



**Thursday, November 17, 2022
Board Meeting**

Call to Order - 9:30 A.M.

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**In-Person Attendance: Washington State Investment Board
2100 Evergreen Parkway SW, Olympia, WA 98502**

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The link to join online can be found at www.sib.wa.gov/meetings.html

1. Call to Order/Roll Call (9:30a)

2. Adoption of Minutes (9:30-9:35)

A. Adoption of the September 15, 2022, Minutes

3. Public Comment (9:35-9:40)

4. Education Session - Real Estate Intermediary Panel (9:40-10:50)

A. Urban Core of Cities: What's Happening?

5. Break (10:50-11:00)

6. Office of the State Actuary Annual Update (11:00-11:30)

A. Office of the State Actuary Annual Update

7. Education Session - Open Public Meetings Act (11:30-12:00)

A. Open Public Meetings Act Refresher and Update

8. Private Markets Committee Report (12:00-12:05)

A. Oaktree Transportation Infrastructure Capital Partners, L.P.

9. Administrative Committee Report (12:05-12:10)

10. Lunch Break (12:10-12:40)

11. CEM Benchmarking Review (12:40-1:10)

A. CEM Benchmarking Review

12. Strategic Asset Allocations and Policy Revisions (1:10-2:05)

A. Washington State Opportunity Scholarship Fund Recommendation and Policy 2.35.500 Revision

B. Developmental Disabilities Endowment Trust Fund Recommendation and Policy 2.35.400 Revision

13. Break (2:05-2:15)

14. Public Equity Annual Plan (2:15-3:45)

A. 2023 Public Equity Annual Plan

15. CEO Report to the Board (3:45-3:55)

A. October/November 2022 CEO Report to the Board

16. Quarterly Commingled Trust Fund Performance Update (3:55-4:05)

A. Quarterly Commingled Trust Fund Performance Report

17. Executive Session - Administrative Committee Report continued (4:05-4:25)

A. Non-Voting Board Member Term Expirations

B. CEO Evaluation Planning

18. Other Items (4:25-4:30)

19. Adjourn (4:30p)

APPROVED

**WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
November 17, 2022**

The Washington State Investment Board met in open public session at the office of the Washington State Investment Board at 2100 Evergreen Park Drive SW, Olympia, Washington and via Microsoft Teams video conferencing available to participants and members of the public at https://teams.microsoft.com/l/meetup-join/19%3ameeting_ZWNjNjg1OWUtN2U0OS00MTg1LThkNzgtNTJjNThlNDhkZDk4%40threa d.v2/0?context=%7b%22id%22%3a%2211d0e217-264e-400a-8ba0-57dcc127d72d%22%2c%22oid%22%3a%228fc4d9d4-af9d-4c7e-89f7-0987f5420086%22%7d; Dial-In Telephone Number 1-360-726-3322; Phone Conference ID Number 437 636 724#. The meeting was also live streamed and recorded by TVW.

Members Present: Tracy Guerin
Ada Healey
Sara Ketelsen
Judy Kuschel
Liz Lewis
Bill Longbrake
Yona Makowski
Greg Markley
Senator Mark Mullet
David Nierenberg
Treasurer Mike Pellicciotti
Mary Pugh
Joel Sacks

Members Absent: Representative Timm Ormsby
George Zinn

Also Present: Allyson Tucker, Chief Executive Officer
Chris Hanak, Chief Investment Officer
Steve Draper, Senior Investment Officer – Real Estate
Liz Smith, Legal, Risk and Compliance Director
Kristina Taylor, Chief Financial Officer
Aileen Liu, Assistant Senior Investment Officer – RMAA
Chris Green, Assistant Senior Investment Officer – RMAA
Kristi Bromley, Investment Officer – RMAA
Phil Paroian, Senior Investment Officer – Public Equity
Rhonda McNavish, Assistant Senior Investment Officer – Public Equity
Fletcher Wilson, Assistant Senior Investment Officer – Public Equity
Chris Biggs, Assistant Senior Investment Officer – Public Equity
Ben Lachmann, Investment Officer – Public Equity
Ada Chen, Investment Officer – Public Equity
Stacy Conway, Executive Assistant

Jesse Yoder, Attorney General's Office
Donna Albert
Barbara Carey
Kristen Edmark
Riddhi Mehta-Neugebauer
Dan Schulte, Partners Enterprise Capital
Rachel Rozmarynowski, Partners Enterprise Capital

Trishul Thakore, Evergreen Real Estate Partners
Don Suter, Evergreen Real Estate Partners
Ray Flores, Calzada Capital Partners
Matt Smith, State Actuary
Morgan Damerow, Attorney General's Office
Franco Wang, CEM Benchmarking

CALL TO ORDER

Chair Guerin called the meeting to order at 9:30 a.m. and took roll call; all Board members listed as present were able to fully participate in the meeting.

ADOPTION OF MINUTES

Chair Guerin moved to adopt the September 15, 2022, meeting minutes. Ms. Kuschel seconded, and the motion carried unanimously.

PUBLIC COMMENT

Ms. Tucker reported that the WSIB received 23 written public comment submissions relating to the WSIB's investment in fossil fuels and requesting divestiture. Copies of the submissions were included in Board materials. Written public comment was received from: Kristin Edmark, Janet Hedgepath, Coleen Anderson, Marion Ward, Denis Markian Wihar, Barbara Carey, Heidi Cody, Glen Anderson, Laurie Rubin, Therese Livella, Jean M. Avery, Valerie Alexander, Don Steinke, Tracy Ceravolo, Jenifer Schramm, Susan Palmiter, Riddhi Mehta-Neugebauer, Peggy J. Printz, Siona Windsor, Donna Albert, Dale Armstrong, Nancy Helget, Wendy Steffensen, and Meridian Green.

Ms. Carey addressed the Board regarding the WSIB's investment in fossil fuels, sharing her concerns regarding the impacts of climate change and investment returns on these investments. She noted the WSIB's excellent talent and resources and urged the WSIB to rebalance its assets.

Ms. Edmark addressed the Board, thanking the Board for its work. She addressed recent environmental issues and the impact on her friends and family. She addressed concerns about climate in Washington State and around the world. She expressed her concerns regarding the impact on investment returns, referencing other public funds who are making portfolio changes.

Ms. Mehta-Neugebauer, with the non-profit Private Equity Stakeholder Project, addressed the board regarding the organization's recently published scorecard. She discussed the ratings of the WSIB's partners and detailed specific investments of several. She encouraged the WSIB to engage with asset managers about the issues.

Ms. Albert addressed the Board asking that they consider their fiduciary duty in the context of physical reality. Retirees need both a healthy pension fund and a stable climate, which requires cutting fossil fuel use, and opined that the WSIB's holdings in fossil fuels are incompatible with a stable financial future for pension fund beneficiaries. She addressed the cost of climate change and those who are impacted globally.

EDUCATION SESSION – REAL ESTATE INTERMEDIARY PANEL

Urban Core of Cities: What’s Happening?

Mr. Draper introduced the intermediary panelists, explaining that the presentation is a result of a Board member request.

Mr. Schulte addressed the Board, discussing the connection of real estate to the movement of goods and services in the market. He emphasized the importance of cities that have a disproportionate impact on the global economy, and the significance of a city’s diversified economy. He noted the importance of resilience and adaptability to the success of a city.

Mr. Schulte noted that a relatively few cities across the world make up a disproportionate amount of global GDP. He also highlighted that the most impactful cities tend to have a very high GDP per capita when compared to the world as a whole. He introduced the concept of places that provide a “live/play/work” setting are becoming a priority for people over the previous concept of “live/work/play”. He emphasized the importance of identifying permanent trends and getting in front of them. He summarized his view of what is happening in cities by say that different things are happening in different place for different reasons.

Mr. Thakure shared an overview of the city of London, emphasizing the diversified economy of the city that ties into its resilience. He addressed population structure and projected population and employment growth of the city. He noted that London has rebounded to pre-COVID levels, detailing components of the recovery, and he commented that successful cities adapt to changing circumstances, highlighting the transformation of three former London industrial areas. He discussed the historical resilience of the city, as measured by gross domestic product (GDP), and continued projected growth.

Discussion ensued regarding the limited impact of Brexit on London’s economy due to its reduced reliance on manufacturing and outward oriented immigration policies; the importance of London as a capital market; and the property types included in the London investment portfolios.

Ms. Rozmarynowksi discussed the city of New York, noting that that finance and real estate comprise about one third of the city’s GDP, with a diverse industry makeup of the other two thirds. She reviewed post-Covid metrics, noting that the city GDP exceeds the pre-pandemic level. She discussed population changes of the city, highlighting the rebound in the urban core of the city with people returning to the area and slower in the surrounding areas. She commented on the resilience and adaptation of the city of New York, detailing the sector contribution to GDP. She addressed the transformation of New York City, highlighting the increase in technology related firms.

Discussion ensued regarding the location of employers as opposed to the location of workers and how much impact there is in the hybrid work environment.

Ms. Rozmarynowksi explained the integration of live, play, work locations and the transformation of the city over the last 10 years and the city’s GDP resiliency over the last 20 years. She discussed how this translates to real estate, noting that although office

occupancy has not rebounded, residential real estate has fully recovered. She commented on the city's long history of resiliency and adaptation.

Mr. Flores addressed the city of San Francisco, noting that the city's economy is diverse, young, and productive. He acknowledged post-pandemic activities, including the rebound in city population, employment, and GDP, noting that workplace attendance, public transportation and airport traffic have not recovered to pre-pandemic levels. He stated that the vacancy rate for office space is projected to reach 25 percent by the end of 2022, primarily in the financial districts, where office represents nearly 75 percent of the real estate in the area. Despite the slowdown, newer class A+ office is still in demand, and has much higher occupancy and rental rates. He discussed the evolution of return to office, noting that dense urban office districts will need to evolve.

Discussion ensued regarding the impact of longer-term leases and future vacancies on the projections.

Mr. Flores addressed the historical and projected GDP growth, noting the strong recovery and resiliency of the city driven by high demand in residential real estate. There are areas with issues, and affordability is a major issue, but the vibrant city prevails. He commented on the resiliency of other key Bay area markets, including South San Francisco, Silicon Valley, North San Jose, and the East Bay, and he addressed the WSIB's real estate holdings in the San Francisco and Bay area.

Discussion ensued regarding the impact on office space of a hybrid work environment, public safety in the city of San Francisco, and potential opportunities to repurpose office properties to another use.

Mr. Suter discussed the city of Sao Paulo, Brazil, noting that it is an emerging market and the only city in Brazil with a diversified economy, advanced but still developing infrastructure, skilled labor pool and abundant employment opportunities, all of which contribute to the city's 40 percent higher income per capita than the country's average. He noted that the nicest parts of Sao Paulo in which to live are in the urban core, not the suburbs. He commented on the post-pandemic reopening of the economy which has created a boom in the service sector driving a rebound in GDP and employment growth.

Sao Paulo accounts for 18 percent of Brazil's economy. He described the migration of city center activity – movement from the traditional central business district locations to select urban regeneration projects, noting the infrastructure improvements and the resulting demand for jobs and housing in these areas. He shared examples of the evolution of several city areas.

Discussion ensued regarding the impact of recent elections in Brazil.

[The Board recessed at 11:00 a.m. and reconvened at 11:10 a.m.]

OFFICE OF THE STATE ACTUARY ANNUAL UPDATE

Mr. Smith presented the Office of the State Actuary's (OSA) annual update on the state pension systems, the Guaranteed Education Tuition (GET) program, and the WA Cares Fund. He shared an overview of the state's pension system membership, and a summary of participant data as of June 30, 2021. He detailed participant data by plan, breaking out the active membership and those receiving benefits. He discussed the funded status of the combined system, noting it has increased from 92 percent in 2019 to 93 percent in 2021 and explaining the smoothing method utilized. He reviewed the funded ratio by individual plan, commenting that all open plans are at least 90 percent funded. The Plans 1 systems remain under target; however, they have trended upward from 2019 to 2021. He shared highlights of the outlook for the future, relaying that all open plans are projected to be 100 percent funded or higher by 2027.

Discussion ensued regarding the legislature's planned contribution to the Teachers' Retirement System Plan 1 (TRS 1) in 2023; funding policies for TRS 1 and the Public Employees' Retirement System Plan 1 (PERS 1) to get the plans to a fully funded status, reasons for the projected improvement in funded status, impact of mortality rate changes on the plans, and asset smoothing.

Mr. Smith addressed the projected employer contribution rates and Plan 2 member contribution rates for the next four biennia, noting that actual rates will likely vary from the projections.

Discussion ensued regarding the dollar impact of contribution reductions.

Mr. Smith shared an overview of the key long-term economic assumptions for pension funding, noting that the high short-term inflation number is going to impact the long-term estimates. He addressed the impact of cost-of-living increase caps on the projections. The assumptions were adopted in 2021 and will be revised in 2023, and the reduced anticipated rate of return will be phased in.

Discussion ensued regarding the cost-of-living increase limits and the process of "banking" excess amounts.

Mr. Smith shared an overview of GET, including funded status and reserves, investment return, asset allocation, historical funded status, and tuition growth.

Discussion ensued regarding the static number of outstanding units resulting from a relatively even number of purchases and redemptions and the estimated tuition growth assumption.

Mr. Smith presented an update on the WA Cares Fund, including timing of collection and investment of premiums. He noted that OSA does not provide actuarial services for the WA Cares Fund, but rather contracts with an external consultant to provide these services. OSA will, however, evaluate solvency and support the fund's risk management framework.

Discussion ensued regarding the 3 percent cap on cost-of-living increases.

Mr. Smith discussed the latest solvency analysis completed by the consultant, noting that OSA does not make specific recommendations on premiums; however, does make more broad recommendations on solvency. He addressed the sensitivity of correlation between the assumed rate of return and the estimated premium rates, along with investment policy.

PRIVATE MARKETS COMMITTEE REPORT

Mr. Sacks reported that the Private Markets Committee met on November 3, 2022, to consider one Tangible Assets investment recommendation. The investment recommendation for the Board’s consideration was Oaktree Transportation Infrastructure Capital Partners, L.P.

On behalf of the Private Markets Committee, Mr. Sacks moved that the Board invest up to \$250 million, plus fees and expenses, in Oaktree Transportation Infrastructure Capital Partners, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Makowski seconded the motion.

Oaktree Transportation Infrastructure Capital Partners, L.P., referred to as TICP, is being raised by Oaktree Capital Management, L.P. with an initial target of \$3 billion. An investment in TICP would follow the WSIB’s 2019 \$36.8 million transferred commitment to Oaktree Ports America Fund, L.P., a continuation vehicle from Highstar Capital III, L.P., to which the WSIB committed \$100 million in 2007. The objective of TICP is to invest in North American transportation hard assets and operations that facilitate a movement of goods and people via land, sea, and air. This proposed investment would fall into the new partners or new strategies allocation in the Board-approved 2022 Tangible Assets annual plan.

The recommendation is based in part on Oaktree’s transportation-focused fund, deep industry knowledge and industry specialists, downside protection and capital preservation focus, thesis-driven investment approach, perpetual capital structure with an income yield target, and other factors relevant to the recommendation.

The motion carried unanimously.

ADMINISTRATIVE COMMITTEE REPORT

Chair Guerin reported that the Administrative Committee met earlier in the morning, prior to the Board meeting. The Committee received the quarterly budget update from staff for the first quarter of Fiscal Year 2023. The projected fiscal year balance for the appropriated budget is approximately \$6 million, a savings of 14.7 percent, and for the non-appropriated budget the projected balance is approximately \$118 million, a 5.9 percent savings.

Chair Guerin shared that the Committee discussed the Chief Executive Officer (CEO) evaluation process. There was Committee concurrence to revise the CEO evaluation period to a calendar year, January 1 through December 31. This will require revisions to two Board policies, which will be presented at the December Administrative Committee and Board meetings.

The Committee also went into executive session to discuss the expiring terms of the Board's Non-Voting Board members, and more will be shared on this later during the executive session.

EDUCATION SESSION – OPEN PUBLIC MEETINGS ACT REFRESHER AND UPDATE

Ms. Smith introduced Mr. Damerow, explaining that the legislature made some changes to the Open Public Meetings Act (OPMA) during its 2022 session. Mr. Damerow serves as the Assistant Attorney General for Open Government, continuing the work he has done over the last 2 years in advising and educating on the OPMA.

Mr. Damerow shared an overview of the OPMA and the historical changes over the years, commenting that the intent of the OPMA is to ensure that actions and deliberations are made openly. He said the fundamentals are the same even with the changes and updates over time. Public agencies are encouraged to continue to use the remote tools that resulted from the pandemic to increase transparency and access by the public. He addressed the actions by committees and subcommittees of a governing body,

Mr. Damerow discussed meetings – what is and is not a meeting and addressed “action” and “final action” as they relate to the OPMA. He discussed public attendance, noting that public agencies cannot place restrictions on the public to attend a meeting; however, reasonable rules of conduct can be set. He addressed remote access to meetings and the requirement for oral or written public comment prior to any final action. He addressed requirements for regular meetings, special meetings, emergency meetings, and remote meetings, and he discussed requirements for executive sessions and meeting minutes. He covered meeting interruptions and disruptions. He relayed the statutorily set individual penalties for OPMA violations, cautioning of the potential to declare final action taken at an illegal meeting void.

[The Board recessed at 12:20 p.m. and reconvened at 12:50 p.m.]

COMMITTEE ASSIGNMENT

Chair Guerin announced that she would like to add an action item to the agenda. There was no objection by the Board members.

Chair Guerin moved that David Nierenberg be appointed to the Public Markets Committee and removed from the Audit Committee. Ms. Kuschel seconded, and the motion carried unanimously.

CEM BENCHMARKING REVIEW

Ms. Taylor introduced Mr. Wang to present the results of the investment benchmark analysis completed for the 5-year period ending December 31, 2021, which compares the WSIB's costs to those of its peers.

Mr. Wang discussed the WSIB's returns, net value added, costs, cost effectiveness, and policy mix risk. He reported that the WSIB's 5-year net total return of 13.4 percent was above both the U.S. public median and peer median of 11.2 percent and the 5-year policy return was 11.4 percent, above both the U.S. public median and peer median of 10.7 percent. He noted the standardization of the private equity benchmark and its impact on the

comparisons. The net value added from the WSIB's active management was 2 percent, which equates to approximately \$14.3 billion over the 5-year period.

Mr. Wang discussed the contribution of the strong real estate performance and the impact of the standardized private equity benchmark, noting the challenges in comparing this asset class due to the variety of benchmarking measures. He reported that the WSIB's long-term net return of 8.9 percent was above the U.S. public median of 7.8 percent, and he discussed the 25-year net return and net value added by major asset class.

Discussion ensued regarding the WSIB's comparative private equity performance due to its larger exposure to the asset class than peers, particularly exposure to the large corporate buyout sector.

Mr. Wang reported that the WSIB's investment costs, excluding private asset performance fees, were \$861.6 million or 60.7 basis points in 2021, explaining the granular nature of the cost calculation. The WSIB costs increased by 5.4 basis points from 2017 to 2021, primarily due to a high-cost asset allocation, which was partly offset by paying less in total for similar investment styles.

Ms. Tucker noted that the peer co-invest programs may be larger than that of the WSIB, which would also contribute to higher private asset costs.

Mr. Wang commented that the total cost of 60.7 basis points was above the peer median of 53 basis points; however, the analysis suggests that, after adjusting for fund size and asset mix, the WSIB was low cost by 10.5 basis points in 2021, or \$150 million. The WSIB is low cost primarily because of the lower cost implementation style and paying less than peers for similar services.

Discussion ensued regarding the components of investment manager costs, the impact of fee sharing arrangements on fees paid, and the impact of investment in various structure types.

Mr. Wang reported that the WSIB's 25-year performance is placed in the positive value-added, low-cost quadrant of the cost effectiveness chart, noting that it's not necessarily important to pay less, but rather to get the most for the costs paid. He addressed risk levels, noting that the WSIB was above the U.S public median. He summarized the key takeaways, noting that the WSIB has a great story to tell.

Ms. Tucker noted that the WSIB's management of the real estate portfolio is a strong contributor to the WSIB's cost savings.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND RECOMMENDATION AND POLICY 2.35.500 REVISION

Ms. Liu shared background information on the Washington State Opportunity Scholarship (WSOS) Fund, detailing the components of the fund. She reviewed the historical WSOS account asset allocations, and the strategic asset allocation study timeline, noting that both

the WSOS Board and its Finance and Investment Committee are supportive of the study and recommendation.

Ms. Liu outlined the workflow of the asset allocation study and explained why asset allocations and periodic reviews are important. She described the steps involved, beginning with identification of the asset classes, modeling assumptions, including cash flow and asset class modeling. She shared the specific modeling assumptions for each of the four accounts within the fund.

Discussion ensued regarding the alignment of the program lifecycle projections with the fund donation cycle.

Ms. Liu noted the inclusion of the 2021 Capital Market Assumptions as a key input to the analysis, explained the efficient frontier, and detailed the asset allocation recommendations for each of the accounts within the fund.

Ms. Liu reported that staff recommends an allocation of 30 percent public equity, 70 percent fixed income, and 0 percent cash for the Scholarship Account. In response to Mr. Sacks' inquiry regarding eliminating the cash allocation, she explained that there are now cash contributions coming in to provide the liquidity. The recommendation for the Student Support Pathways Account and the Advanced Degree Pathway Account are also both 30 percent public equity and 70 percent fixed income. The recommendation for the Endowment Account remains 80 percent public equity and 20 percent fixed income.

Ms. Liu discussed the probability of non-zero account balance, the distribution of simulated returns, and summarized the recommendations, noting that, if approved, the rebalancing of the accounts would occur as soon as reasonably possible.

Chair Guerin moved that the Board approve the recommended strategic asset allocation for the Washington State Opportunity Scholarship Fund and the proposed revisions to Policy 2.35.500.

Ms. Makowski seconded, and the motion carried unanimously.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND RECOMMENDATION AND POLICY 2.35.400 REVISION

Ms. Bromley shared background on the Development Disabilities Endowment Trust Fund (DDETF) program, explaining that it has both state fund and private fund components and describing each. She shared the asset allocation timeline and addressed the workflow of the asset allocation study, noting that the DDETF governing board is supportive of the recommendation. She explained the importance of the asset allocation decision and the steps involved, including modeling and incorporation of the Capital Market Assumptions, and she addressed the efficient frontier.

Ms. Bromley reported that staff recommends maintaining an allocation of 35 percent public equity and 65 percent fixed income for the state fund component and maintaining an allocation of 60 percent public equity and 40 percent fixed income for the private fund component.

Chair Guerin noted that there is no change to the asset allocation and the related policy revisions are administrative in nature.

Chair Guerin moved that the Board approve the recommended strategic asset allocation for the Developmental Disabilities Endowment Trust Fund and the proposed revisions to Policy 2.35.400. Ms. Ketelsen seconded, and the motion carried unanimously.

[The Board recessed at 2:00 p.m. and reconvened at 2:10 p.m.]

PUBLIC EQUITY ANNUAL PLAN

Mr. Paroian introduced the 2023 Public Equity annual plan, acknowledging the staff support in creating the presentation. He shared the 2023 key initiatives of contributing to the evolution of the WSIB, building the Public Equity unit portfolio of the future, and highlighting the key issues of the public procurement process and re-examination of risk management.

Mr. Lachmann discussed the current market environment and challenges over the last year, noting high inflation and the rise in the U.S. dollar. Other important factors include Russia's invasion of Ukraine, rising geopolitical tensions, and China's economic outlook, which are among the factors that may have a significant effect in the year ahead.

Ms. Chen addressed the key issues to consider for 2023 and the potential impacts of a strong U.S. dollar. She discussed some long-term structural changes, including broad economic disruptions, equity market disruptions, and the changing profile of emerging markets benchmarks.

Mr. Paroian briefly reviewed key investment beliefs which provide the foundation for the unit's decisions.

Discussion ensued regarding the allocation to active management versus passive management and where customized passive management is used.

Ms. McNavish discussed Public Equity's 2022 key accomplishments, including staff's return to office, and continued integration of environmental, social, and governance (ESG) risk and diversity, equity, and inclusion (DEI) principles into Public Equity processes. She addressed the active global manager search for the CTF, the rebid for the Socially Responsible Investment manager, assisting the RMAA unit's cash overlay procurement, Department of Enterprise Services (DES) support for an enhanced and more flexible equity search process, and the deferral to 2023 of the development of Defined Contribution Investment Beliefs.

Mr. Paroian discussed in detail the search process for public equity managers, explaining the challenges in the process and changes that will provide opportunities for improvement.

Discussion ensued regarding the limitations of the current procurement process; the importance of continual evaluation of existing managers along with new managers;

structure of contracts with end dates, requiring approvals for renewing manager contracts; potential for increased consultant fees with a change of process, but net positive value; differences between Washington State procurement processes and other states; and anticipated change in the number of total managers with the process change.

Mr. Biggs reiterated that existing manager oversight remains the team's highest priority, and he discussed the monitoring and risk management process, noting that the increased uncertainty has led to increased volatility and adjustments in how the unit monitors and manages risks. Assessing risk has become more difficult with a higher probability of extreme outcomes, both positive and negative. He addressed the focus on portfolio resiliency and other aspects of risk management.

Mr. Wilson discussed other initiatives for 2023 including the rebid for passive management contracts, Public Equity's involvement in the custodial bank rebid, continuing to research potential enhancements to the Target Date Funds (TDFs), collaborating on the DC Investment Beliefs, and collaborating with RMAA and implementing any recommendations subsequent to planned asset allocation studies.

Discussion ensued regarding the extreme volatility of global public markets and whether more can be done to protect the portfolio and potential investment options that could be beneficial in a time of market volatility.

Mr. Paroian summarized the key initiatives presented in the plan.

Chair Guerin moved that the Board approve the Public Equity Annual Plan. Ms. Makowski seconded, and the motion carried unanimously.

OCTOBER/NOVEMBER 2022 CEO REPORT TO THE BOARD

Ms. Tucker thanked the Board for their patience in working through the hybrid meeting structure and introduced several new staff members. She addressed the current headlines regarding FTX, noting that the WSIB's exposure to FTX through two different private equity funds, amounts to less than one half of one basis point. She commented that the WSIB does have other cryptocurrency exposure in the portfolio totaling just over one basis point. She relayed that that the Private Markets Committee is scheduled to meet on December 1 and the Audit Committee on December 6, both meetings to be held virtually. The December Board meeting is scheduled for Thursday and Friday, December 15 & 16, and as there will be some interactive small group discussions, in-person attendance is important.

Ms. Tucker highlighted the WSIB's receipt of an innovation award sponsored by the Defined Contribution Institutional Investment Association for the TAP (Total Allocation Portfolio) into TDF project. She noted that the WSIB has formally joined the ESG Data Convergence effort.

PERFORMANCE REPORTS

Mr. Hanak presented the CTF performance update for the third quarter. The CTF returned -3.28 percent versus the passive benchmark of -5.68 percent and the Implementation Value Added (IVA) of -6.00 percent. He reported the 1- 3- 5- 10- and 20-year performance, noting that the economic environment remains challenging due to the interest rate hikes by

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the Federal Reserve, and volatility in public markets remains higher than in pre-inflation period. The U.S. economy expanded over the period and inflation dipped slightly from the second to third quarter of 2022. He reviewed the investment returns of the individual asset classes for the quarter and for the 1-year period ending September 30, 2022.

Mr. Hanak addressed the performance of Labor and Industries funds, noting it was negative for both the third quarter and the 1-year period ending September 30, 2022.

Discussion ensued regarding the maturity pace of the fixed income portfolio.

EXECUTIVE SESSION

Chair Guerin announced that the Board would go into executive session to review the performance of public employees. The executive session was expected to last until approximately 10 minutes, at which time the Board would reconvene in open session.

[The Board went into executive session at 3:50 p.m.]

Non-Voting Board Member Term Expirations

[The Board reconvened in open session at 4:00 p.m.]

Chair Guerin moved that the Board reappoint Mary Pugh and George Zinn to the Board for an additional 3-year term ending December 31, 2025. Ms. Kuschel seconded, and the motion carried unanimously.

ADJOURNMENT

There were no other items to come before the Board, and the Board adjourned at 4:01 p.m.