

**WASHINGTON STATE INVESTMENT BOARD
Public Markets Committee Meeting Minutes
March 3, 2009**

The Public Markets Committee met in open public session at 1:00 p.m. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Drive Southwest, Olympia, Washington.

Members Present: Mike Ragan, Chair
Charlie Kaminski (via teleconference)
John Magnuson (via teleconference)
George Masten
David Nierenberg (via teleconference)
Mason Petit
Judy Schurke

Members Absent: Robert Nakahara
Representative Sharon Tomiko Santos

Others Present: Theresa Whitmarsh, Acting Executive Director
Gary Bruebaker, Chief Investment Officer
Philip Paroian, Senior Investment Officer – Public Equity
David Thatcher, Investment Officer – Public Equity
John Lynch, Contracts Manager
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 with Chair Ragan identifying members present.

REVIEW AND APPROVAL OF MINUTES – FEBRUARY 3, 2009

Mr. Petit moved to adopt the February 3, 2009, Public Markets Committee minutes. Mr. Masten seconded, and the motion carried unanimously.

Chair Ragan announced that the Committee would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last approximately 15 minutes at which time the Committee would reconvene in open public session.

[Mr. Kaminski was in attendance at 1:02 p.m.]

EMERGING MARKETS PROGRAM REVIEW

[The Committee entered executive session at 1:02 p.m.]

[The Committee reconvened in open public session at 1:22 p.m.]

The Public Markets Committee, by consensus, moved the item discussed in executive session to the Board for consideration.

Mr. Paroian reviewed the classification structure utilized by various indices to classify countries as being either a developed or an emerging market. He reviewed the emerging markets exposure in the CTF public equity portfolio, stating that the fund is currently significantly underweight. The decision by WSIB's international broad market managers, who have the ability to invest opportunistically in emerging markets, to not invest or invest less in emerging markets given the current market environment compounds the underweight. The short-term underweight to emerging markets has served the WSIB well in the current environment; however, staff believes the optimal portfolio positioning is to move closer to neutral over the medium term and overweight emerging markets in the long term.

Another factor contributing to the underweight in emerging markets was the limitation on how much money the WSIB could put to work in emerging markets managers. Given the liquidity restrictions in emerging markets, many managers had closed their products to new assets. In the past year, a number of highly respected managers have reopened as their assets under management have gone down. The result is an opportunity to invest with managers not previously available to the WSIB. The 2009 Public Equity Annual Plan identified an emerging markets search to determine the availability of good managers to add to our portfolio in an effort to move closer to a neutral allocation and then eventually to a long-term overweight.

Discussion ensued regarding timing for the emerging markets search and thoughts for the structure of the emerging markets program. Staff and the Committee will discuss the structure of the search further at a future Public Markets Committee meeting. Further discussion ensued regarding manager monitoring.

Mr. Petit moved that the Public Markets Committee recommend the Board direct staff to begin a competitive process to identify additional emerging markets managers for consideration by the Public Markets Committee and Board. Mr. Masten seconded, and the motion carried unanimously.

OTHER ITEMS

There was no further business to come before the Public Markets Committee and the meeting adjourned at 1:45 p.m.