

**STATE OF WASHINGTON
STATE INVESTMENT BOARD**

Special Public Markets Committee Meeting
Minutes

June 15, 2004

The Public Markets Committee met in open public session at 10:17 A.M. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Drive Southwest, Olympia, Washington.

Members Present: George Masten, Acting Chair
Glenn Gorton (via teleconference)
Jeff Hanna (via teleconference)
Charles Kaminski (via teleconference)
John Magnuson (via teleconference)
Robert Nakahara (via teleconference)
Dave Scott (via teleconference)
Paul Trause (via teleconference)

Members Absent: Representative Sommers

Others Present: Joe Dear, Executive Director
Gary Bruebaker, Chief Investment Officer
Theresa Whitmarsh, Deputy Director for Operations
William Kennett, Senior Investment Officer – Fixed Income
Nancy Calkins, Senior Investment Officer – Public Equity
Linda Lester – Investment Officer – Public Equity
Diana Will, Investment Officer – Asset Allocation
Erwin Vidallon, Finance and Budget Manager
David Thatcher, Contracts Manager
Kristi Bromley, Administrative Assistant – Investments

Paul Silver, Assistant Attorney General

Janet Becker-Wold, Callan Associates
Michael O’Leary, Callan Associates

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

The meeting convened at 10:17 A.M. with Chair Gorton identifying members present.

REVIEW AND APPROVAL OF MINUTES – MAY 4, 2004

Mr. Scott moved to adopt the minutes of May 4, 2004. Mr. Gorton seconded, and the motion carried unanimously.

**INVESTMENT RECOMMENDATION – ACTIVE VALUE INTERNATIONAL EQUITY
– LSV ASSET MANAGEMENT**

Mr. Bruebaker noted that in April the Board selected Delaware International Advisers (Delaware) and Causeway Capital Management (Causeway) for the international equity value mandate. During the course of conducting due diligence with Causeway, staff discovered that Causeway did not meet the minimum qualification related to three years of Association of Investment Management and Research (AIMR) compliant performance. Causeway made a business decision on the reporting of their performance information when the firm was formed and decided that they would disclose historical investment performance that would be compliant with Securities and Exchange Commission regulations but not be AIMR compliant in order to have a longer track record. Causeway correctly reported this to Callan during the early stages of the value search, but the information was incorrectly listed in the Callan database. While staff and Callan feel very comfortable with Causeway and the attribution of their performance information, the firm could no longer be considered for the value mandate since they did not meet minimum qualifications.

Mr. Bruebaker noted that the selection of the value managers involved a very in-depth discussion at the April Public Markets Committee meeting because the Committee, staff, and the consultant all regarded both LSV Asset Management (LSV) and Causeway as excellent choices. He stated that LSV is a good match with Delaware in the portfolio and staff recommends the selection of LSV for the value mandate.

Mr. Masten moved that the Public Markets Committee recommend LSV Asset Management to the Board as an apparently successful offeror for the active value international equity developed markets mandate, subject to continued due diligence and successful negotiation of terms and conditions. Mr. Gorton seconded the motion.

Discussion ensued regarding the investment recommendation. Given that LSV was a narrow second to Causeway during the Committee's deliberations in April, the Committee determined that there was no benefit in rerunning the RFP process.

The motion passed unanimously

OTHER ITEMS

There being no further business to come before the Public Markets Committee, the meeting adjourned at 10:31 A.M.