



**Public Markets Committee Meeting
1:00 P.M., November 2, 2004**

Revised Agenda

1:00 – 1:05 <i>Action</i>	1. Review and Approval of Minutes – October 5, 2004	
	2. International Equity Emerging Markets Investment Manager Portfolio Reviews	<i>Nancy Calkins</i>
1:05 – 1:45	➤ F&C Emerging Markets Ltd.	<i>Humphrey Carey and Ryan Murphy, F&C</i>
1:50 – 2:30	➤ Grantham, Mayo, Van Otterloo & Co. LLC	<i>Arjun Divecha and Wendy Malaspina, GMO</i>
2:35 – 3:15	➤ Schroder Investment Management North America Inc.	<i>Peter Clark, Allan Conway, and Connie Moak Mazur, Schroder</i>
3:15 – 3:30	Break	
3:30 – 4:00 <i>Action</i>	3. Emerging Markets Manager Discussion	<i>Gary Bruebaker</i>
4:00 – 4:05 <i>Action</i>	4. Public Markets Committee 2005 Meeting Schedule	<i>Gary Bruebaker</i>
4:05 – 4:15	5. Deferred Compensation Program and Judicial Retirement Account International Equity Option	<i>Gary Bruebaker</i>
4:15 – 4:20	6. Quarterly Watchlist Report	<i>Gary Bruebaker</i>
	7. Other Items	



STATE OF WASHINGTON
STATE INVESTMENT BOARD

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November 2, 2004
PUBLIC MARKETS COMMITTEE MEETING

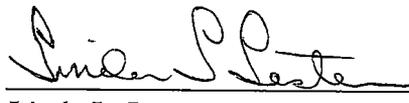
AGENDA TITLE: Deferred Compensation Program and Judicial Retirement Account
International Equity Option

The WSIB works closely with the Department of Retirement Systems (DRS) to provide participants in the Deferred Compensation Program (DCP) and the Judicial Retirement Account (JRA) with good investment options. When a manager underperforms the appropriate benchmark over a full market cycle or organizational concerns arise it becomes necessary to evaluate the replacement of that manager.

Primarily for investment performance reasons, the WSIB has made the decision to issue a Request for Proposal (RFP) for the DCP and JRA international equity option currently managed by Fidelity. Staff will present an RFP concept document for an international equity option manager search for the DCP and JRA plans to the Public Markets Committee at the December 7, 2004, meeting.

ACTION REQUESTED: For information only.

Prepared 11/01/04 by:


Linda L. Lester
Investment Officer - Public Equity

Reviewed and concur:


Gary Bruebaker
Chief Investment Officer

**Washington State Investment Board
Manager Evaluation
Fidelity Overseas Fund**

The Washington State Investment Board's (WSIB) Public Equity unit monitors all external equity managers including the equity options used in the Deferred Compensation Program (DCP) and the Judicial Retirement Account (JRA).

Fidelity Overseas Fund – This is the actively managed, international equity option available to participants in the DCP and JRA. This fund has been available to participants in the Deferred Compensation Program (DCP) and the Judicial Retirement Account (JRA) since 1996. The Overseas Fund was placed on Watchlist on June 6, 2003, for performance reasons. Due to strong performance in the second half of 2003 and the early part of 2004, the Overseas Fund was removed from the Watchlist on April 19, 2004.

The Fidelity Overseas Fund has been managed by Rick Mace for more than four years. Rick is in charge of the firm's international-research team in Boston and has been with Fidelity since 1987.

The Fidelity Overseas Fund is categorized as an "international" fund by Lipper and as a "foreign large blend" fund by Morningstar. The chart below illustrates how the Fidelity Overseas Fund ranked within these two peer groups.

Percentile Ranking for Periods Ending September 30, 2004				
	One Year	Three Years	Five Years	Ten Years
Lipper Rank	77th	N/A	51st	41st
Morningstar Rank	84th	31st	41st	33rd

The top quartile is 0-25%

The benchmark for this fund is the MSCI EAFE Index. The following chart compares the Fidelity Overseas Fund's return against their benchmark for the periods ending September 30, 2004:

Performance for Periods Ended September 30, 2004					
	Three Months	One Year	Three Years	Five Years	Ten Years
Overseas Fund	-1.58	15.67	8.37	-1.20	4.90
MSCI EAFE Index(net)	-0.28	22.08	9.12	-0.85	4.02
Difference	-1.30	-6.41	-0.75	-0.35	0.88

October Update – The Overseas Fund return for the month of October was 3.10 percent versus the MSCI EAFE Index return of 3.41 percent. Year-to-date through October 31, 2004, the Overseas Fund returned 2.48 percent versus the MSCI EAFE Index return of 7.83 percent.

The DCP and JRA investment guidelines for the international equity fund option state that the option is expected to exceed the annualized return of the MSCI EAFE Index and to place in the top third of international equity portfolios over a full market cycle.

The Overseas Fund is not meeting their performance objective; it has underperformed the MSCI EAFE Index for the one-, three-, and five-year periods. They are underperforming the top third of their peer group in the Lipper Universe over the one-, five-, and ten-year periods. They are performing in the top third of the Morningstar international manager universe over the three-, and ten-year periods but are underperforming in the one- and, five-year periods.