited a strong growth trend until recently and the unit payout value of \$117.82 per unit is considerably lower than the unit purchase price of \$172 per unit.

Ms. Tucker said the Legislature recently passed the College Affordability Act, which lowered the cost of tuition at Washington's public colleges and universities. Treasurer McIntire, who serves on the GET Committee, had early insight to the potential impact of the Act and advised staff to begin thinking about raising liquidity, which it did, up to the policy maximum. The GET Committee then voted to take specific actions

related to refunds, delayed sales, waived fees, mandatory holds, and withdrawals. Ms. Tucker explained that GET did not anticipate the tuition decline that is resulting from the Act but did anticipate inflation. With regard to liquidity provisions, the GET Committee actions will make it easier for participants to withdraw, but the GET Committee also included some stabilizing factors including a 16-month refund window and maintaining a payout value for specific period of time. She said it is uncertain when and how many people will withdraw, but it could be significant. As a result, staff is recommending changes in the policy to increase flexibility and liquidity. These changes include: 1) Increasing the cash asset class target allocation from 0 percent to 5 percent to reflect higher liquidity requirements of the program during the refund period. Staff's intention is to hold cash at 5 percent. To further enhance the liquidity position, staff also recommends increasing Treasuries in the program; 2) Decreasing the public equity allocation by 5 percent to accommodate the cash increase; 3) Increasing the allowable asset class ranges for greater flexibility in the event of significant liquidation of the program, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
Cash	5 percent	0 percent	20 percent
Fixed Income	40 percent	30 percent	50 percent
Equity	55 percent	45 percent	75 percent

And, 4) Change the passive policy benchmark to represent an average of actual asset class allocation beginning on October 1, 2015.

Ms. Tucker relayed that Treasurer McIntire offered to respond to any members' questions about the policy change. In response to members' questions about how the refund will work and any advantages to participants withdrawing, Ms. Tucker said the GET Committee is still working through individual issues. Mr. Sacks questioned the proposed 55 percent allocation to public equity, which has a fair amount of volatility. His concern is there could be a run on the fund if participants wait until the last minute to make withdrawals. Ms. Tucker said the challenge in moving forward is anticipating participant and market behavior, which staff is addressing through frequent communication with GET staff on the withdrawal window to help with decision-making. Mr. Bruebaker noted the proposed equity allocation has the flexibility to go down to 40 percent.

Mr. Sacks moved the Board approve the proposed asset allocation liquidity revisions to the Advanced College Tuition Payment Program Policy 2.35.100. Representative Ormsby seconded the motion.

Senator Hewitt noted that he would support the recommendation but that is not an indication of his support of the GET Committee actions.

Mr. Sacks encouraged staff to provide regular reports to the Board on GET, both verbal and within the Executive Director's monthly report.

The above motion carried unanimously.

[The Board took a recess at 10:47 a.m., and reconvened in open session at 11:05 a.m.]

EDUCATION REPORTS

KKR Americas Investors' Meeting

Chair Frost, Vice Chair Fox, Ms. Kuschel, and Mr. Masten reported on their attendance at the KKR Americas Investors' Meeting held June 22-23. All participants said the National Vision presenter was very dynamic and the technology demonstration innovative.

Ms. Kuschel benefitted from the macro, Greece, and industry updates. Vice Chair Fox said there was diversity among the speakers, and he came away with a lot of background and better understanding of one of the larger WSIB general partners. Chair Frost liked hearing how KKR gets more capital into the marketplace and said there was a lot of discussion of energy and U.S. oil prices and efficiencies to keep it competitive.

Mr. Masten said the previous meeting format included leadership from around the globe but now focuses solely on the U.S. perspective. He said he had a particular interest in hearing how the 2002 and 2003 funds performed—one of which has had a 9 percent internal rate of return. He noted that most presentations included some element of economic, social, and governance issues, as it is on trend. Chair Frost recommends the KKR Americas Investors' meeting for all Board members, and that will be reflected on the 2016 Board Member Recommended Education list.

Pacific Pension Institute (PPI) Summer Roundtable

Chair Frost reported on her attendance at the PPI Summer Roundtable, July 22-24, which was also attended by Ms. Whitmarsh. She said PPI is a group of about 90 people with a focus on investing in Asia. The focus of this Roundtable was real assets. She relayed that real assets does not have a common definition among the PPI members, and real estate was the only real asset prior to the introduction of infrastructure. Real asset topics included aircraft and water scarcity investment opportunities and pricing as commodities; strategies in using real assets for hedging, diversification, or a source of income; and exits, benchmarking, and risk challenges. Ms. Whitmarsh noted the inclusion of senior leadership from Asia at the Roundtable, which provided exposure to their thinking. She noted that she will attend a small investor group discussion with Prime Minister of Japan Shinzu Abe at the end of the month. Mr. Kuschel suggested a Board education session on water.

EDUCATION SESSION

CEM Results and Cost Comparison

Mr. Heale, CEM Benchmarking, introduced the 2014 analysis of WSIB's performance and cost related to other funds within the CEM database. He said CEM's database is comprised of 149 funds with over \$2 trillion in combined assets. He noted the most meaningful comparisons for the WSIB's returns and value added are to the U.S. public universe, which consists of 57 funds. He reported that WSIB was also compared to a custom peer group comprised of 19 funds (13 public and 6 corporate funds) banding around WSIB's size.

Mr. Heale reviewed the comparisons measured included returns, net value added, costs, cost effectiveness, and risk. He said the report focuses on the 5-year period, but also includes data over the 20-year period.

Mr. Heale said the WSIB had a 5-year net total return of 10.2 percent, which is above the U.S. public median of 9.8 percent and equal to its peer median, and is within the 75th percentile. He said net total returns are then broken out into policy mix and

implementation style. Policy decisions tend to be the Board's responsibility and implementation tends to be management decisions. The WSIB's 5-year policy return of 10.9 percent was above both the U.S. public and peer medians of 9.7 percent due to the positive impact of the WSIB's higher allocation to private equity and lower allocation to fixed income, but was negatively impacted by a lower allocation to public equity, which has been one of the better performing asset classes over the 5-year period. Mr. Heale noted that a standardized default benchmark was used to compare the WSIB's private equity asset class to neutralize the impact of various benchmarks among funds, which reduced the WSIB's policy return by about 0.5 percent. The 5-year policy return for private equity was 11.3 percent prior to that adjustment.

Mr. Heale said the WSIB's 5-year net value added from active management was -0.6 percent, compared to a median of 0.3 percent for peers and 0.0 percent for the U.S. public universe. However, WSIB's 20-year net value added return was strong at 9.1 percent, above both the U.S. public and peer medians of 8.4 percent, which shows value added through active management in all asset classes.

Mr. Heale said investment costs include asset management by asset class and style, and oversight, custodial, and other costs. The WSIB's 2014 costs were \$481.8 million, or 63.4 basis points (bps). Comparing benchmark costs among the peer group shows that the WSIB was low cost by about 20.5 bps, due to its implementation style and paying less than peers for similar services. For investments costs, implementation style saved the WSIB 10.9 bps relative to peers (or \$82 million). Paying less for investments services and differences in oversight, custodial, and other costs saved the WSIB 8.7 bps and 1.0 bps, respectively (or \$72 million).

Senator Hewitt asked if peers' names could be provided, to which Mr. Heale replied affirmatively, but noted the names are not listed in the executive summary so CEM's report data cannot be used by others outside of the survey.

Mr. Heale reviewed the cost effectiveness chart which shows the WSIB in a lower quadrant than past reports for the 5-year period for net value added versus excess cost; however, the WSIB is in the upper quadrant for long-term performance over the 20-year period. The cost savings for the 20-year period is 21.4 bps.

Mr. Heale said the WSIB's 12.1 percent asset risk level (which is the standard deviation from WSIB policy return) was above the U.S. public median of 9.7 percent. Mr. Whitmarsh noted this is risk as measured by volatility.

PERFORMANCE REPORTS

Commingled Trust Fund (CTF)

Mr. Bruebaker reported the second quarter was not a great quarter, nor a great year for investment returns. He said the CTF is up 0.89 percent for the three months ended June 30, 2015, but down 4.93 percent for the year. The equity markets are down 2.8 percent since the quarter ended June 30, 2015. The since inception return for the CTF is 8.80 percent as of June 30, 2015.

In terms of implementation value added (IVA), the allocation decision underperformed by 6 basis points, due to underperformance of the overlay program (-5 bps), and

underweighting in private equity (-2 bps) and public equity (-1bp), but was offset somewhat by fixed income outperforming by 2 bps. The manager decision underperformed by 11 bps, due to underperformance in real estate (-60 bps) and public equity (12 bps), but was offset by outperformance in private equity (46 bps) and fixed income (15 bps).

Mr. Bruebaker said the investment portfolios continue to be well positioned for the long term. While the IVA underperformed, the WSIB beat the passive benchmark and the two TUCS universes over all of the time periods.

For the quarter, public equity was up 0.31 percent and private equity was up 4.87 percent. Compared to other public funds between \$40 billion and \$235 billion, the WSIB's long-term investment performance continues to be top decile. Mr. Bruebaker added that, according to Strategas and Callan Associates, the WSIB's investment performance for the CTF is above the median state pension fund in every time period.

OTHER ITEMS

2016 Meeting Schedule

Ms. Whitmarsh reviewed the proposed Board meeting schedule for 2016, noting the Board planning session is scheduled for July 19-21.

**Mr. Sacks moved the Board accept the 2016 meeting schedule.
Ms. Kuschel seconded, and the motion carried unanimously.**

[The Board took a recess at 11:50 a.m., and reconvened at 12:16 p.m.]

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. The Board also plans to review and discuss the performance of a public employee, Board members, and of the Board. She said the executive session was expected to last until about 1:30 p.m. at which time the Board would reconvene in open session to take action on items discussed in executive session, and then adjourn.

[The Board went into executive session at 12:16 p.m.]

AUDIT COMMITTEE REPORT (CONTINUED) IT Security and Data Warehouse Audits

ADMINISTRATIVE COMMITTEE REPORT (CONTINUED) Confidential Secretary's Compensation Executive Director's Compensation

BOARD SELF-EVALUATION

NON-VOTING BOARD MEMBER EVALUATION

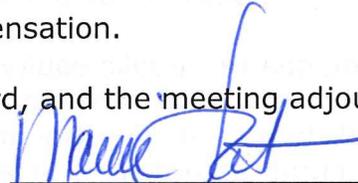
[The Board reconvened in open session at 1:45 p.m.]

Chair Frost moved the Board approve the IT Security and Data Warehouse audits. Vice Chair Fox seconded, and the motion carried unanimously.

Chair Frost moved the Board approve the compensation level for the Confidential Secretary, at an increase of 3 percent annually. Vice Chair Fox seconded, and the motion carried unanimously.

No action was taken on the Executive Director's Compensation.

There was no further business to come before the Board, and the meeting adjourned at 1:47 p.m.



Marcie Frost
Board Chair

ATTEST



Theresa J. Whitmarsh
Executive Director