

**WASHINGTON STATE INVESTMENT BOARD  
Public Markets Committee Meeting Minutes  
September 9, 2008**

The Public Markets Committee met in open public session at 1:01 p.m. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Drive Southwest, Olympia, Washington.

Members Present: George Masten, Chair  
Charlie Kaminski (via conference call)  
John Magnuson (via conference call)  
Mason Petit  
Mike Ragan  
Representative Helen Sommers

Members Absent: Robert Nakahara  
David Nierenberg  
Judy Schurke

Others Present: Joe Dear, Executive Director  
Gary Bruebaker, Chief Investment Officer  
Philip Paroian, Senior Investment Officer – Public Equity  
David Thatcher, Investment Officer – Public Equity  
Bill Kennett, Senior Investment Officer – Fixed Income  
Maria Tosteson Rosen, Assistant Senior Investment Officer – Fixed Income  
Kristi Bromley, Administrative Assistant – Investments  
Steve Dietrich, Assistant Attorney General

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

The meeting convened at 1:01 p.m. with Chair Masten identifying members present.

**REVIEW AND APPROVAL OF MINUTES – MAY 6, 2008**

**Mr. Petit moved to adopt the May 6, 2008, Public Markets Committee minutes. Mr. Ragan seconded, and the motion carried unanimously.**

**CONSULTANT POOL RFQQ SEARCH RESULTS**

Mr. Paroian introduced himself and reviewed the consultant pool process utilized by the Washington State Investment Board (WSIB). The pool process was developed nearly 10 years ago to provide the WSIB with consulting services on a project basis. As various projects emerge, a project description is e-mailed to one or all of the firms in the consultant pool and the consulting firms bid on the project. WSIB staff, with approval of the Investment Committee and senior investment management, selects the most appropriate consultant that best meets the needs of the project. An RFQQ to replenish the consultant pool was released in July with 11 firms submitting 24 responses for the 6 categories in the pool. Four investment-related categories were included in the RFQQ: General Investment Consulting Services; Risk Management; Marketable Alternatives Advisory Services; and Specialty Services. Of the proposals received, the evaluation team recommended five firms for the General Investment Consulting Services; three for Risk Management; five for Marketable Alternative Advisory Services; and two for Specialty Services. Mr. Paroian reviewed the strengths of each of the ten firms selected for inclusion in the consultant pool.

**Mr. Petit moved that the Public Markets Committee recommend the Board approve the consulting firms in the stated categories (Pools), subject to successful contract negotiations and any further due diligence, as declared in the attached table.**

	<b>Category</b>	<b>Recommended Firm</b>
<b>Pool A</b>	<b>General Investment Consulting Services</b>	<b>Callan Associates, Inc.; Ennis Knupp and Associates; Mercer Investment Consulting, Inc.; Pension Consulting Alliance; and R.V. Kuhns &amp; Associates, Inc.</b>
<b>Pool B4</b>	<b>Risk Management</b>	<b>Cutter Associates Inc.; Holland Park Risk Management Inc.; and Mercer Investment Consulting, Inc.</b>
<b>Pool B10</b>	<b>Marketable Alternative Advisory Services</b>	<b>Albourne America LLC; Aksia LLC; Ennis Knupp and Associates; Mercer Investment Consulting, Inc.; and Pension Consulting Alliance</b>
<b>Pool 11</b>	<b>Specialty Services</b>	<b>Mercer Investment Consulting, Inc.; and Pension Consulting Alliance</b>

**Mr. Ragan seconded, and the motion carried unanimously.**

**PUBLIC EQUITY POLICY REVISIONS**

- ❖ **DEFINED CONTRIBUTION PLAN 3 RETIREMENT FUNDS POLICY 2.11.100**
- ❖ **DEFERRED COMPENSATION PROGRAM AND JUDICIAL RETIREMENT ACCOUNT POLICY 2.13.100**

Mr. Thatcher introduced himself and reviewed the changes to the Defined Contribution Plan 3 Retirement Funds Policy 2.11.100 and the Deferred Compensation Program and Judicial Retirement Account Policy 2.13.100. These documents formulate the Board's policies and guidelines on: (1) the number and type of options; (2) the investment style and strategy for each specific investment option; and (3) the process of monitoring and evaluating the performance and risk of the investment options. The policies must be revised to reflect the addition of the target date strategies and removal of the Horizon Funds. In addition, the Horizon Funds Policy 2.14.100 will be rescinded.

These revisions are required because the Department of Retirement Systems (DRS), the Employee Retirement Benefits Board (ERBB), and Board all approved replacing the Horizon Funds (risk target funds) with age-based funds (target date retirement strategy funds). A competitive procurement was conducted and in February 2008, the Public Markets Committee and the Board approved the selection of Alliance Bernstein as the Target Date Retirement Strategy Fund Manager.

The Target Date Funds are on track to begin mapping assets on October 3, 2008. DRS has provided all Horizon Fund participants a transition guide to outline the move to target date retirement funds. Staff has, and will continue to, work very closely with DRS staff on this transition.

In response to a question from Mr. Petit, Mr. Thatcher further explained the procedure for mapping current Horizon Fund participants to the new target date funds. Further discussion ensued regarding participants' ability to self-select which target date fund in which to invest if their individual risk tolerance varied from the default or to change to other options.

**Mr. Ragan moved that the Public Markets Committee recommend the Board approve the proposed revisions to the Defined Contribution Plan 3 Retirement Funds Policy 2.11.100 and the Deferred Compensation Program and Judicial Retirement Account Policy 2.13.100 as well as the termination of the Horizon Funds Policy 2.14.100. Mr. Petit seconded, and the motion carried unanimously.**

**FIXED INCOME POLICY REVISIONS**

- ❖ **BOND MARKET FUND POLICY 2.14.200**
- ❖ **FIXED INCOME – RETIREMENT FUNDS POLICY 2.10.200**

Mr. Kennett introduced himself and reviewed the proposed changes to the policies, particularly the size constraint on corporate issues in both policies which is more restrictive than that required by statute. Revised Code of Washington 43.33A.140 prohibits a corporate fixed income issue's cost from exceeding 3 percent of the fund's market value at the time of purchase and its market value from exceeding 6 percent of the fund's market value at any time. In practice, the fixed income portfolios are managed to a more restrictive concentration constraint and exposure to any corporate issuer does not exceed 3 percent of the fund's market value. The policy revisions reflect this actuality.

**Mr. Petit moved that the Public Markets Committee recommend the Board approve the proposed revisions to the Bond Market Fund Policy 2.14.200 and the Fixed Income – Retirement Funds Policy 2.10.200. Mr. Ragan seconded, and the motion carried unanimously.**

**2009 MEETING SCHEDULE**

**Mr. Ragan moved that the Public Markets Committee adopt its 2009 meeting schedule. Representative Sommers seconded, and the motion passed unanimously.**

**OTHER ITEMS**

The committee discussed recent market occurrences, the performance of the public market asset classes—specifically the outstanding performance of the fixed income portfolio, and the positioning of the WSIB portfolios for strong, long-term performance.

There was no further business to come before the Public Markets Committee and the meeting adjourned at 1:43 p.m.