



**Tuesday, December 3, 2024
Public Markets Committee**

1:00 P.M.

Virtual Meeting

The link to view the meeting virtually can be found at www.sib.wa.gov/meetings.html

OR

Members of the public may view the virtual meeting in person at the Washington State Investment Board Olympia Office located at 2100 Evergreen Park Drive SW, Olympia, WA 98502

1. Call to Order / Roll Call (1:00p)

2. Adoption of Minutes (1:00-1:05)

A. Adoption of the June 4, 2024, minutes

3. 2025 Public Markets Committee Meeting Schedule (1:05-1:10)

A. Affirmation of 2025 Public Markets Committee Meeting Schedule

4. Policy Revisions (1:10-1:20)

A. Policy Revisions

5. Public Equity Education Session (1:20-2:20)

A. Review of Peer Public Equity Strategies

6. Other Items (2:20-2:25)

7. Adjourn (2:25)

**2024 WASHINGTON STATE INVESTMENT BOARD
Public Markets Committee Meeting Minutes
December 3, 2024**

The Public Markets Committee met in open public session via Microsoft Teams video conferencing available to participants and members of the public at <https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>, Meeting ID: 282 479 470 638 Passcode: UT3KL7Qh; Dial-In Number 1-360-726-3322, Phone Conference ID: 294 863 499#

Members Present: Liz Lewis, Chair
Representative Mia Gregerson
Treasurer Mike Pellicciotti
Sara Ketelson
Mary Pugh
George Zinn
David Nierenberg
Tracy Stanley

Members Absent: Tracy Guerin

Other Members Present:

Others Present: Allyson Tucker, Chief Executive Officer
Chris Hanak, Chief Investment Officer
Phil Paroian, Senior Investment Officer – Public Equity
Fletcher Wilson, Assist. Senior Investment Officer – Public Equity
Anisa Mathson, Administrative Assistant

Tor Jernudd, Assistant Attorney General

CALL TO ORDER

Chair Lewis called the meeting to order at 1:02 p.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

ADOPTION OF THE JUNE 4, 2024, MINUTES

**Chair Lewis moved to adopt the June 4, 2024, minutes.
Tracy Stanley seconded, and the motion carried unanimously.**

2025 PUBLIC MARKETS COMMITTEE MEETING SCHEDULE

Presenter: Liz Lewis, Public Markets Committee Chair

The proposed meeting dates for 2025 are March 4, June 3, September 2, and December 2.

Chair Lewis moved that the Public Markets Committee affirm the 2025 meeting dates as proposed. Tracy Stanley seconded, and the motion carried unanimously.

POLICY REVISION

Technical Policy Revision

Presenter: Chris Hanak, Chief Investment Officer

Chris Hanak presented two policies to the Public Markets Committee that were due for the required 3-year review to ensure policies remain relevant and appropriate: the Defined Contribution Plan Retirement Funds Policy 2.11.100 and the Deferred Compensation Program and Judicial Retirement Account Policy 2.13.100.

In April 2023, the Board approved changing the Socially Responsible Investment (SRI) Fund from a balanced equity/bond account managed by Walden to an equity-only fund managed by AB. Implementation was completed earlier this year. The proposed policy revisions reflect this change in the respective policy tables and outline the specific objectives, strategy, and benchmark of the new SRI equity fund. In addition, the Defined Contribution Plan 3 Retirement Funds policy was updated to reflect the inclusion of alternative assets via the Target Date Funds.

Chair Lewis moved that the Board approve the proposed revisions to the Defined Contribution Plan 3 Retirement Funds Policy 2.11.100 and Deferred Compensation Program and Judicial Retirement Account Policy 2.13.100. Tracy Stanley seconded, and the motion carried unanimously.

PUBLIC EQUITY EDUCATION SESSION

Review of Peer Public Equity Strategies

**Presenters: Phil Paroian, Senior Investment Officer – Public Equity
Fletcher Wilson, Assistant Senior Investment Officer – Public Equity**

Public Equity staff conducted a review of 24 public pension plans with the intent to identify innovative strategies that might warrant further research for potential incorporation into the Commingled Trust Fund's (CTF) public equity portfolio, where dedicated active management programs currently exist. The Public Equity team performed this research in the spirit of continuous improvement and need to challenge assumptions. No immediate changes were recommended.

Staff reviewed the two main roles of public equity in the CTF: capital appreciation and liquidity. They identified five strategies for further research: active small-cap, stand-alone active single-country managers, sustainability indexes, index-plus strategies, and factor-weighted strategies.

Discussion ensued regarding factor-weighted strategies and quality. Staff explained that quality in this context focuses on high return on equity, earnings growth, and low financial leverage. Further research and consideration of the quality theme are desired, and staff noted that this was a topic included in the 2025 Public Equity Annual plan to be presented at the December Board meeting. Further discussion ensued regarding the momentum factor and asset allocation rebalancing strategies.

Staff discussed some strategies that are unlikely to be suitable for the WSIB, outlining various reasons.

Discussion ensued regarding the internal management of the fixed income and external management of public equity, and staff shared the history of the program and the reasons for the external management.

Discussion continued regarding emerging manager programs and navigating operational elements of smaller managers. The Public Equity team continues to seek out and evaluate smaller investment management firms.

Staff concluded by stating that the current structure of public equity in the CTF has added value long-term for the risks taken and that incremental improvements and challenging assumptions remain a focus.

Discussion ensued regarding the staff's prioritization of the five strategies that are candidates for further research as part of the annual planning process, providing the Board with the opportunity to provide feedback when the plan is recommended for Board approval.

OTHER ITEMS

There was no further business to come before the Committee, and the meeting adjourned at 2:10 p.m.