

WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
February 18, 2016

The Washington State Investment Board met in open session at 9:30 a.m. in the boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Present: Marcie Frost, Chair
Kelly Fox, Vice Chair
Judy Kuschel
Bill Longbrake
George Masten
Treasurer Jim McIntire
Richard Muhlebach
Bob Nakahara
David Nierenberg (via teleconference)
Joel Sacks
Jeff Seely

Absent: Senator Mike Hewitt
Arlista Holman
Stephen Miller
Representative Timm Ormsby

Also Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Ian Cameron, Chief Operating Officer
Chris Phillips, 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 – Tangible Assets
Mo Mooers, Assistant Senior Investment Officer – Private Equity
Celina Verme, Finance and Administrative Services Director
Kate Sandboe, Legislative Relations and Corporate Governance
Officer
Kristi Bromley, Assistant Investment Officer – Risk Management
and Asset Allocation
Kristi Haines, Confidential Secretary

Mary Lobdell, Attorney General's Office

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

Chair Frost called the meeting to order and took roll call. She noted the lack of a quorum present and said the adoption of the minutes would be delayed pending the Board reaching quorum.

EXECUTIVE DIRECTOR'S REPORT

Ms. Whitmarsh announced the March 1 Audit Committee is the only meeting scheduled next month. She congratulated Vice Chair Fox on his re-appointment to the WSIB by the Governor for a second 3-year term. She reported the Board's direction to change the allocation of the Guaranteed Education Tuition fund to cash for potential redemptions has been implemented with \$75 million raised. The allocation target is currently off by only 10 percent. Ms. Whitmarsh shared staffing changes. Ms. Angie Naillon, formerly the Budget and Accounting Manager, has accepted a role as Senior Business Analyst and Budget Strategist. She said Mr. Cameron has been analyzing the organizational structure and Ms. Naillon will assist with that effort. Ms. Whitmarsh shared that her work on gender equality issues has resulted in a paper that was released at the World Economic Forum 2016 Annual Meeting, and she was interviewed by *The New York Times* and *Pensions and Investments Europe*, with the *USA Today* also covering the story. This effort highlights the WSIB as a reasoned voice in its approach to gender diversity issues. Ms. Whitmarsh announced the Council of Institutional Investors is offering its Executive Compensation 101 course on-line and interested Board members should contact staff for more information. She noted this topic is a keen area of interest for stakeholders and Governor Jay Inslee, who sent a letter to the WSIB encouraging vigilance. Talking points on how the WSIB votes proxies on executive compensation and CEO pay ratio issues were provided for Board members' reference.

2016 PROPOSED STRATEGIC PLAN

Ms. Whitmarsh introduced the 2016 proposed Strategic Plan. She relayed that preparing the strategy begins in the fall, following the Board planning session, and includes staff and Board input. One theme that emerged during discussions was the concern the WSIB may become a victim of its own success. As a world class investment organization, the WSIB has benefited from its mission clarity, which is, essentially, to make money. As the WSIB delivers on its promise to existing beneficiaries, it is often asked to invest other pools of monies and also responds to requests from current programs to expand existing mandates. The WSIB has benefited from a clear focus on its core competencies and investment strategies. She detailed the WSIB's advantages as a fiduciary and as an organization and asset manager—pointing out that singularity of purpose drives excellence. In extending competitive advantages to new clients and expanding services to existing clients, fiduciary questions arise as to which client to serve first. Ms. Whitmarsh discussed clients that fit within the WSIB's core competencies and those that could create "mission drift."

In discussing the concerns at the December Administrative Committee, the Committee recommended the Board create an *ad hoc* Committee to work with staff on how to address such requests going forward and capture their suggested direction within the 2016 Strategic Plan. The Committee was comprised of Chair Frost, Ms. Kuschel, and Messrs. Masten and Sacks who met twice with executive management. The first issue addressed by the Committee was whether the WSIB could realistically turn down mandates or, instead, suggest alternative investment managers to stakeholders if the needed expertise outside of the WSIB's core competencies. Ms. Whitmarsh

commented that WSIB purposefully focuses on large mandates, but small mandates take just as much staff time. This creates cost inequities whereby larger funds are essentially subsidizing staff costs for smaller funds. The Committee recommended creating model legislation, which would allow the WSIB to formally guide stakeholders and suggest alternatives to consider. The Committee suggested that staff become more stringent and realistic in analyzing fiscal notes by building in even modest costs. Although one new demand may only slightly impact staff, the cumulative effect needs to be considered.

The Committee also discussed requests to add private market strategies within the Retirement Strategy Funds and Labor and Industries (L&I) portfolio, decided they were comfortable moving forward in exploring this, and set a timeline for the work.

Ms. Whitmarsh mentioned that L&I has already narrowed its focus to real estate, which gives staff a clearer direction. The requested program expansions are captured within two major value initiatives within the proposed Strategic Plan.

Chair Frost commented that Mr. Sacks, as the *ad hoc* Committee Chair, provided an update on this work to the Administrative Committee earlier today. Mr. Sacks said this was a good opportunity for a group of Board members to engage with staff to gain an understanding of the challenges and pressures and for the members to give guidance and direction and identify which issues should be brought back to the full Board for further discussion. By communicating administrative costs and being clear with the authorizing environment, staff is able to manage the organization's reputation.

[Vice Chair Fox arrived at 9:50 a.m.]

Mr. Nakahara asked if any statute mandates that organizations seek out the WSIB for investment advice and if there were any precedents based on the WSIB's past action in accepting or not accepting new funds. Ms. Lobdell responded there is no statute requiring the WSIB to invest new funds; rather, proposals are written to give the option that the fund "may be invested by the WSIB," and stakeholders reach out when developing legislation, giving the WSIB an opportunity to engage in a dialogue and help stakeholders make decisions in their best interests. Ms. Whitmarsh noted the retirement and L&I funds require investment by the WSIB. Relating to any past precedent, Treasurer McIntire noted the Board's decision a few years ago to move some funds to the Office of the State Treasurer (OST) for better alignment of interests, and OST has some oversight from the WSIB in consulting on policies.

Mr. Seely asked what the benefit is to the WSIB in its willingness to accept new funds if management costs cannot be accurately appropriated, given different funds and interests and the inability to pool monies and mix with other assets. Ms. Whitmarsh said it depends on whether the new fund fits within the WSIB's core competencies.

Mr. Bruebaker said staff will manage to its full ability any fund the Board and Legislature directs it to manage. Any investment mandate requiring the WSIB's developed skill sets fits very well. He noted that WSIB is unique, in that other state investment organizations only manage retirement funds so they are not spread thin. And even small funds served best by the WSIB's management can take away time spent on the management of the retirement funds, so the WSIB wants to ensure it is not negatively affecting existing clients in doing that. Mr. Seely suggested the WSIB consider "what's in it for us" as far as costs and time in taking on new mandates. Ms. Whitmarsh said staff had the same

question, so she engaged with Senator Hewitt and Representative Ormsby on whether the WSIB had to invest all newcomers, to which they indicated perhaps not and stressed the importance of focusing on the huge stake in the retirement funds. A discussion ensued on the Board's unique governance structure and the OST's investment authority limitations causing clients to engage with the WSIB, with external management as the only alternative. Treasurer McIntire noted that the WSIB's oversight or guidance may be necessary with external management and he is not aware that Washington State government has ever had that role. He suggests that thought should be given on how to hire external managers, adding that engaging with the Legislature is a good start. Mr. Sacks said another alternative is to interact with legislators up front to clarify needed resources, the level of service the WSIB is willing to provide, and how much information and time existing staff can dedicate to proposed mandates. Mr. Longbrake pointed out the issue of fairness to beneficiaries if large funds are carrying administrative costs of small funds. He said a methodology exists to allocate all costs under each of the mandates. Mr. Seely commented that some organizations scale management costs by fund size.

Ms. Whitmarsh continued her presentation of the proposed Strategic Plan, with initiatives categorized as Value, Support, and Capacity, resting on a foundation of a skillful Board. Value initiatives primarily falls within Investments, Support falls within Institutional Relations' responsibilities, and Capacity is primarily within Operations.

Proposed 2016 Value initiatives include: 1) evaluating the suitability of commingled versus separate accounts for public equity. If separate accounts make sense, additional work to develop in-house capacity for international U.S. equity passive management, all of which is currently managed externally, and consideration of operational complexities; 2) evaluating private market strategies within the Retirement Strategy Funds; 3) evaluating private market strategies within the L&I portfolio; 4) evaluating and adopting contribution and attribution methodologies for measuring distinct components of performance; and 5) transitioning ownership of the Innovation Portfolio to the Risk Management and Asset Allocation unit.

Proposed 2016 Support initiatives encompass three distinct areas: Reputation, Information, and Relationships. Within the Reputation area, staff proposes developing and managing strategic opportunities to express the WSIB's views on key issues. Within the Information area, developing and implementing website enhancements aimed at improving efficiency and impact; and managing corporate governance policies and practices in the best interests of the WSIB's fiduciary role and leadership reputation. Within the Relationships area, building and maintaining key government relationships in support of the WSIB's mission.

Proposed 2016 Capacity initiatives encompass three distinct areas: People, Process, and Technology. Within the People area, staff proposes continuing to build a strong professional development program to create a deeper bench and align individual skills with the organization's needs and creating an environment to help staff be their best and that attracts and retains highly talented people. Ms. Whitmarsh said the goal is to become a destination employer. A recent employee satisfaction survey showed a 24 percent increase of staff's view on the availability of employee development opportunities. Within the Process area, staff proposes establishing a formal framework for

periodic monitoring and measurement of vendor service quality and evaluating current consultant capabilities with a focus on expanding and/or consolidating relationships. Within the Technology area, staff suggests consolidating system platforms and/or vendors, synchronizing systems integration, and considering other tools for future technology development.

Proposed 2016 initiatives to support a skillful Board include tailoring education to meet the needs of individual members; refreshing the recommended Board member education list; differentiating the needs of voting versus non-voting members and capitalizing on non-voting member expertise in the education of voting members; tailoring an orientation program for incoming Board leadership; and conducting an analysis of the need to create a background screening for proposed Board member candidates.

Treasurer McIntire complimented staff's ambitious proposal. He suggested adding outreach to cities and counties in building and maintaining government relationships. Further, within the skillful Board initiatives, he would like staff to focus on how it presents the function and performance of the Board to stakeholders by creating talking points and implementing annual outreaches to stakeholders.

Vice Chair Fox moved that the Board approve the proposed 2016 Strategic Plan. Treasurer McIntire seconded, and the motion carried unanimously.

ADOPTION OF THE DECEMBER 17-18, 2015, MINUTES

Treasurer McIntire moved to adopt the December 17-18, 2015, minutes. Vice Chair Fox seconded, and the motion carried unanimously.

RETIREMENT COMMINGLED TRUST FUND (CTF) ASSET ALLOCATION POLICY 2.10.050 PROPOSED REVISION

Ms. Bromley presented proposed revisions to Policy 2.10.050. She said staff conducted an overall review of the policy when it incorporated proposed asset class year-end targets. She noted the Board sets overall targets at least every 4 years as part of the CTF strategic asset allocation study, with the last review taking place in 2013 and the next review due in 2017. Since it takes time to reach targets, year-end targets are established based on investment pace discussed during asset class annual planning sessions. Ms. Bromley noted changes to remove the 2014 and 2015 year-end targets, revise 2016 and 2017 targets, and add 2018 and 2019 targets. The standard of care and other policy language was revised for consistency with other Board policies.

Vice Chair Fox moved that the Board approve the proposed revisions to the Retirement CTF Asset Allocation Policy 2.10.050. Mr. Masten seconded, and the motion carried unanimously.

PRIVATE MARKETS COMMITTEE REPORT

Mr. Masten reported the Private Markets Committee met on February 4 to consider three private equity investment recommendations and one real estate investment recommendation.

Charterhouse Capital Partners X, L.P.

Mr. Masten moved that the Board invest up to €225 million, plus fees and expenses, in Charterhouse Capital Partners X, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Vice Chair Fox seconded the motion.

Mr. Masten reported the fund will focus on buyout transactions in the United Kingdom and Western Continental Europe across broad industry sectors. The WSIB has invested in four prior Charterhouse funds. This proposed investment is consistent with the Board-approved 2016 private equity annual plan and the private equity model portfolio. He said the recommendation is based on Charterhouse's deep and experienced investment team, strong track record with substantial recent liquidity, strong deal flow, management-friendly investment approach, fit in the WSIB's private equity portfolio, and other factors relevant to the recommendation.

The above motion carried unanimously.

TCV IX, LP

Mr. Masten moved that the Board invest up to \$200 million, plus fees and expenses, in TCV IX, LP, subject to continuing due diligence and final negotiation of terms and conditions. Vice Chair Fox seconded the motion.

Mr. Masten reported that TCV IX, a technology-focused growth equity fund, will invest in companies of scale that have high quality management teams, strong business momentum, large market opportunities, differentiated products or services, market leading positions, and attractive business models. The WSIB has invested in seven prior TCV funds. This proposed investment is consistent with the Board-approved 2016 private equity annual plan and the private equity model portfolio. He said the recommendation is based on TCV's experienced investment team, attractive and consistent returns, investment strategy, deal flow, fit in the WSIB private equity portfolio, and other factors relevant to the recommendation.

The above motion carried unanimously.

Green Equity Investors VII, L.P.

Mr. Masten moved that the Board invest up to \$350 million, plus fees and expenses, in Green Equity Investors VII, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Vice Chair Fox seconded the motion.

Mr. Masten reported that Green Equity Investors VII, a North American-focused fund being raised by Leonard Green Partners will seek to build a portfolio of 18 to 25 investments ranging in transaction sizes from \$250 million to \$750 million in companies with enterprise values between \$500 million and \$5 billion. As with prior funds, Green Equity Investors VII is expected to be heavily weighted to consumer-related investments. The WSIB has invested in three prior Leonard Green funds. This proposed investment is consistent with the Board-approved 2016 private equity annual plan and the private equity model portfolio. He said the recommendation is based on the firm's experienced team, strong performance across multiple cycles, proven investment strategy, proactive deal sourcing, fit in the WSIB private equity portfolio, and other factors relevant to the recommendation.

In response to Mr. Sacks' question about advisory committee seats allotted to the WSIB, Mr. Ruggels said staff will have one seat on the approximately 15-member committee.

The above motion carried unanimously.

Calzada Capital Partners, LLC

Mr. Masten moved that the Board commit an additional \$750 million, plus fees and expenses, to Calzada Capital Partners, LLC, subject to continuing due diligence and final negotiation of terms and conditions. Vice Chair Fox seconded the motion.

Mr. Masten reported Calzada continues to provide oversight of investments as the real estate portfolio grows in complexity and size. Four real estate operating companies (REOCs) previously directly-owned by the WSIB were acquired by Calzada after its creation in 2013, and the WSIB subsequently provided an additional \$850 million in commitments for growing existing companies and for new REOC transactions. The approval of the proposed transaction will bring the total commitment to Calzada to \$4.075 billion. Calzada plans to acquire the WSIB's directly-owned interest in an existing REOC in accordance with the 2016 Real Estate Annual Plan. He said the recommendation is based on Calzada's quality leadership, track record, fit in the WSIB's real estate portfolio, and other factors relevant to the recommendation.

The above motion carried unanimously.

[Mr. Nierenberg was no longer in attendance via teleconference at 10:32 a.m.]

[The Board took a recess at 10:36 a.m. and reconvened in open session at 10:51 a.m.]

FIXED INCOME REVIEW AND OUTLOOK

Mr. Kennett presented a review of 2015 and his outlook for 2016 relative to global and U.S. economic conditions and fixed income investments.

He discussed global conditions including divergence between the U.S. and China and monetary policies; market volatility; growth estimates; commodity markets and supply slowdown; oil production; geopolitical risk; the global climate agreement; currencies; emerging markets; and inflationary conditions.

For the U.S., he reported on the growing economy and job creation; Federal Reserve actions; gross domestic product (GDP) slowing growth; falling unemployment; payroll growth and low interest rates; housing starts; auto sales; and the effect of a slowing global growth on the U.S. dollar. He discussed inflation; consumption; retail sales; credit cycles; falling profits; liquidity conditions; budget and spending bills; trade agreements under consideration; the presidential elections; and how corporate profits will be spent. He said he believes the U.S. is in a low-growth, low-inflation, and low-return environment but is doing relatively well compared to other countries, with anticipated growth of 1-2 percent this year.

Mr. Kennett discussed China's economy, markets, currency, interest rates, deficit, state-owned enterprises, industrial overcapacity, debt, leverage, their aging population, the need for structure reform, and slowing growth.

He discussed conditions in Brazil, which is a large holding in the fixed income portfolio. He reviewed political and fiscal crises, the commodity bust, inflation, and the Petrobras scandal. He believes investors are pessimistic, but the country will muddle through.

Within India, the economy and GDP have grown and inflation has fallen. Mr. Kennett said that tax, labor, and land reform are needed, and the government lacks agreement on these issues. Infrastructure investment is also needed, but cross-border terrorism is still a concern. He said India is a bright spot among emerging markets and will likely experience faster growth than China.

The economy in Europe is doing better than it has in several years. Mr. Kennett discussed security and immigration concerns, interest rates lowering, increased quantitative easing, modest growth in the euro area, and unemployment. He reviewed specific concerns, including the terrorist attack in France; Spain's elections; Russia's recession; the newly-elected Polish government; another bailing out of Greece; immigration and terrorism in Turkey; Italy's GDP; tensions in Ukraine; border closures and controls; and the rise of populism.

Mr. Sacks and Treasurer McIntire noted the Euro area growth. Mr. Kennett commented on the GDP of 1.5 percent and reforms.

Mr. Kennett discussed monetary policy and the economic plans in Japan. He said Japan is somewhat vulnerable to the slowdown in China and there are concerns with its aging population which shrinks the labor force.

Mr. Kennett provided comment on poor economic conditions in Latin America during 2015. He also discussed Asian emerging markets having low inflation and current account surpluses but, despite the slowdown in China, these markets had the best GDP growth in the world.

Mr. Kennett presented JPMorgan's global GDP forecast for 2016 and 2017, noting differences between the developed and emerging markets. He noted the data does not include Sub-Saharan Africa, which is supposed to be the fastest growing area in the world over the next decade.

Mr. Kennett reviewed the bond market and portfolio implications. He said single-digit returns are expected within the fixed income portfolios during 2016 and into the next few years. Staff plans to hold onto bonds despite some anticipated defaults. He discussed falling corporate profits, specifically in the Brazil investments. He reviewed risk conditions, both globally and within the U.S. He commented on climate change reporting and monitoring and the need for technologic research due to the increasing demands for fossil fuels.

Mr. Kennett discussed the yield curve and assets under management. Assets under management amount to \$34 billion within the fixed income portfolio across all funds, with the retirement account at \$17 billion and L&I at \$13 billion. He reviewed the sector allocation, which is largely in credit and treasuries; and regional allocation, with North America at 62 percent and Latin America at 14 percent. He said portfolio performance for the 10-and 20-year periods is very good. He compared performance against the Barclays U.S. Universal index. He reviewed non-U.S. dollar portfolio holdings and the fixed income decision-making framework for its 11 fund portfolios. Mr. Kennett acknowledged the work of the fixed income team members.

PUBLIC COMMENT

The Board received public comment from Alyssa Giachino, UNITE HERE, relating to Leonard Green and that firm's private jet usage. She urged the WSIB to seek disclosure from the general partner on its fees and expenses. She also updated the Board on labor issues at the Palms Casino in Las Vegas, Nevada, which is one of Leonard Green's holdings.

The Board received public comment from several members of the local Confronting Climate Crisis group. Mmes. Bourtai Hargrove, Rhonda Hunter, Donna Albert, Patricia Holm, Beverly Bassett and Messrs. Joel Carlson, Bernie Meyer, Joe Hiss, and Scott Davis urged the Board to divest from fossil fuel investments. They noted losses from these investments within the WSIB portfolio. They suggested the Board invest in renewable energy and requested a letter from the WSIB detailing plans to avert future fossil fuel investments. Testimonies from the group and research papers were distributed to the Board. They suggested the relatively small amount of fossil fuel investments within the WSIB's large investment portfolio would have only minor impact from divestment. They commented that WSIB, as a large institutional fund, has the ability to influence other investors in making a decision to divest. They urged that the WSIB seek out experts in environmental economics to discuss future effects of fossil fuel investments.

[The Board took a recess at 12:43 p.m., and reconvened in open session at 1:05 p.m.]
[Mr. Nakahara left at 12:44 p.m.]

COMMITTEE ASSIGNMENTS

Chair Frost recommended the Board re-assign her to the Private Markets Committee, replacing Senator Hewitt, who has expressed concerns with the ability to reach quorum at the meetings due to time constraints that prevent his attendance.

Mr. Masten moved that the Board approve the Chair's recommendations for Committee assignments. Ms. Kuschel seconded, and the motion carried unanimously.

ADMINISTRATIVE COMMITTEE REPORT

The Administrative Committee met earlier this morning.

Public Equity Termination

Ms. Whitmarsh noted the Board's policy delegating staff the authority to terminate a manager in between meetings if the timing of this action is important. Staff recently terminated a public equity manager and is asking the Board to affirm that decision.

Chair Frost moved that the Board affirm the termination of the WHV investment management contract effective January 8, 2016. Vice Chair Fox seconded, and the motion carried unanimously.

Public Comment Discussion

Chair Frost reported the Committee discussed the issue of how the Board shall hear public comment during its proceedings. The discussion involved whether the Board should allow public comment during Committee meetings as it currently does during full Board meetings. This question was raised recently when a member of the public asked to present information during the Private Markets Committee meeting, rather than the full Board meeting. For the most part, the WSIB has received public comment only during full Board meetings.

According to the Attorney General's Office (AGO), the Board is not obligated to receive public comment during Committee meetings as it is during full Board meetings. Also, based on discussion at the Committee meeting, it may make sense to create a public comment policy that clarifies the Board's procedure and practices. The Administrative Committee requested staff develop proposals for future discussion by the Committee and the Board in order to further clarify a transparent process for public comment.

Assistant Attorney General's Report

Ms. Lobdell reported a quiet period is in place for the Request for Qualifications and Quotations (RFQQ) from the AGO for securities litigation attorneys. The quiet period began on February 2 and concludes June 30, with a new contract effective on July 1. During the quiet period, Board members can speak with security law firms but are prohibited from discussing the RFQQ.

Other Items

Mr. Sacks, who chaired the *ad hoc* Committee addressing strategic planning issues, provided an update to the Committee on governance issues around the WSIB's role relative to managing public funds. Ms. Whitmarsh referenced the results of the *ad hoc* Committee in the Strategic Plan presentation and discussed implications of that strategy.

The Committee received a legislative report from Ms. Sandboe, updating the Committee on proposals creating the Washington College Savings Program; creating the Achieving a Better Life Experience program; allowing state patrol, law enforcement officers, and firefighters to purchase annuities; addressing plan membership default provisions to the PERS, TERS, and SERS retirement systems; and creating an optional salary deferral program.

The Committee also received a budget update from Ms. Verme, who reported the appropriated budget has a projected balance of \$819,000 (4.1 percent savings), and the non-appropriated budget has a projected balance of \$73.3 million (19 percent savings).

EDUCATION SESSION

Economically Targeted Investments Annual Report

Mr. Mooers provided an update on Economically Targeted Investment (ETI) policy activities, the annual poll of general partners (GPs), and Washington State investments. He discussed objectives of ETIs, how staff implements the policy, and its involvement in 2015 regional activities.

He reported on the overall level of venture capital dollars invested and number of deals completed within the U.S., Northwest, and Washington State. He said there were 106 deals done in Washington from July 1, 2014, through June 30, 2015, which represent 2.4 percent of the U.S. activity, down a bit from the previous year. He said most venture activities occur within the Silicon Valley. Mr. Mooers reviewed U.S. venture capital transactions during the years 1999 through 2015, noting a trend of increasing deal sizes. There were 74 mega deals (over \$100 million) done in 2015. Within Washington, 2015 proceeds amounted to \$1.3 billion, which is up from the previous year and mirrors the overall country trend. Initial Public Offerings slowed to \$30 billion in 2015, down from \$85.3 billion in 2014. Venture capital fundraising also slowed in 2015, with \$22.8 billion raised compared to \$30.9 billion the previous year. Mr. Mooers noted that, locally, several firms had new funds.

Mr. Mooers reported that the 13th annual poll of WSIB GPs showed that 35 of the 51 GPs were involved in reviewing deals in Washington State, with 36 deals done and 447 still in the pipeline. There was \$45.1 million of capital invested in Washington State-based deals. The 36 deals completed by 12 GPs, shows a continuing interest level in Washington State.

Private equity investments in Washington amounted to \$269.3 million in market value as of June 30, 2015, involving 45 different funds from 27 individual GPs, with investments in 9 industries—with the highest percentage, almost 54 percent, in information technology (IT) investments. Mr. Mooers reviewed the amount invested, total return, sub-sectors, market value, investment performance, and deal activity of IT investments in Washington over the 2001-2015 time period. He showed Washington investments within each of the WSIB asset classes, noting these investments represent 2.2 percent of the Commingled Trust Fund (CTF).

CTF QUARTERLY PERFORMANCE UPDATE

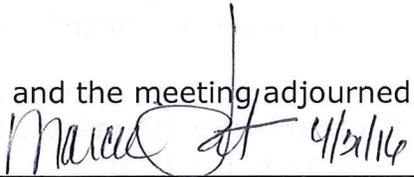
Mr. Bruebaker reported the quarterly performance was okay, but it was not a good year for investment returns. The CTF was up 1.94 percent for the 3-month period ended December 31, 2015, but up only 2.6 percent for the year. The equity markets are down 5.4 percent since the quarter ended December 31, 2015. The since inception CTF return is at 8.56 percent as of December 31, 2015.

For the implementation value added decision, the WSIB outperformed for the quarter, mostly due to private equity assets with 7 basis points (bps) of the outperformance coming from the asset allocation decision (all within private equity) and 119 bps coming from the manager decision (116 bps from private equity). Mr. Bruebaker said the portfolio is positioned well for the long term. The WSIB's longer-term portfolio is top

decile compared to other funds over the 10- and 15-year periods and top quartile in all other periods, and it beat the TUCS universe for all periods.

OTHER ITEMS

There was no further business to come before the Board, and the meeting adjourned at 1:32 p.m.



Marcie Frost
Board Chair

ATTEST



Theresa J. Whitmarsh
Executive Director