

Public Equity Program 2020 External Manager Opportunities





Outline



- ▣ **WSIB Overview**
- ▣ **WSIB Public Equity Program**
- ▣ **External Public Equity Manager Investment Process**
- ▣ **Process for Contacting the WSIB**

WSIB Overview

Plans and Assets



The WSIB managed a total of approximately \$141.8 billion as of September 30, 2019 for a variety of funds for the state of Washington including:

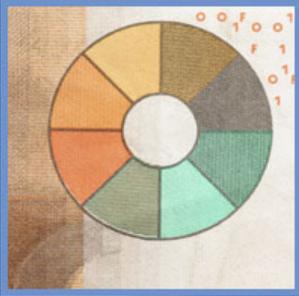
Commingled Trust Fund (CTF)*:	\$109.8 billion
Defined Contribution (DC)**:	\$20.1 billion
Labor & Industries' Funds (L&I):	\$19.0 billion
Guaranteed Education Tuition Fund (GET):	\$1.4 billion

*CTF is the Defined Benefit (DB) retirement fund; AUM includes CTF assets in the hybrid DB/DC plan

**DC total includes TAP assets invested in CTF

WSIB Overview

Asset Mix



Asset allocation targets in the CTF

Public Equity	32%
Fixed Income	20%
Private Equity	23%
Real Estate	18%
Tangible Assets	7%

The CTF has a 48 percent target allocation to illiquid asset classes

In 2011, the DC investment options were revised to provide members with a streamlined, simplified menu of options

Public equity is also used in other programs, including insurance and endowment funds

- Each of the other funds has a customized asset mix and the majority use passive equity options



WSIB Public Equity Program

Assets and Staff



Public equity oversees approximately \$50 billion as of September 30, 2019

- ▣ \$35.4 billion in the CTF (including CTF assets in the hybrid DB/DC plan)
- ▣ \$10.1 billion total assets in Plan 3, Deferred Compensation Program (DCP) and Judicial Retirement Account (JRA)
- ▣ \$2.8 billion in L&I
- ▣ \$802 million in GET
- ▣ Multiple accounts for other permanent, endowment, and school funds

9 programs, 32 mandates, and 14 managers

Staff

- ▣ Six investment professionals have direct oversight of WSIB's public equity program

WSIB Public Equity Program

Role and Structure



The DB plan has a target allocation of 48 percent to illiquid private market investments. Therefore, criteria for public equity within this fund include:

- ❑ Broad, inexpensive asset class exposure
- ❑ Liquid and transparent strategies
- ❑ Active management when the WSIB can efficiently and effectively identify and monitor best in class managers in less efficient segments of the market

Given the asset mix, governance structure, and the WSIB's limited resources, the Board has adopted the following structures:

- ❑ Defined benefit public equity structure
 - ❑ Passive U.S. equity
 - ❑ Passive non-U.S. equity*
 - ❑ Passive emerging markets equity
 - ❑ Active global equity
 - ❑ Active emerging markets equity
- ❑ Nearly all of the equity-only mandates in other plans are passive

*One legacy, active non-U.S. equity portfolio remains in the program but the WSIB has no foreseeable plans to add investment managers in this space



WSIB Public Equity Program

2020 Initiatives and Opportunities



CTF active global equity manager rebid

- ❑ Staff launched an active emerging markets equity search in Q4 2019
 - ❑ The parameters of the search have been posted to the WSIB website
 - ❑ The WSIB has entered a quiet period for the global equity search where direct contact with the WSIB Board and investment staff is prohibited
 - ❑ Please refer to the WSIB website for information regarding this search

Target Date Fund (TDF) provider search

- ❑ Staff is planning to launch a TDF provider search in Q1 2020
 - ❑ The parameters of the search will be posted to the WSIB website
 - ❑ The WSIB will be entering a quiet period for the TDF provider search where direct contact with the WSIB Board and investment staff is prohibited
 - ❑ Please refer to the WSIB website for information regarding this search once it is posted

The decision(s) to hire or change any public equity managers in 2020 will be the outcome of staff research followed by Board approval

- ❑ Any review of managers or research into potential managers will include a screening of the eVestment Alliance database for candidates



WSIB Public Equity Program

2020 Initiatives and Opportunities – Continued



Potential enhancements to monitoring and risk management efforts

- ❑ **WSIB will continue to research data needs and research additional sources of metrics**
- ❑ **Staff are continuing development of performance attribution, risk analysis, and qualitative risk framework**

The WSIB has no interest at this time in any U.S.-only active equity strategies, strategies with liquidity restrictions (lock-ups, gates, 90-day notice periods, etc.), hedge fund structures, or fund-of-fund strategies

This document will be amended as needed to reflect the current status and to give public notice of any changes



Current Public Equity Manager Investment Process



- ❑ Each year, the Board reviews the Public Equity Annual Plan outlining initiatives for the coming year
- ❑ Should a search be approved, the WSIB will publicly advertise in *Pensions and Investments* directing managers to the WSIB website for current information on strategies that are being researched by WSIB staff
- ❑ All interested managers are instructed to submit their information to a public database (currently eVestment Alliance) as well as the respective database(s) of the consultant(s) hired for the search
- ❑ WSIB staff will assess candidate firms using internal resources, eVestment Alliance, consultant(s), and/or any other resources that are appropriate
- ❑ Should staff identify appropriate and beneficial strategies, due diligence will be conducted
- ❑ Any recommended strategies or managers must be recommended by the Public Markets Committee and approved by the Board
- ❑ Upon approval, hiring is subject to negotiation of a contract with acceptable terms, conditions, and fees



Process for Interested Public Equity Managers



If a meeting with WSIB Public Equity staff is desired, prospective managers must:

- ❑ Offer one of the strategies currently under consideration by the WSIB (e.g., active global equity, active emerging markets equity, and/or passive management)
- ❑ Provide sufficient detail such that the subject strategy is transparent and liquid
- ❑ Include at least one investment professional from the investment team for the strategy being proposed for discussion
 - ❑ This individual must have direct input into the purchase and sell decisions for the portfolio holdings
- ❑ Ensure that the profile and data on the subject strategy in the eInvestment Alliance database is complete, accurate, and up-to-date

There is no charge for any interested manager to be listed in eInvestment Alliance

- ❑ For any questions or for assistance, please contact Paul Loudon, 678-569-1465 or paul@einvestment.com



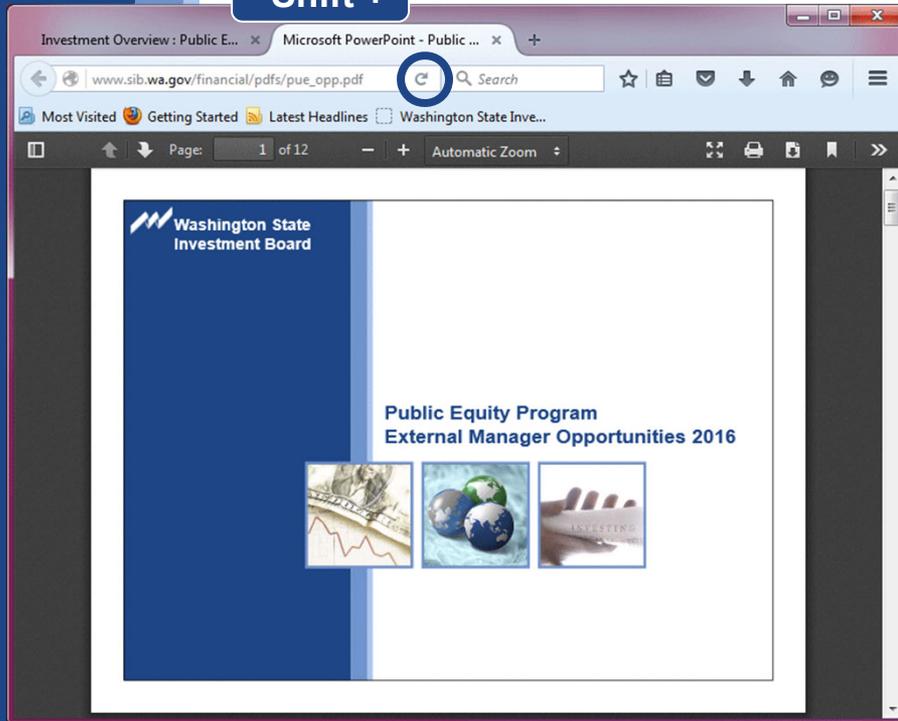
Process for Contacting the WSIB



- ❑ WSIB staff regularly reviews eVestment Alliance
 - ❑ Managers do not need to contact the WSIB as long as they are listed in the database
- ❑ Preferential consideration will not be given to managers that contact the WSIB directly
- ❑ Any contact with the WSIB should be sent via email to SIBDLPublicEquities@sib.wa.gov
- ❑ If you will be in Washington State and are requesting a meeting:
 - ❑ All requirements on the previous page must be met
 - ❑ The email requesting the meeting should clearly lay out
 - ❑ proposed date and time
 - ❑ proposed agenda
 - ❑ a sample presentation from your firm
 - ❑ brief bios of each person who will attend the proposed meeting
 - ❑ final presentation materials must be received by staff at least two full business days prior to the meeting
- ❑ While staff tries to maintain an open-door policy, meetings will be prioritized based on workload, applicability to current initiatives, and evaluation of the manager's information in the eVestment Alliance database

Viewing the Most Current File

Shift +



WSIB staff will regularly update this document to reflect current initiatives

Internet Explorer tends to have an ongoing issue with browser caching

- ❑ To ensure that you are viewing the latest version of this pdf, open the file in Firefox
 - ❑ Once the file is open:
 - ❑ Hold down the shift key and click on the refresh icon
 - ❑ This will do a more thorough reload than a normal refresh
 - ❑ Once it has reloaded with the most current version in Firefox you can go back to internet explorer and do a shift + refresh and it will reload to the most current version there as well