

**WASHINGTON STATE INVESTMENT BOARD  
Public Markets Committee Meeting Minutes  
November 27, 2007**

The Public Markets Committee met in open public session at 3:03 p.m. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Drive Southwest, Olympia, Washington.

Members Present: Robert Nakahara (via conference call)  
David Nierenberg (via conference call)  
Mason Petit (via conference call)  
Judy Schurke  
Dave Scott (via conference call)  
Representative Helen Sommers

Members Absent: Senator Lisa Brown  
Charlie Kaminski  
John Magnuson

Other Board Member Present: George Masten, Acting Chair

Others Present: Joe Dear, Executive Director  
Gary Bruebaker, Chief Investment Officer  
Theresa Whitmarsh, Chief Operating Officer  
Liz Mendizabal, Public Affairs Director  
Bill Kennett, Senior Investment Officer – Fixed Income  
Diana Will, Senior Investment Officer – Asset Allocation  
John Lynch, Contracts Manager  
Kristi Bromley, Administrative Assistant – Investments  
Brian Bucholz, Assistant Attorney General  
Marc Mercier, Department of Labor and Industries  
  
Scott Daniels, Conning Asset Management  
David Vining, Conning Asset Management

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

Mr. Masten chaired the meeting and began by calling the meeting to order at 3:03 p.m. and identifying members present.

**REVIEW AND APPROVAL OF MINUTES – SEPTEMBER 11, 2007**

**Representative Sommers moved to adopt the September 11, 2007, Public Markets Committee minutes. Mr. Petit seconded, and the motion carried unanimously.**

[Ms. Schurke was in attendance at 3:04 p.m.]

**LABOR AND INDUSTRIES' INDUSTRIAL INSURANCE CONSULTANT REQUEST FOR PROPOSAL FINALIST RECOMMENDATION**

Mr. Kennett introduced himself and noted that the contract for the Labor and Industries' industrial insurance consultant expires at the end of the year. The WSIB requested proposals from prospective consultants and two firms responded, Conning Asset Management and Strategic Asset Alliance. The evaluation team, comprised of WSIB investment staff members Bill Kennett, Diana Will, and Tom Bosworth and one of Labor & Industries' (L&I) actuaries, Mark Mercier, scored the proposals based on organization background, knowledge and experience, quality of existing relationships and references, and fees. Of the non-fee points awarded, Conning received 80 out of 90 and Strategic Asset Alliance received 51 out of 90. Conning has worked for the WSIB for roughly 20 years.

Mr. Daniels introduced himself and Mr. Vining. He provided an overview of Conning & Company, including ownership, clients, assets under management, professionals, and office locations. Conning has three major components: asset management, strategic consulting, and industry research. Mr. Daniels provided an overview of Conning's research and consulting as well as the team dedicated to serving the WSIB and L&I. Mr. Daniels reviewed the deliverables Conning provides, with the strategic asset allocation based on their proprietary financial model being key. In addition, Conning conducts peer analyses, develops custom market benchmarks, and provides industry and market expertise as well as educational sessions as requested.

Conning's philosophy and approach is that a successful investment strategy is based on knowledge of L&I's insurance operations, risk tolerance, and long-term objectives. It is imperative that the investment strategy is based on L&I's business needs. Quantitative models help evaluate qualitative decisions about risk and reward.

Mr. Vining reviewed Conning's Dynamic Financial Analysis, which involves analyzing operations in full, not the investments in isolation; comparing trade-offs of alternative investment strategies based on objectives; and evaluating the risks of adverse outcomes. He reviewed the benefits of Dynamic Financial Analysis, including understanding risks, evaluating alternatives, considering multi-year effects of decisions, and identifying and developing strategies to improve the risk/reward profile. He also reviewed the economic and capital market models that help their clients make better strategic decisions.

Mr. Daniels reviewed building the efficient frontier to determine which potential investment strategies best meet L&I's business plan. He provided more detail on selecting the appropriate risk and reward measures—low and stable premium rates and minimizing surplus volatility—and how to structure a portfolio that supports those objectives and risk tolerance measure.

Mr. Vining provided a review of where L&I fits in relation to peer ranges, noting that asset allocations vary based on objectives and risk tolerances. Mr. Daniels stated that customized investment strategies provide the blueprint for portfolio management and involve quantitative and qualitative analysis; investment strategy recommendations; investment policy and guideline development; and on-going involvement.

Ms. Schurke noted the value the relationship with Conning provides to L&I.

**Ms. Schurke moved that the Public Markets Committee recommends that the Board select Conning Asset Management as the Labor and Industries' Industrial Insurance Consultant for the WSIB, subject to final negotiation of terms, conditions, and fees. Representative Sommers seconded the motion and the motion carried unanimously.**

**OTHER ITEMS**

There was no further business to come before the Public Markets Committee and the meeting adjourned at 3:26 p.m.