



**Thursday, June 15, 2023
Administrative Committee**

Call to Order - 8:15 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 (8:15a)

2. Adoption of Minutes (8:15-8:20)

A. Adoption of the February 16, 2023, Minutes

3. Budget (8:20-8:40)

A. Quarterly Budget Update

B. Fiscal Year 2024 Non-Appropriated Budget

4. Policy Review (8:40-8:45)

A. 3-Year Policy Review - Reaffirmation

B. 3-Year Policy Review - Technical Revisions

C. 3-Year Policy Review - Substantive Revisions

5. Proxy Voting Oversight (8:45-9:05)

A. Proxy Voting Oversight

6. Executive Session - Non-Voting Board Member Expiring Terms (9:05-9:10)

7. Other Items (9:10-9:15)

8. Adjourn (9:15)

**WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
June 15, 2023**

The Administrative Committee 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: 213 650 388 98; Passcode: DwLU7H; Dial-In Telephone Number 1-360-726-3322; Phone Conference ID: 933 278 577#.

Members Present: Tracy Guerin, Chair
Yona Makowski
Greg Markley
Treasurer Mike Pellicciotti
Joel Sacks

Other Board Members
Present:

Also Present: Allyson Tucker, Chief Executive Officer
Curt Gavigan, Chief Operating Officer
Celina Verme, Budget and Government Operations Officer
Stacy Conway, Executive Assistant

Tor Jernudd, Attorney General's Office

CALL TO ORDER

Chair Guerin called the meeting to order at 8:17 a.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

ADOPTION OF MINUTES

**Chair Guerin moved to adopt the February 16, 2023, meeting minutes.
Ms. Makowski seconded, and the motion carried unanimously.**

Chair Guerin announced that due to the anticipated early departure of Mr. Sacks she proposed a reorder of the agenda, moving the Proxy Voting Oversight discussion to follow the Adoption of the Minutes. There were no objections.

PROXY VOTING OVERSIGHT

Chair Guerin moved that the Administrative Committee recommend the Board move proxy voting oversight responsibility from the Audit Committee to the Board and approve the related proposed revisions to the Board Charter Policy 1.00.110, the Audit Committee Charter Policy 1.00.130, and the Global Proxy Voting Policy 2.05.200. Mr. Markley seconded the motion.

Chair Guerin explained that she was making this proposal due to the heightened interest in proxy voting, noting that having more transparency and larger discussions at the Board level would be beneficial to all Board members. In addition, there would be an efficiency gained in not providing education to both the Audit Committee and the Board. She noted that the oversight would be something the Board could monitor and when it is appropriate it could be delegated back to a Committee in the future.

Treasurer Pellicciotti stated that he agrees that there is a lot of interest in proxy voting, and the Board has a fiduciary duty to ensure proxy voting is aligned with Board beliefs and proxy voting guidelines. The Board has entrusted the Audit Committee to ensure alignment, and the Audit Committee has spent time to this end. He discussed the oversight of external proxy voting and his request for an audit of proxy voting in Fiscal Year (FY) 2024, rather than the staff recommended timing of FY2025. He expressed his concerns relating to the limited staff resourced to proxy voting, the removal of the additional oversight provided by the Audit Committee and Audit Committee Chair, the responsibility of the Board to ensure alignment of proxy votes with the proxy voting guidelines, and the timing of the proposal.

Ms. Tucker clarified that although there is one Corporate Governance Officer, the position and process is supported by two outside proxy advisory firms. She also briefly discussed the difference between U.S. proxy voting and global proxy voting. Ms. Tucker noted that based on her understanding of the proposal, the level of oversight would not change, it would just move to the Board level.

Mr. Markley opined that making this change would prioritize the Board's responsibilities relating to proxy voting and would be beneficial to the Board as a whole.

Treasurer Pellicciotti commented that he supports more oversight of the proxy voting process by the Board, but that as the Audit Committee Chair, he would support additional reporting to the Board rather than removing the Audit Committee's responsibilities. He reiterated his concern that the proposed change would reduce oversight.

Chair Guerin reiterated her view on the value that will be added to the proxy voting process by having all Board members present and able to participate in discussion.

Ms. Makowski opined that the proxy voting discussions would be beneficial to Board members that are not on the Audit Committee. Since proxy voting is closely tied to Board

beliefs and it's important that the entire Board have these conversations, Ms. Makowski noted her support of the proposal.

Mr. Sacks noted that he has been on the Audit Committee for a number of years and has appreciated the discussions about proxy voting. It is his understanding that at a macro level, the Board is focused on setting policy and the Committees are responsible to ensure the policies are implemented as intended. Mr. Sacks recognized that this may be the right time for the Board to be evaluating its strategy and policy around proxy voting. He noted that the input from all the non-voting Board members is important, and having discussions with all five would be valuable. He stated that he is supportive of moving forward with the proposal.

Treasurer Pellicciotti stated that there are no changes to the Board's oversight in in the proposal; however, if there is a desire for greater full Board oversight, he believes it can happen through the current governance structure. He opined that, there will be less regular oversight by the Board because the Board may not have the time for the in-depth discussions, reducing the overall time that the Board will spend on proxy voting.

In response to Mr. Markley's question regarding the staff involved in proxy voting, Ms. Tucker shared that along with the Corporate Governance Officer, the WSIB has an internal Proxy Voting Working Group, the Environmental, Social, and Governance (ESG) working group, and two external proxy advisory firms that support the process. She noted that the WSIB's proxy votes are published on the website bi-annually and a report is provided to the Audit Committee annually that details the voting results and outlines deviations from management recommendations. There is generally one education session each year, and this year there will be a more fulsome discussion regarding shareholder proposals at the July Board meeting.

In response to Mr. Markley's inquiry regarding oversight, Ms. Tucker noted that she believes that there will be more oversight of proxy voting through the diverse set of voices providing input at the full Board. As well as the value that comes from the entire Board being well-informed on the subject.

The motion carried.

QUARTERLY BUDGET UPDATE

Ms. Verme reported that the WSIB's appropriated budget ended the period ending March 31, 2023, with a projected balance of \$7 million, or a 16.6 percent savings. She noted that the projection includes the balance from Fiscal Year (FY) 2022, as the appropriation is granted on a biennial basis. She detailed the contributors to the cost savings and addressed the one-time equipment purchase for the Seattle office expansion, Boardroom technology improvements, and scheduled equipment refresh. The non-appropriated budget has a projected balance of approximately \$78.9 million or a 10.7% savings. The majority of the expenses are tied directly to investment activity. She noted that the projected balance will change depending on investment pacing, market activity, consulting needs and other

relevant factors. In summary, the WSIB's total operating budget has a projected balance of \$85.9 million, an 11% savings, and is expected to change.

Discussion ensued regarding the savings in travel expenditures for the period, but that there continues to be an increase in post-pandemic staff travel.

FISCAL YEAR 2024 NON-APPROPRIATED BUDGET

Ms. Verme presented the proposed FY2024 non-appropriated budget. She shared background information, describing the appropriated and non-appropriated budgets and detailing the expenses included and processes for each. She addressed the non-appropriated budget process, noting the challenges to forecasting, as a large part of the expenses are tied directly to investment activity and outside of WSIB control. The non-appropriated budget request represents .398 percent of total assets under management, and 97.7 percent of the total is comprised of fluctuating costs. The proposal is a zero-increase budget and projects a carry-forward budget to ensure adequate funding in market uncertainty. Staff will continue to monitor the market activity and further refine the management fee models.

Discussion ensued regarding the sources of funding for the appropriated and non-appropriated budgets; the reduced allocation to real estate investment fees as part of the budget refinement; timing of fixed cost expenditures; and the accounting system used to verify data from the custodian bank.

[Mr. Sacks left the meeting at 9:02 a.m.]

Chair Guerin moved that the Administrative Committee recommend the Board approve the Fiscal Year 2024 Non-Appropriated Budget as proposed. Ms. Makowski seconded, and the motion carried unanimously.

POLICY REVIEW

3-Year Policy Review - Reaffirmation

Ms. Tucker presented the Board Vice Charter Chair Charter Policy 1.00.170 noting that the policy is required to be reviewed every 3 years, and no changes are recommended at this time.

Chair Guerin moved that the Administrative Committee recommend the Board reaffirm the Board Vice Chair Charter Policy 1.00.170. Mr. Markley seconded, and the motion carried unanimously.

3-Year Policy Review – Technical Revisions

Ms. Tucker explained that as part of the required 3-year policy review, technical revisions, including staff title references, minor grammatical edits, and edits for clarification to the Delegation of Authority Policy 1.05.100, the Board Monitoring and Reporting Policy 2.00.240, and the Investment Referral Process Policy 2.05.800 are proposed.

Chair Guerin moved that the Administrative Committee recommend the Board approve the proposed revisions to the Delegation of Authority Policy 1.05.100, the Board Monitoring and Reporting Policy 2.00.240, and the Investment Referral Process Policy 2.05.800. Ms. Makowski seconded, and the motion carried unanimously.

3-Year Policy Review – Substantive Revisions

Ms. Tucker presented the proposed substantive revisions to the Service Provider Policy 2.00.230, explaining that the revisions clarify Board responsibilities and address the changes to the public equity procurement process, which require updates on communication standards.

Chair Guerin moved that the Administrative Committee recommend the Board approve the proposed revisions to the Service Provider Policy 2.00.230. Mr. Markley seconded the motion.

Discussion ensued regarding the process and information included for notifications of quiet periods, best practices for Board members in responding to inquiries made by potential service providers, and Board action indicating the end of a quiet period.

The motion carried unanimously.

EXECUTIVE SESSION

Chair Guerin announced that the Committee would go into executive session to review the performance of the public employees. The executive session was expected to last approximately 5 minutes, at which time the Committee would reconvene in open session.

[The Committee convened in executive session at 9:11 a.m.]

Non-Voting Board Member Expiring Terms

[The Committee reconvened in open session at 9:22 a.m.]

ADJOURNMENT

There was no further business to come before the Committee, and the meeting adjourned at 9:23 a.m.