



**Thursday, December 14, 2023
Board Meeting**

Call to Order - 9:30 A.M.

-

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

-

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

1. Call to Order (9:30a)

2. Executive Session (9:30-12:55)

A. 2024 Private Equity Annual Plan (9:30-11:00)

B. Break (11:00-11:10)

C. 2024 Tangible Assets Annual Plan (11:10-12:12:40)

D. Administrative Committee Report - Non Voting Board Member Recruitment (12:40-12:55)

3. Lunch (12:55-1:30)

4. Adoption of Minutes (1:30-1:35)

A. Adoption of the November 16, 2023, Minutes

5. Public Comment (1:35-1:55)

A. Written Public Comment Submissions

6. Private Markets Committee Report (1:55-2:00)

7. Annual Plan Approvals (2:00-2:05)

A. 2024 Private Equity Annual Plan

B. 2024 Tangible Assets Annual Plan

8. Administrative Committee Report continued (2:05-2:10)

A. NVBM Appointment

9. Audit Committee Report (2:10-2:15)

A. Internal Audit External Quality Assessment – Assessor Appointment and Statement of Work

B. Fiscal Year 2023 Independent Financial Auditor's Reports and WSIB Annual Report

10. Public Markets Committee Report (2:15-2:20)

11. CEO Report and 2024 Strategic Plan (2:20-3:20)

A. CEO Report to the Board - December 2023

B. 2024 Strategic Plan

12. Break (3:20-3:30)

13. Guaranteed Education Tuition (GET) Strategic Asset Allocation (3:30-4:00)

A. GET Strategic Asset Allocation and Advanced College Tuition Payment Program Policy 2.35.100 Revision

14. Global Proxy Voting Policy 2.05.200 Updates (4:00-4:30)

A. Global Proxy Voting Policy 2.05.200 Updates

15. Recognition (4:30-4:40)

16. Other Items (4:40-4:45)

17. Adjourn (4:45p)

**WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
December 14, 2023**

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://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>; Meeting ID: 235 793 915 306; Passcode: mCSxhx; Dial-In Telephone Number 1-360-726-3322; Phone Conference ID Number 149 488 597#. The meeting was also live-streamed and recorded by TVW.

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

Members Absent: George Zinn

Also Present: Allyson Tucker, Chief Executive Officer
 Christopher Hanak, Chief Investment Officer
 Fabrizio Natale, Senior Investment Officer – Private Equity
 Aaron Daley, Assistant Senior Investment Officer - Private Equity
 Björn Seebach, Assistant Senior Investment Officer - Private Equity
 Kariym McHoney, Investment Officer - Private Equity
 Dorota Czub, Senior Investment Officer - Tangible Assets
 Raman Kabarwal, Assistant Senior Investment Officer - Tangible Assets
 James Sinks, Assistant Investment Officer - Tangible Assets
 Aileen Liu, Assistant Senior Investment Officer – RMAA
 Bridget Murphy, Corporate Governance Officer
 Julian Hamud, Assistant Corporate Governance Officer
 Stacy Conway, Executive Assistant

 Tor Jernudd, Attorney General’s Office
 Tom Cawkwell, Albourne America LLC
 Luke Masselink, Office of the State Actuary

CALL TO ORDER

Chair Markley called the meeting to order at 9:32 a.m. and took roll call; all Board members listed as present were able to fully participate in the meeting while in attendance.

EXECUTIVE SESSION

Chair Markley announced that the Board 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. In addition, the Board would discuss the performance of a public employee. The executive session was expected to last until approximately 12:55 at which time the Board would reconvene in open session and break for lunch.

[The Board went into executive session at 9:34 a.m.]

[Tracy Guerin joined the meeting at 9:34 a.m.]

[Representative Gregerson joined the meeting at 9:38 a.m.]

2024 Private Equity Annual Plan

**Presenters: Fabrizio Natale, Senior Investment Officer – Private Equity
Aaron Daley, Assistant Senior Investment Officer - Private Equity
Björn Seebach, Assistant Senior Investment Officer - Private Equity
Kariym McHoney, Investment Officer - Private Equity**

[The Board recessed at 11:56 a.m. and reconvened in executive session at 12:07 p.m.]

2024 Tangible Assets Annual Plan

**Presenters: Dorota Czub, Senior Investment Officer - Tangible Assets
Raman Kabarwal, Assistant Senior Investment Officer - Tangible Assets
James Sinks, Assistant Investment Officer - Tangible Assets**

[The Board reconvened in open session at 12:55 p.m.]

[The Board recessed at 12:55 p.m. and reconvened in open session at 1:30 p.m.]

ADOPTION OF MINUTES

Chair Markley moved that the Board adopt the November 16, 2023, meeting minutes. Yona Makowski seconded, and the motion carried unanimously.

PUBLIC COMMENT

Jordan Fein addressed the Board on behalf of Unite Here Local 11 regarding continuing labor and staffing issues with portfolio companies Areas, owned by PAI Partners, and Aimbridge Hospitality, owned by Advent International, asking that the Board inform PAI and Advent

that they must ensure swift resolution of the labor disputes of their portfolio companies and to guaranty that future investments in the hospitality industry are protected by labor peace.

Joshuwa Nichols addressed the Board regarding continued labor issues with Areas, a portfolio company owned by PAI Partners, and asked that the Board inform PAI Partners that it will not receive more money from the Board until it resolves these issues and ensures labor peace in future hospitality investments.

Donna Albert addressed the Board regarding climate concerns and investments in fossil fuels, asking the Board to support legislation requiring the WSIB to be transparent and to report the risk of investments.

Abhilasha Bhola addressed the WSIB on behalf of the Private Equity Stakeholder Project regarding climate concerns with private equity portfolio companies, asking the Board to consider both climate risk and climate change impact on frontline communities in its 2024 private market investments and call for Global Infrastructure Partners to halt the proposed Rio Grande LNG terminal and for Blackstone to retire the Gavin Coal Plant.

Chair Markley acknowledged those providing public comment, noting that the Board has a responsibility to its fiduciary duty and also hears the comments and will continue to address the issues.

Allyson Tucker reported that the WSIB received written public comment, and all comments in their entirety were submitted to the Board members prior to the meeting.

PRIVATE MARKETS COMMITTEE REPORT

Presenter: Tracy Guerin, Private Markets Committee Chair

Tracy Guerin reported that the Private Markets Committee met on December 7, 2023, to receive presentations from Private Equity and Tangible Assets staff in executive session. The presentations were focused on each unit's proposed re-investment opportunities for 2024, and there was rich discussion. Staff has been granted delegated authority to execute re-investment transactions with existing partners and strategies, once approved in the annual plans. Actual investment amounts may be slightly higher or lower than those presented, depending upon market demand.

ANNUAL PLAN APPROVALS

Presenter: Greg Markley, Board Chair

The Private Equity and Tangible Assets annual plans were presented in executive session earlier in today's meeting. The Board received the recommendations from staff and engaged in thorough discussion. Both plans require formal Board approval.

Private Equity Annual Plan

Chair Markley moved that the Board approve the 2024 Private Equity Annual Plan as presented and discussed in executive session. Tracy Guerin seconded, and the motion carried unanimously.

Tangible Assets Annual Plan

Chair Markley moved that the Board approve the 2024 Tangible Assets Annual Plan as presented and discussed in executive session. Tracy Guerin seconded, and the motion carried.

ADMINISTRATIVE COMMITTEE REPORT

Presenter: Greg Markley, Administrative Committee Chair

Chair Markley announced that the Administrative Committee report, including the executive session related to the Non-Voting Board Member appointment, would take place at the end of the meeting.

AUDIT COMMITTEE REPORT

Presenter: Sara Ketelsen, Audit Committee Chair

Sara Ketelsen reported that the Audit Committee met on December 5 with a full agenda. The Committee received the results of the Private Equity Investments internal audit. Staff concluded that overall, there are processes and controls in place to address transition risk and ensure private equity investments are thoroughly researched, properly approved and executed, and adequately monitored. There was one audit recommendation that would serve to enhance internal processes and assist in mitigating transition risk. The Committee also received the results of the Tax Reclaims internal audit. Staff concluded the WSIB has processes and controls in place for the monitoring and oversight of tax reclaims receivables. There were no audit recommendations. The Committee received the Enterprise Risk Management Annual Report. Staff reported on the WSIB's systems of risk management oversight, the WSIB's structured approach to risk management, and the role of ERM to discuss, monitor, and rate risks, as well as the importance risk plays throughout the WSIB's culture and strategic initiatives. In addition, staff reviewed the 2023 ERM committee activities, updates to the risk dashboard, and anticipated activities for 2024. In addition, the Committee received updates on the status of prior audit recommendations, and the Fiscal Year 2024 audit plan, and received the quarterly investment referral report. Along with the above items, there were two action items for the Board's consideration.

The first item for consideration was the appointment for the Internal Audit External Quality Assessment.

On behalf of the Audit Committee, Sara Ketelsen recommended the Board appoint the Institute of Internal Auditors Quality Services to perform a full external quality assessment of the WSIB's internal audit function Yona Makowski seconded the motion.

The WSIB's internal audit function is required to have an external quality assessment at least once every five years. Using the direct buy competitive solicitation exception, staff would like to engage the IIA Quality Services to perform a full external assessment. The recommendation is based on the professional experience, qualifications, and independence

of the firm and the proposed lead assessor. This is the same firm that conducted the 2019 assessment.

The motion carried unanimously.

Also presented to the Committee was the Fiscal Year 2023 Independent Financial Auditor's Reports and WSIB Annual Report. The Board's independent financial statement auditors, Eide Bailly, presented the audit results of the seven sets of WSIB-prepared financial statements for Fiscal Year 2023. Overall, each financial statement received a clean opinion and there were no reportable findings. The auditors noted alternative investments as an area of focus due to significant estimates in market value, and they concluded that processes and controls are in place to determine fair valuation. Staff presented an overview of the WSIB's Annual Report for Fiscal Year 2023, highlighting the financial statement background, composition of the annual report, and the significance that the WSIB's audited financials have to other agency stakeholders. The Committee voted to recommend the Board accept the Fiscal Year 2023 Independent Auditor's Reports and approve the Fiscal Year 2023 WSIB Annual Report. Subsequent to the Committee recommendation, staff discovered and corrected a formatting issue, along with two minor wording errors and a necessary clarification in the Management Discussion and Analysis sections in the financial statements that are included as part of the 2023 Annual Report. As the report has been modified since the Committee's action, direct Board approval is requested rather than Committee recommendation. Once approved by the Board, the Annual Report will be made available on the WSIB's website.

Sara Ketelsen moved that the Board accept the Fiscal Year 2023 Independent Auditor's Reports and approve the Fiscal Year 2023 WSIB Annual Report. Yona Makowski seconded, and the motion carried unanimously.

PUBLIC MARKETS COMMITTEE REPORT

Presenter: Liz Lewis, Public Markets Committee Chair

The Public Markets Committee met on December 5, 2023, to receive educational presentations from Callan, one of the Board's independent consultants, and Public Equity staff. The first presentation was Callan's peer review of the WSIB's retirement fixed income portfolio, in response to the Board's request. Callan reported that the WSIB portfolio has met its objective of outperforming the Universal Index over all cumulative time periods evaluated. However, it's important to note that portfolio returns and rankings can vary widely from year to year. This variation is a result of positioning including duration, sector choices, and security selection. The portfolio has demonstrated solid performance over the past 20 years, outperforming major benchmarks and showing compelling performance relative to peers. This success is underscored by the portfolio's strategic approach to duration management, effective yield, and a balanced risk profile, despite the inherent challenges and complexities of comparison to peers due to its objectives and constraints.

The second educational presentation the committee received was regarding the basics and modularity of passive investments. The Commingled Trust Fund's current structure is over 60 percent passively managed, including passive allocations to U.S, developed ex-U.S., and

emerging markets equities. There are two areas where active management is used, which include global and emerging markets equities. Staff continues to believe that the current public equity program structure is efficient and appropriate; however, the Public Equity team continues to explore potential refinements to the current structure, including continuing to research the modularity of the MSCI ACWI IMI, the benchmark for the public equity program.

DECEMBER CEO REPORT TO THE BOARD

Presenter: Allyson Tucker, Chief Executive Officer

Allyson Tucker drew attention to the CEO Report to the Board and introduced one new employee, Michelle Webster.

2024 STRATEGIC PLAN

Presenter: Allyson Tucker, Chief Executive Officer

Allyson Tucker introduced the 2024 Strategic Plan presentation, noting the change in timing of presentation from February to December. Included in the presentation was an overview of the WSIB's updated vision, mission, and values; review of the formation and composition of the Board; historical plan funded status; and select 2023 accomplishments and metrics. Also addressed was the strategic analysis framework of value, capacity, and support, along with an overview of potential threats and areas of focus.

The 2023 strategic theme of challenging assumptions will continue, and specific areas to be considered were presented. Select Investment Beliefs for the retirement funds were considered in the creation of this year's strategic plan, including strategic asset allocation, sustainability, active management, and organizational core competencies. Initiatives for 2024 were presented, including a review of the Diversity, Equity, and Inclusion (DEI) Blueprint and the Climate Blueprint initiatives for 2024.

Discussion ensued regarding the congruency of internal and external DEI activities with fiduciary duty, planned agency workforce equity assessment for the agency, appreciation for the integration of DEI activities holistically, and the time and effort involved in the approach of educating investment staff on DEI and climate to create expertise in each investment professional.

The Climate Blueprint was discussed as part of the presentation, including the purpose, vision, and goals; the journey steps; 2023 initiatives completed and underway; and 2024 planned initiatives.

Discussion ensued regarding a possible education session on the recently passed COP 28 resolution to phase out fossil fuels; private markets due diligence questions around planned investment sectors, specifically fossil fuel-related investments; and the internal WSIB Investment Committee process; and current fossil fuel related investment activity in the private equity and tangible assets portfolios.

2024 Capacity initiatives will focus on investing in the workplace and investing in people.

Discussion ensued regarding the intentionality of creating opportunities for interaction in a hybrid work environment and tools to improve.

The Support initiatives include government and legislative activities, as well as Institutional Relations initiatives, with a highlight on the need for timely distribution of effective and relevant information to those who need it and continued legislative outreach.

Investing in the Board will be focused on education to build skill and efficiency, along with a potential change to the way Board materials are distributed.

Discussion ensued regarding the potential risk to our investment strategy created by national division, geopolitical tension, and other current events, which will be addressed through planned education sessions in 2024.

Chair Markley moved that the Board approve the 2024 Strategic Plan as presented. Sara Ketelsen seconded the motion.

Joel Sacks thanked Allyson Tucker for the opportunities offered to Board members to provide input into the strategic plan.

The motion carried unanimously.

[The Board recessed at 2:56 p.m. and reconvened in open session at 3:08 p.m.]

**GUARANTEED EDUCATION TUITION (GET) STRATEGIC ASSET ALLOCATION AND
ADVANCED COLLEGE TUITION PAYMENT PROGRAM POLICY 2.35.100 REVISION**

Presenter: Aileen Liu, Assistant Senior Investment Officer - RMAA

Aileen Liu presented the GET Asset Allocation recommendation, including GET background, purpose, pricing, asset allocation cycle, and a preview of the recommendation. The asset allocation study was presented to the WA 529 Committee in November and the committee was supportive of the recommendation.

Key observations from the study were presented, along with the investment asset classes included in the GET asset allocation, cash flow and asset class modeling assumptions; and the Office of the State Actuary (OSA) GET unit pricing analysis estimates.

Discussion ensued regarding the impact of funding status on the GET asset allocation and unit pricing.

Luke Masselink clarified that the unit price adoption is independent from the funded status of the program and addressed calculation methodology.

Additional discussion ensued regarding GET unit pricing methodology.

There were two critical stages of workflow to determine the appropriate asset allocation mix: the evaluation of the efficient frontier and modeling simulations to determine the success of the allocation mix. Staff arrived at the recommendation to maintain the current

60 percent fixed income and 40 percent global equity allocation for the program, together with a reduction in the real return objective from 3.25 percent to 2.50 percent, which is consistent with the increase in long-term inflation expectations and translates to a long-term expected return of 5.0 percent when adding in the inflation assumption of 2.5 percent.

Recommended portfolio risk and return outcomes were presented, along with an illustration of the spectrum of simulated returns over time.

Staff conducted a full assessment of asset allocation outcomes and options and after careful consideration recommend the Board approve maintaining the current asset allocation, which supports the long-term stability and solvency of the GET program and reducing the expected real rate of return from 3.25 percent to 2.50 percent.

Discussion ensued regarding the methodology around the recommended reduction of the real return expectation and the impact of the reduction on the program's benchmark or assumed rate of return.

Chair Markley moved that the Board approve the recommended strategic asset allocation for the Guaranteed Education Tuition program and adopt the proposed revisions to the Advanced College Tuition Payment Program Policy 2.35.100. Senator Mullet seconded, and the motion carried unanimously.

GLOBAL PROXY VOTING POLICY 2.05.200 UPDATES

Presenters: Bridget Murphy, Corporate Governance Officer

Julian Hamud, Assistant Corporate Governance Officer

Bridget Murphy and Julian Hamud presented proposed updates to the Board's Global Proxy Voting Policy Guidelines for 2024 and recommended implementation, noting the incremental nature of proxy guideline changes and recent focus on DEI and climate. Policy guidelines intentionally allow for nuance; there are some instances where a straightforward framework is required and many where there is a case-by-case assessment. Key proposed updates for 2024 are in the areas of diversity, governance, and executive compensation, and staff detailed the updates in each area.

Discussion ensued regarding the appropriateness of specific revisions to the Purpose and Policy sections of the policy. Staff relayed that the proposed revisions do not change the process in any way; the language changes are recommended to clarify and to improve accuracy and more technically correct as proposed. Chair Markley suggested that the Board consider approving the proposed revisions, excluding the two sectors in question.

Staff reported that this year's updates were less substantive than the prior year, and staff plans to consider climate and executive compensation next year, ahead of the 2025 proxy season.

Chair Markley moved that the Board approve the proposed revisions to the Global Proxy Voting Policy 2.05.200 as presented with the exceptions of the changes under the Purpose section paragraph 3 and under the Policy section paragraph 2. These provisions would remain unchanged. Treasurer Pellicciotti seconded the motion.

Discussion ensued regarding the proposed edit in the Purpose section relating to the option to exit an investment and potential inconsistencies within the Global Proxy Voting Policy and other policies created by not making the proposed revisions. The focus on U.S. investments in the Policy section was also discussed.

Allyson Tucker suggested that staff revisit the policy revisions, with an additional internal legal review that addresses the risk with language as written and the risk as proposed and bring a recommendation back to the Board for consideration.

Discussion ensued regarding the ability to bifurcate the Proxy Voting Guidelines (Addendum) from the Policy, moving forward with an approval of the proposed revisions to the guidelines at this time and the Policy at a later date.

Treasurer Pellicciotti moved that the Board postpone approval of the Global Proxy Voting Policy, excluding the Addendum (Proxy Voting Guidelines), to the next Board meeting. Joel Sacks seconded, and the motion carried, with Tracy Guerin opposed.

Chair Markley moved that the Board approve the proposed revisions to the Proxy Voting Guidelines (Policy 2.05.200 Addendum A). Yona Makowski seconded, and the motion carried unanimously.

RECOGNITION

Presenter: Greg Markley, Board Chair

Chair Markley provided departing Board members, Judy Kuschel and Bill Longbrake, an opportunity to share comments with the Board.

Judy Kuschel described the importance and benefit of pensions, noting her appreciation for the work of the Board.

Bill Longbrake commented on the uniqueness of the structure of the WSIB, discussing his longevity on the Board and expressing his genuine belief that refreshment of Board members is good governance. He noted the strong culture of the WSIB and offered parting advice.

Chair Markley thanked both for their invaluable service on the Board.

EXECUTIVE SESSION

Chair Markley announced that the Board would go into executive session to discuss the performance of a public employee. The executive session was expected to last until approximately 4:28 p.m. at which time the Board would reconvene in open session.

[The Board went into executive session at 4:18 p.m.]

Non-Voting Board Member Appointment

Presenter: Greg Markley, Administrative Committee Chair

[The Board reconvened in open session at 4:28 p.m.]

Administrative Committee Report

Presenter: Greg Markley, Administrative Committee Chair

Chair Markley reported that the Administrative Committee met before the Board meeting to discuss the CEO evaluation process and the appointment of a Non-Voting Board member. For the CEO evaluation, there was Committee consensus to follow a similar process as last year, with each Board member completing an evaluation form during January, for discussion and a compensation recommendation at the February Administrative Committee and Board meetings. Bobby Humes and Stacy Conway will work together to facilitate the evaluation distribution and collection process. The committee also considered the appointment of a non-voting Board member, which was discussed in detail with the Board in the executive session just ended.

Chair Markley moved that the Board appoint Heather Redman as Non-Voting Board Member for a 3-year term beginning January 1, 2024, and ending December 31, 2026. Tracy Guerin seconded the motion.

Treasurer Pellicciotti thanked the group for the work done in recruiting and the thoughtful process.

The motion carried unanimously.

ADJOURNMENT

There were no other items to come before the Board, and the Board meeting adjourned at 4:31 p.m.