

December 2, 2025 - 9:00 AM

Audit Committee Meeting

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 9:00a

2. Adoption of Minutes (9:00-9:05)

- A. Adoption of the September 2, 2025, Meeting Minutes

3. External Audit (9:05-9:30)

- A. Fiscal Year 2025 Independent Financial Auditor's Reports and WSIB Annual Report

4. Executive Session (9:30-10:00)

- A. Discussion with Financial Statement Auditors
- B. Staffing Update

5. Internal Audit (10:00-10:25)

- A. Audit Recommendation Status Report
- B. Internal Audit Report – Audit Recommendation Follow-Up Project
- C. Audit Plan Quarterly Status Report - Fiscal Year 2026

6. Management (10:25-11:25)

- A. Enterprise Risk Management Annual Report
- B. Board Policy Compliance Review

C. Quarterly Investment Referral Report

7. Other Items (11:25-11:30)

8. Adjourn (11:30a)

AUDITED FINANCIAL STATEMENTS

DECEMBER 2, 2025

Megan Dietz, CPA

Assistant Chief Financial Officer





REPORTING TO THE STATE

As of June 30, 2024, the WSIB managed:

- 57 percent of total state assets
- 91 percent of total state investments



Office of Financial Management's Statewide Accounting System (AFRS):

- Investment balances and related activities
- Classified by fund and stakeholder
- Excludes plan 3 and deferred comp self-directed options

Alternative Asset Valuations:

- Audited financials and AFRS reflect current values
- Performance reporting and monthly Total Allocation Portfolio (TAP) price use lagged values

MANY AGENCIES AND PARTNERS RELY ON WSIB AUDITED FINANCIALS





Introductory Sections

Unaudited information

- Letter of Transmittal and Message from Chair
- List of Board Members, Committees, Executive Management, and Partners
- Corporate Governance, Budget, and Investment Performance Summaries

Management Discussion and Analysis (MDA)

- Overall market commentary
- Current year performance by asset class
- Significant changes in balances from the prior year

Statement of Net Investment Position

- Investment balances by asset class
- Investment receivables and payables

Statement of Changes in Net Investment Position

- Income and expenses
- Cash flow activity

Footnotes and Schedules

- Fixed income credit quality, duration, and maturity
- Foreign currency
- Securities lending and collateral
- Valuation policies
- Derivative instrument disclosures
- Investment policies



Washington State Investment Board

December 2, 2025



Presentation Team



Brad Berls, CPA

Engagement Partner

- More than 20 years of experience working with government organizations.
- Relevant clients: Public Employees' Retirement System of Idaho (PERSI), South Dakota Retirement System (SDRS), Washington State Investment Board, Public Employees' Retirement Fund of Mississippi, Wyoming Retirement System (WRS), Missouri State Employees' Retirement System (MOSERS), City of Fort Worth Employees Retirement Plan, Nevada Deferred Compensation Plan, the New Mexico Deferred Compensation Plan and the Idaho Deferred Compensation Plan.



Abbie Belthoff, CPA

Audit Senior Manager

- More than 9 years of experience working with government organizations.
- Relevant clients: PERSI, WRS, Washington State Investment Board, Public Employees' Retirement Fund of Mississippi, City of Fort Worth Employees Retirement Plan, Municipal Fire and Police Retirement System of Iowa, and the Idaho Deferred Compensation Plan.

REPORTING

- 2025 Audit Process
- Nine sets of financial statements of funds managed by WSIB:
 - Retirement Funds
 - Labor and Industries' Funds
 - Permanent Funds
 - Long-Term Services and Supports Trust Account
 - Guaranteed Education Tuition Fund
 - Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds*
 - Developmental Disabilities Endowment Trust Fund
 - Washington State Opportunity Scholarship Fund
 - Daily Valued Funds

*Represents a new financial statement in Fiscal Year 2025

REPORTING

- Unmodified opinions
 - Clean opinions
- Report Date
 - September 29, 2025
- Government Auditing Standards
- No material weaknesses or significant deficiencies
- No significant new standards

REQUIRED COMMUNICATIONS

- Audit performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards
 - Management is responsible for the financial statements
 - Audit provides reasonable, but not absolute, assurance that the financial statements are not materially misstated
 - Audit does not provide any assurances regarding regulatory compliance
 - Audit is not designed to provide assurances regarding internal control over financial reporting
- Financial statements prepared in accordance with accounting principles generally accepted in the United States of America
- Significant accounting policies
- Eide Bailly specialists utilized during the audit
 - Eide Bailly Risk Advisory and Information Technology Services
- Outside specialists utilized during the audit
 - Harvest (marketable investment valuation)

REQUIRED COMMUNICATIONS

- Other written communications
 - Engagement letter
 - Management representation letter
 - Letter to those in charge of governance
- Interaction with management throughout the audit process but report to Audit Committee/Board
- Significant unusual transactions
- Removal of the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds from the Retirement Fund financial statements
 - Presented in a separate set of financial statements.
- Emphasis of matter paragraphs in opinion
 - The funds do not purport or present the financial position of the state of Washington
 - The significance of alternative investments that have been estimated by management for the Retirement Funds

REQUIRED COMMUNICATIONS

- There were no:
 - Disagreements with management
 - Consultations with other accountants relating to audit issues
 - Major issues discussed with management prior to retention
 - Difficulties with management
 - Alternative accounting treatments selected by management
 - Material corrected misstatements or audit adjustments
 - Passed journal entries (uncorrected misstatements)

AREA OF AUDIT EMPHASIS – RETIREMENT FUNDS AND LABOR AND INDUSTRIES' FUNDS

SIGNIFICANT ESTIMATE

- Alternative Investments
 - Valuation of investments in real estate, private equity, tangible assets, and innovation portfolio for which no readily determinable market value is available

AUDIT RESPONSES

- Evaluated management's methodology and process
- Gained an understanding of design and implementation of controls
- Reviewed support for valuation and confirmed a sample of alternative investments
- Obtained and examined the underlying agreements
- Performed substantive analytical and detail testing procedures to test the fair value measurements
- Reviewed the most recent audited financial statements for fund managers
- Evaluated required disclosures
- Included an emphasis of a matter paragraph in our independent auditor's opinion for Retirement Funds due to the significance of alternative investments in those funds

LOOKING FORWARD TO 2026 AND BEYOND

Statement / Project	Effective Date / Projected	Focus Areas
GASB Statement No. 103 – <i>Financial Reporting Model Improvements</i>	<ul style="list-style-type: none">Periods beginning after June 15, 2025	<ul style="list-style-type: none">Improves key components of the financial reporting model to enhance its effectiveness in providing information essential for decision making and assessing a government’s accountability. Provides clarity regarding what information should be included in Management’s Discussion and Analysis (MD&A).

INDEPENDENCE MATTERS

- We are not aware of any relationships, including non-audit services, between Eide Bailly LLP and WSIB, that, in our professional judgment, may reasonably be thought to bear on our independence.
- We confirm that, in our professional judgment, for the year ended June 30, 2025, and as of the date of this communication, we are independent with respect to WSIB, within the meaning of the standards promulgated by the American Institute of Certified Public Accountants' Code of Professional Conduct, and its interpretations and rulings.

Questions?

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.

Thank you

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AUDIT RECOMMENDATION FOLLOW-UP PROJECT INTERNAL AUDIT REPORT #2026-02

DECEMBER 2, 2025

Marie Steffen, Audit Director
Susan Iselin, Internal Auditor



AUDIT RECOMMENDATION FOLLOW-UP PROCESS

Internal Audit recommendations

- Identify risks
 - Mitigation
 - Compliance

Follow-up reviews

- Confirm risk was addressed
 - After initial recommendation
- Sustainability of action taken
 - Fiscal Year 2015 and 2021 Audit Plans

Audit Committee's responsibilities

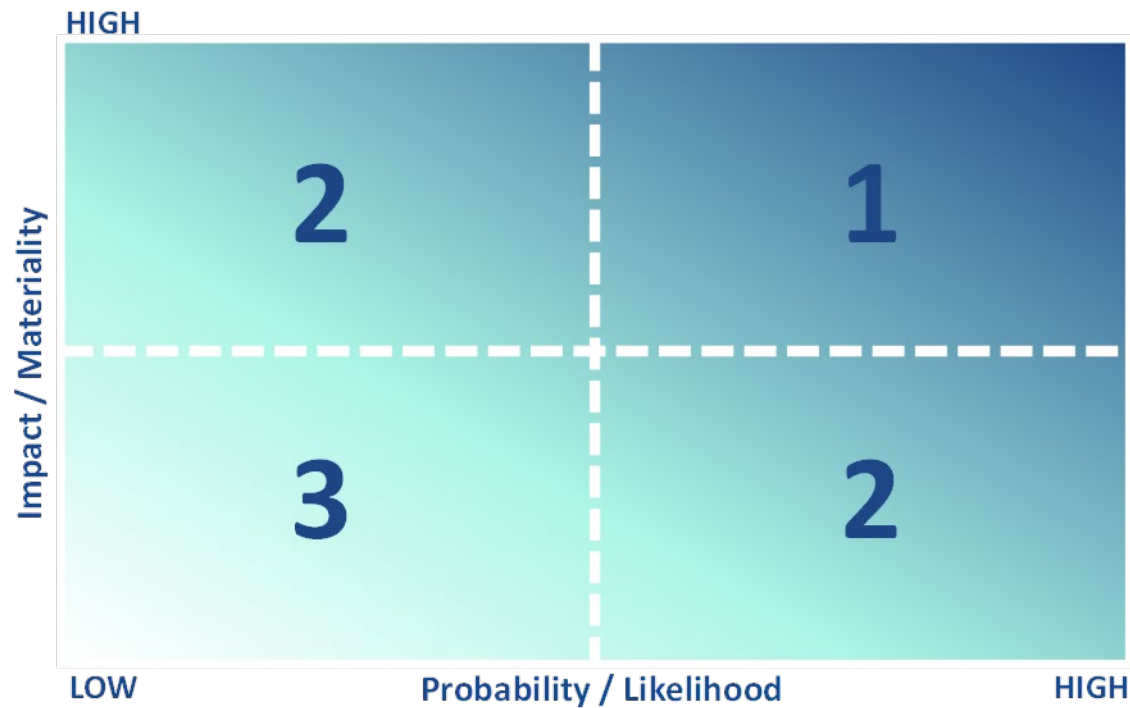
- Review action taken
 - Responsiveness
 - Timeliness

AUDIT RECOMMENDATION RANKING

Internal audit recommendations are ranked by importance as follows:

- Level 1 – High
- Level 2 – Medium
- Level 3 – Low

Audit Recommendation Assessment



ENGAGEMENT PLANNING

Planning

- **Prior audit reports and recommendations**
 - **Fiscal Years 2020 through 2024**
 - Advisory engagement
 - Notable item
- **Selection**
 - Risk level
 - Recent coverage
 - Ongoing processes and controls versus one-time action

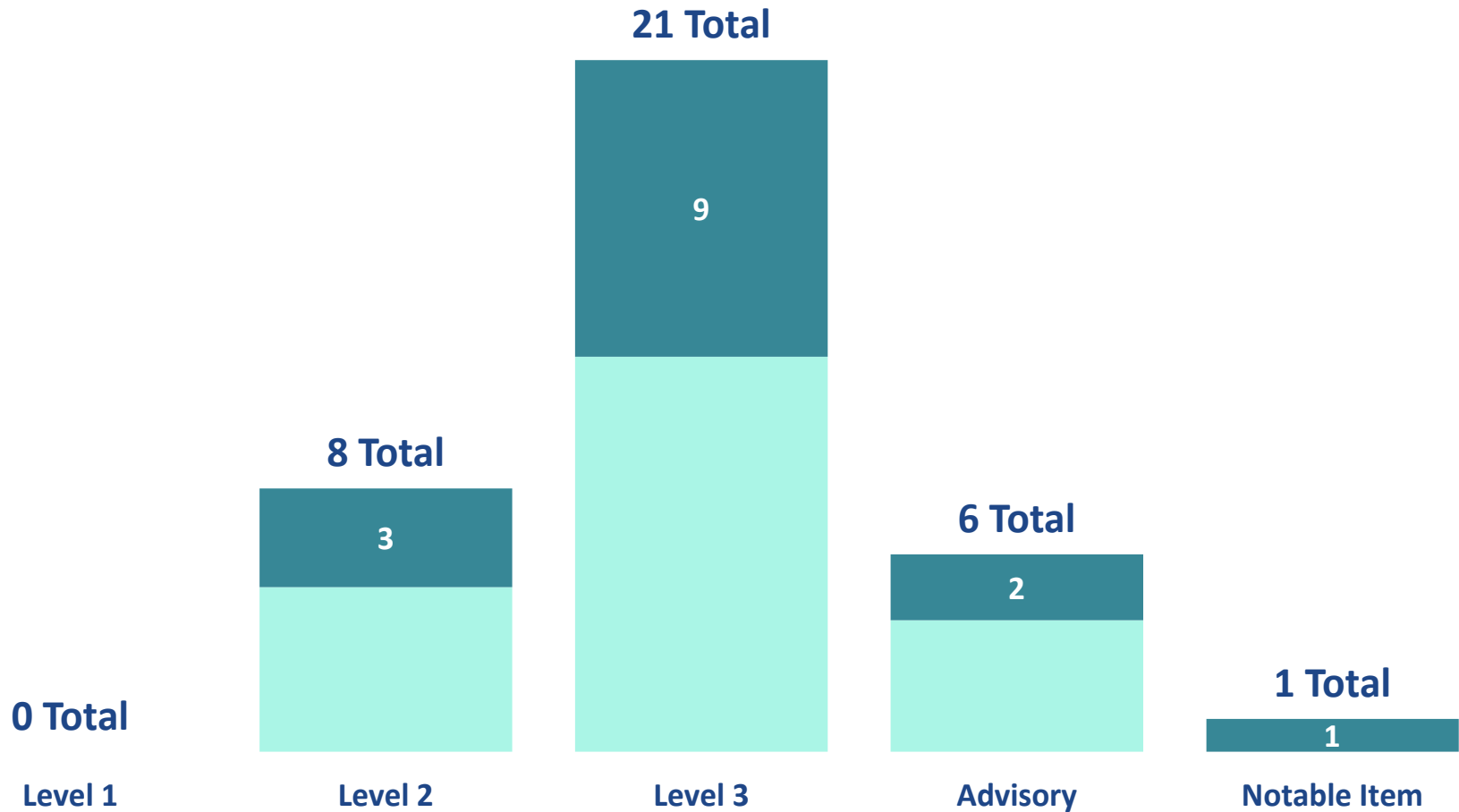
Scope

- Current processes and controls
- Recent transactions and activities



FISCAL YEARS 2020 – 2024 AUDIT RECOMMENDATIONS

■ Included in the FY2026 engagement





ENGAGEMENT FIELDWORK

Units included

- Investment Accounting and Administration
- Financial Services
- Human Resources (HR)
- Legal, Risk, and Compliance
- Operations Administration
- Private Equity
- Risk Management and Asset Allocation, Innovation Portfolio

Testing

- 14 recommendations, 1 notable item
 - Approach varied depending on the recommendation
 - Inquiry and discussion
 - Review of documentation
 - Limited testing



OVERALL ENGAGEMENT CONCLUSION

The WSIB has processes and controls in place to address risks identified in the prior audit recommendations reviewed

There are four audit recommendations:

- Enhance processes and controls
- Ensure compliance
- Safeguard assets



Level: 2 (Medium)

Category:

Process improvement

Compliance with policies

Update the monitoring tools to ensure

- **Accuracy**
- **Consistent formatting**

Management's Response and Action

- **Agree**
- **Refine monitoring spreadsheets**
- **Implement a new checklist**

Anticipated Completion Date

March 31, 2026

Level: 3 (Low)

Category:

Process improvement

Compliance with policies

Private Equity staff perform and document

- Quarterly investment monitoring
- Within the timeframe identified

Management's Response and Action

- Agree
- 30-day notice reminders added to calendars
- Investment officers to follow timelines established by unit management

Anticipated Completion Date

April 13, 2026

Level: 3 (Low)

Category:

Process improvement

Compliance with policies

Investment Accounting and Administration staff

- **Work with private asset class staff to ensure the following is share with the internal Valuation Committee**
 - **Relevant and material information**
 - **Investment manager's valuation assertions**
- **Document the process**

Management's Response and Action

- **Agree**
- **Developing training materials**
- **Will provide three sessions a year**

Anticipated Completion Date

Training materials: December 31, 2025

First training session: March 31, 2026

CONCUR TRAVEL – MEAL PER DIEM RATE ALLOCATION

AUDIT RECOMMENDATION

Level: 3 (Low)

Category:

Compliance with regulations

Financial Services

- Follow procedures
- Ensure meal per diem rate allocations are accurate

Management's Response and Action

- Agree
- Reviewing and updating per diem rates in Concur
- Training on established procedures

Anticipated Completion Date

November 30, 2025

ENTERPRISE RISK MANAGEMENT (ERM) ANNUAL REPORT

DECEMBER 2, 2025

Liz Smith, ERM Committee Co-Chair





OVERVIEW

WSIB's ERM framework

- Purpose and goals

Enterprise Risk Management

- What is ERM?
- Misperceptions
- Importance and benefits
- ERM in the Three Lines Model

ERM at the WSIB

- WSIB risk management Board oversight
- WSIB risk management staff activities and oversight
- WSIB ERM Committee

ERM Committee 2025 activities

WSIB Risk Appetite Statements

WSIB Key Risk Framework

2025 Key Risk Dashboard Ratings

2026 ERM Committee Expected initiatives

PURPOSE AND GOALS: ENHANCING THE WSIB'S RISK CULTURE

Audit Committee Responsibilities

- WSIB Audit Committee Charter Policy 1.00.130

System of Risk Management

- Ensure effective process of ERM, cybersecurity risk management, risk governance, and culture
- Review scope of staff's review of risk management and obtain risk assessment reports
- Review scope of any consultant's review of risk management
- Review and recommend any changes to risk appetite statements for Board approval
- Review the cybersecurity and other information technology risks, controls, and procedures



Strategic Importance

- Critical role of managing risks strategically

Alignment

- Risk management practices in line with strategic objectives

Risk Identification

- Systematic identification and monitoring of potential risks

Risk-Aware Culture

- Culture of risk awareness and proactive reporting

Integration

- Embedded in all functions and processes

Adaptability

- Tailored to WSIB's specific needs

Governance

- Transparency and accountability



WHAT IS ERM?

Comprehensive approach

- Method for assessing and addressing risks from all sources that could impact the achievement of the WSIB's strategic objectives

Organization-wide process

- Identifying, tracking, and monitoring across the entire organization

Holistic and strategic management

- Managing risks for alignment with the Board's established risk appetite

Oversight and assurance

- Overseen by executive management
- Reports to the Audit Committee
- Assurance system for risk management



ERM – MISPERCEPTIONS

Not one-size-fits-all

- ERM is not the same for every organization
- It must be designed to meet the specific needs of each



Not risk elimination

- Prudent level of risk
- Certain risks must be taken to innovate and create future value
- Other risks must be managed to protect existing value



Not static or rigid

- It must adapt and be fully integrated



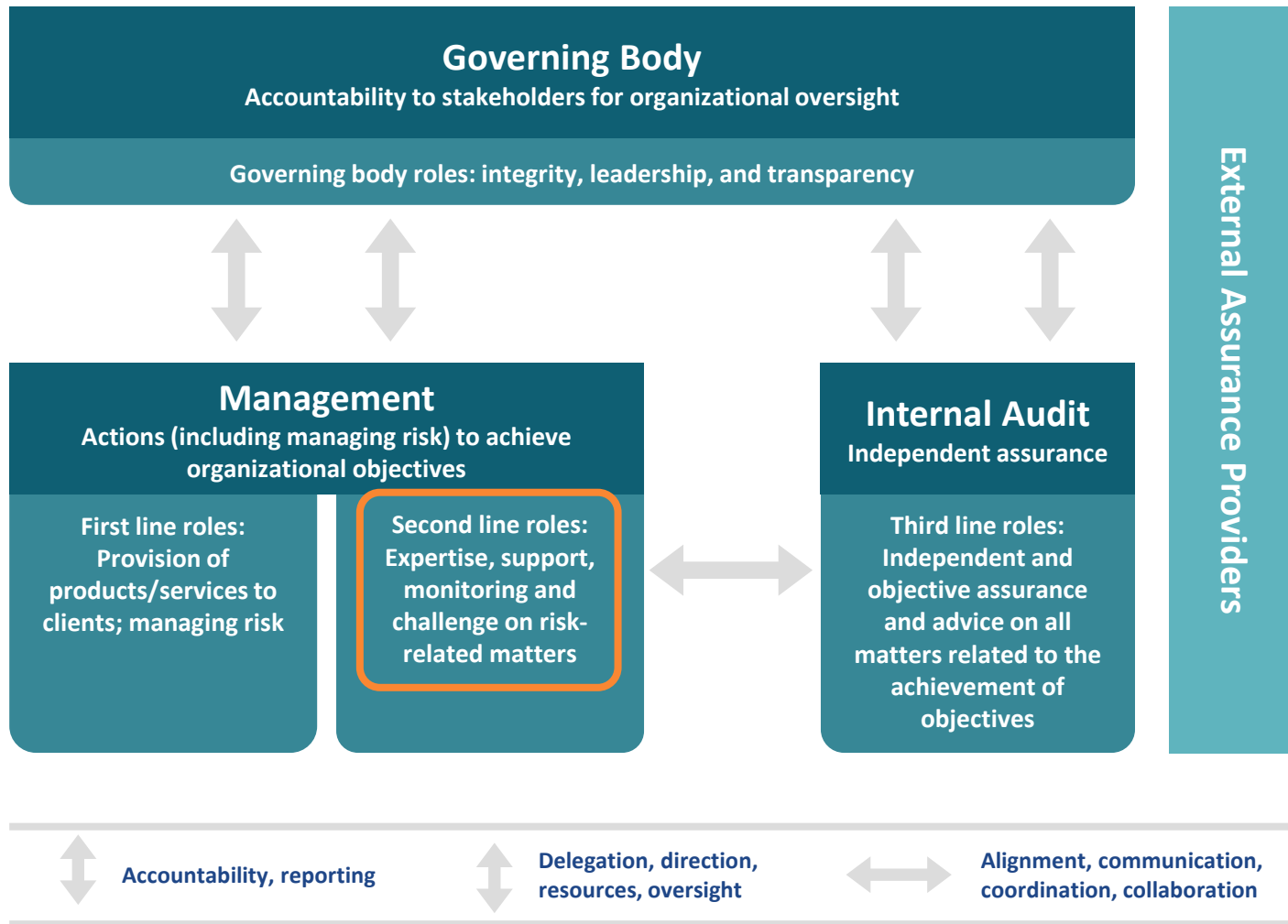
Not a replacement for internal controls

- Complements internal controls
- Broader framework for managing risks

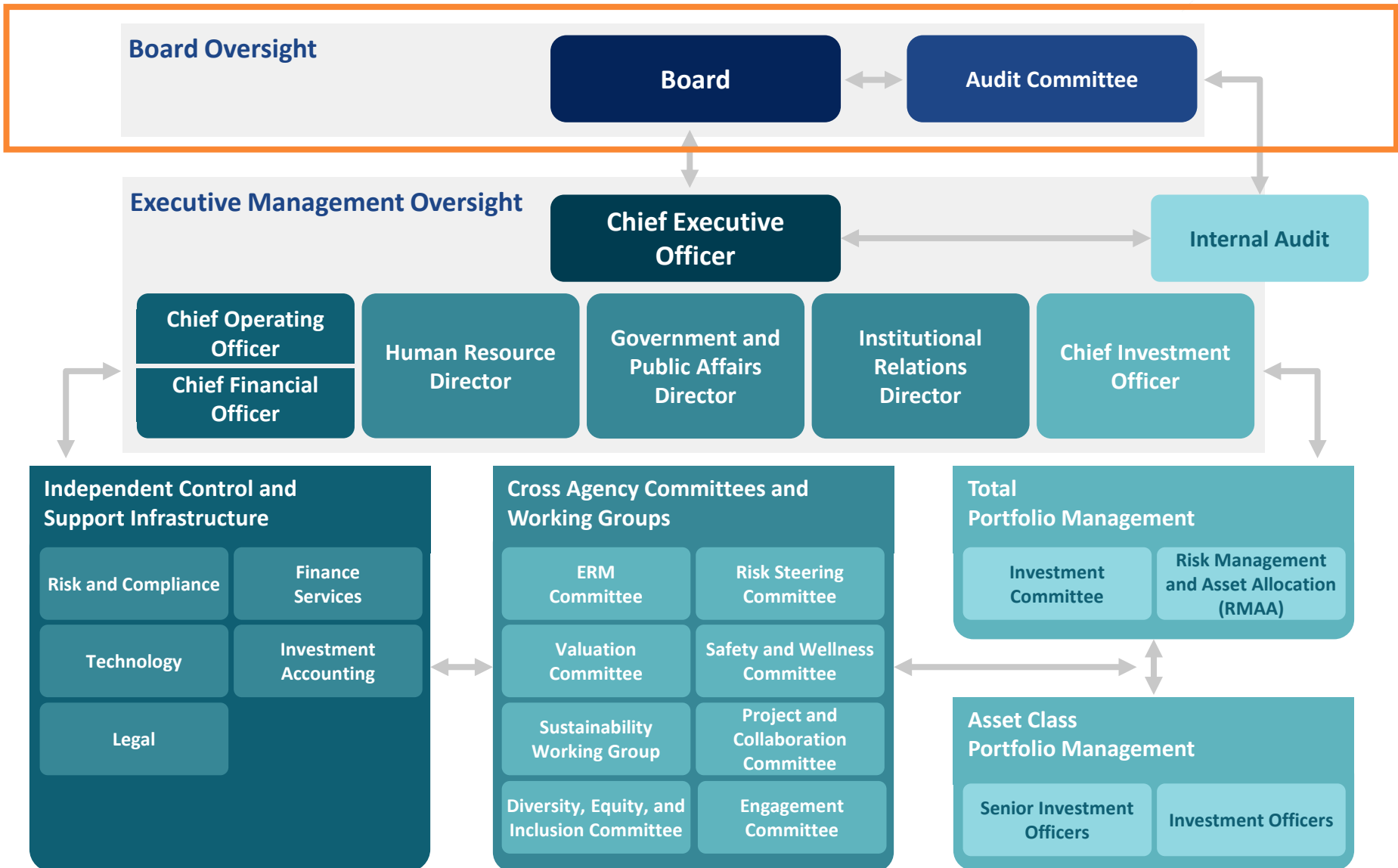


ERM – IMPORTANCE AND BENEFITS

- Informs and improves executive management's decision-making and resource allocation
- Fosters a risk-intelligent culture where risk awareness is embedded into daily operations across the organization
- Reduces risk management silos
- Aligns and embeds risk management in key processes and functions
- Improves governance, transparency, and accountability
- Enhances the value driven by the Three Lines Model



WSIB RISK MANAGEMENT BOARD OVERSIGHT



Delegation of Authority

Risk management

- Chief Executive Officer (CEO) administers a risk management program
- CEO ensures effective process of ERM, risk governance, and culture
- CEO reports most significant risk and responses to Board for review
- Risk appetite statements subject to review and approval by the Board

ERM Charter

Documents WSIB ERM process and governance

Requires use of ERM Framework and Appetite Statements

- Board-reviewed and adopted

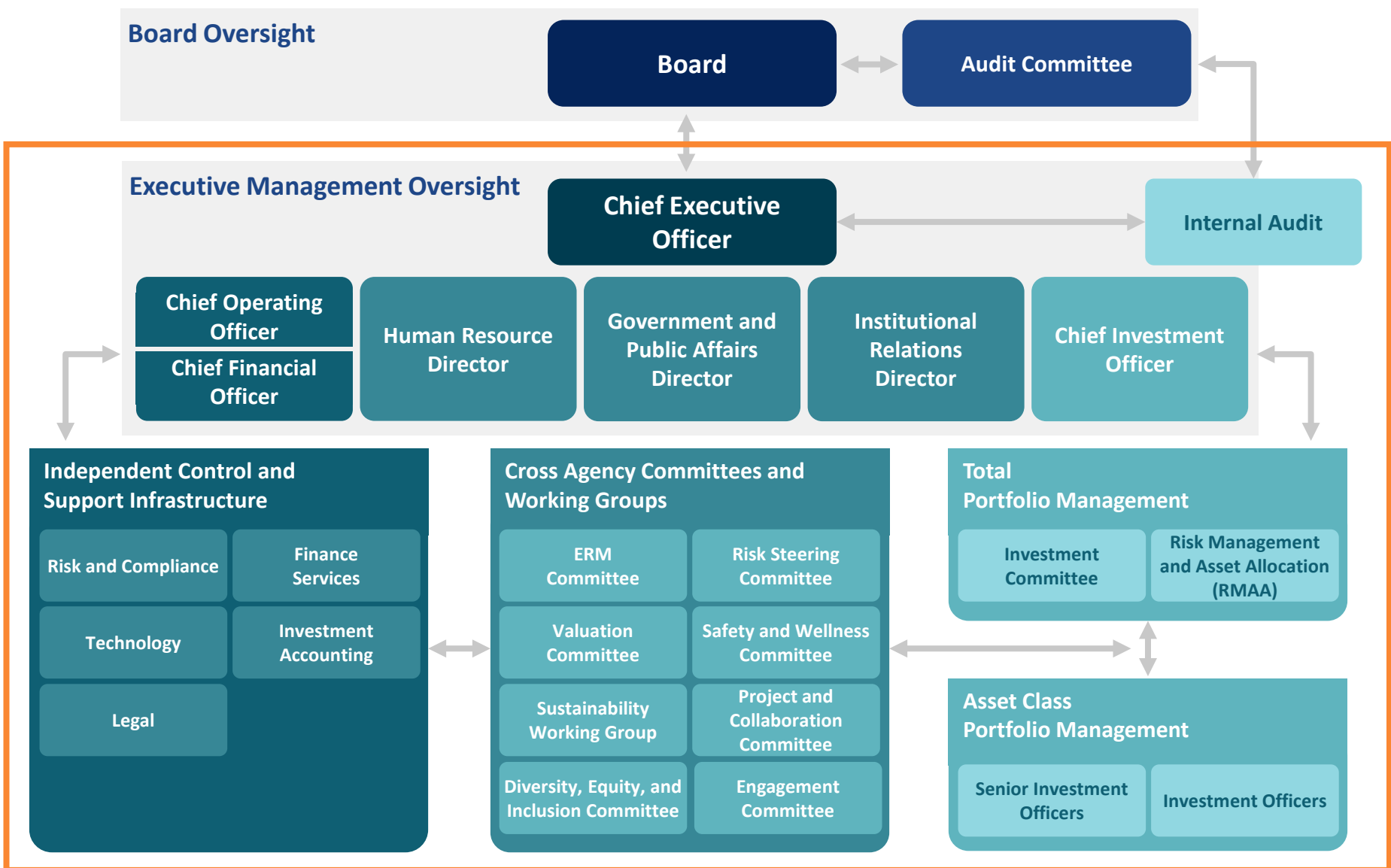
Requires risk identification, tracking, and discussions

ERM Committee risk culture goals

Establishes clear roles and responsibilities

- Executive Management
- CEO
- ERM Committee
- Co-Chairs
- ERM Committee Members
- Staff
- Internal Audit

WSIB RISK MANAGEMENT STAFF ACTIVITIES AND OVERSIGHT



WSIB ERM COMMITTEE

LRC

Legal Services, Enterprise Risk, Investment
Compliance, and Internal Compliance
Insurance and DES Risk Management
Internal Control Officer Reporting

ERM Co-Chair LIZ SMITH

Legal, Risk, and
Compliance(LRC)

ERM Co-Chair FRED GJERSTAD

Risk Management and
Asset Allocation (RMAA)

RMAA

Risk Steering Committee

JAMES ABER

Institutional Relations Director

MICHAEL CHRISTOPHER

Director of IT Operations and Security

MEGAN DIETZ

Assistant Chief Financial Officer

LI GAO

Sr. Investment Officer, RMAA

CURT GAVIGAN

Chief Operating Officer

CHRIS HANAK

Chief Investment Officer

BOBBY HUMES

Human Resources Director

SHAWNA KILLMAN

Investment Operational Due Diligence Officer, LRC

WES LOYD

Asst. Sr. Investment Officer, Tangible Assets

CARMEN MATSUMOTO

Asst. Sr. Investment Officer, Private Equity

DAVID SCHUMACHER

Government and Public Affairs Director

BRIAN SHRADER

Asst. Sr. Investment Officer, Real Estate

NATE SOPER

Asst. Sr. Investment Officer, Fixed Income

KRISTINA TAYLOR

Chief Financial Officer

MEAGHAN THOMPSON

Senior Project Manager

FLETCHER WILSON

Asst. Sr. Investment Officer, Public Equity

MARIE STEFFEN

Audit Director, (Advisory)

ERM COMMITTEE 2025 ACTIVITIES

Date	Meeting Type	Activities	
January	ERM Committee Meeting	Annual ERM Overview	Supreme Court Cases Presentation
		Recent 401K Cases on Fiduciary Duties	Political Risk Update
		Risk Assessment Update	
March	ERM Committee Meeting	Annual ERM Charter Review	Federal Administration Changes Risk Discussion
		Annual ERM Overview Continued	Political Risks
		CTF Liquidity Monitoring	Burnout Forum
		Geopolitical Risk Discussion	Third-Party Risk
May	ERM Committee Meeting	Annual ERM Charter Review	Emerging Risk Round Table
		Risk Steering Committee (RSC) Discussion Topic	Political Risks
		Burnout Forum Follow-up	Third-Party Risk
July	ERM Committee Meeting	Discuss and Rate Key Risk Forecast Dashboard	Other Reported Risks
		Discuss and Rate Other Tracked Risks	
September	ERM Committee Meeting	Discuss and Rate IT Other Tracked Risks	Other Reported Risks
		RSC - Liquidity Risk Discussion	Emerging Risk Discussion
November	ERM Committee Meeting	Valuation Committee Update and Discussion	Burnout Discussion
		Cybersecurity to Key Risk Dashboard	Reported Risk Discussion Follow-up
		Recent RSC Update	Third-Party Risk Project Update
		Fiduciary and Political Risk Discussion	



WSIB Risk Appetite Statements

- Reflect strategy and organizational objectives
- Balance competing demands when managing the risks
- Consider the limitations of business resources and structure
- Document what we do for each key risk
- Acknowledge our willingness to take on certain levels of risk

Risk Appetite Definitions

Low	Cautious approach and intentionally conservative
	Very limited tolerance for uncertain outcomes relative to achieving the WSIB's mission, vision, and strategic objectives
	Avoids trading off the stated objective against achievement of other objectives
Medium	Measured and deliberate approach
	Some tolerance for uncertain outcomes relative to achieving the WSIB's mission, vision, and strategic objectives
	Willing to accept selected risks but must be soundly justified
High	Flexible approach with higher possibility of failure
	Willing to take risks when long-term benefits are foreseeable and benefits outweigh risks
	Willing to trade off this objective against achievement of other objectives



2025 KEY RISK DASHBOARD RATINGS

RATING (1 LOW, 5, HIGH)



Investment

Moderate to High Risk Tolerance	2025	2024	2023	2022	
The risk that our investments materially underperform the capital market assumptions	2	2	2	2	Aligned
The risk of inflation on the Commingled Trust Fund (CTF) assets and liabilities	3	3	3	4	Aligned
The risk of not being properly positioned in capital markets and missing opportunities	2.5	2.5	2	2	Aligned

Fiduciary

Low Risk Tolerance	2025	2024	2023	2022	
The risk that Board independence becomes compromised by external or political influence	3	2	2	1	Elevated
The risk of acting contradictory to the best interests of beneficiaries and stakeholders	2.5	2	2	2	Elevated

Strategic

Moderate Risk Tolerance	2025	2024	2023	2022	
The risk of a decreased time horizon influencing the long-term strategy and its outcome	2	2	2	2.5	Aligned
The risk that investment actions are taken with short term consideration during adverse market conditions	2	2	2	2.5	Aligned

2025 KEY RISK DASHBOARD RATINGS

RATING (1 LOW, 5, HIGH)



Governmental Environment

Moderate Risk Tolerance	2025	2024	2023	2022	
The risk that the Legislature or court decisions materially impact the mission of the WSIB	4	4	4	4	Elevated
The risk of not achieving the expected return for the CTF	2	2	2	2	Aligned
The risk that political influence outside of WSIB’s control may contradict our fiduciary duty in legislation or guidance	4	4	4	3.5	Elevated

Operational

Moderate Risk Tolerance	2025	2024	2023	2022	
The risk that recruitment and retention of qualified professionals in a state agency could drive turnover, impacting the quality in management of assets and the agency	4	4.5	4.5	5	Elevated
The risk that manager/vendor transitions, new systems, or new market implementations create operational challenges	4	4	5	4	Elevated
The risk that current biennial appropriated budget process may constrain the agility of WSIB in its mission	2	2	2	2	Aligned

Reputation

Low Risk Tolerance	2025	2024	2023	2022	
The risk that the WSIB’s reputation or credibility is damaged	2	2	2	2	Aligned
The risk that the Board or staff behave unethically	1	1	1	1	Aligned

2026 ERM COMMITTEE EXPECTED INITIATIVES

- Monitor existing risks
- Discuss emerging risks
- Cybersecurity key risk dashboard project
- Third-party risk management processes project
- ERM Risk Control Self Assessment (RCSA) process project



APPENDIX

2025 Key Risk Dashboard Update



2025 KEY RISK DASHBOARD UPDATE



Description	Metrics/Evaluation				Rating (1 low, 5 high)				Comments/Projects/Monitoring
					2025	2024	2023	2022	
A: Investment									
1. The risk that our investments materially underperform the capital market assumptions.	15 Yr CMA Return Target	Actual 5 Year	Actual 10 Year	Actual 20 Year	2	2	2	2	The CTF's 5-year return as of June 30, 2025 is 10.9%, following a strong [relative to CTF target] return of 8.4% over the last 12 months. Calendar year-to-date sits at 4.8%. The current CMAs were approved by the WSIB in April 2025.
	7.0%	10.9%	9.3%	8.4%					
2. The risk of inflation on the Commingled Trust Fund (CTF) assets and liabilities.	Inflation Assumption	Current	20 Yr Low	20 Year High	3	3	3	4	Inflation has come down significantly after peaking at 9.10% in June 2022. It took the U.S. Federal Reserve multiple interest rate hikes to get inflation down. Inflation in 2025 is showing signs of stickiness and the Fed is reluctant to lower rates further at this time (06/30/2025).
	2.50%	2.40%	-2.10%	9.10%					
3. The risk of not being properly positioned in capital markets and missing opportunities.	Ongoing portfolio review including monitoring asset allocations to policy targets and our ability to access opportunities. As of 06/30/2025 the largest underweight in the CTF to any of the long-term asset allocation targets is -3.6% to Fixed Income.				2.5	2.5	2	2	Continued monitoring.
					2025	2024	2023	2022	
B: Fiduciary									
1. The risk that Board independence becomes compromised by external or political influence.	Contractor political contribution reporting, enhanced code of conduct, gift reporting requirements, delegation of authority to agency, F-1 filing review, and annual ethics and fiduciary training compliance.				3	2	2	1	Board members appear to act in a manner consistent with expectations. We have initial and annual trainings. Risk level elevated as pressure and contact from special interest groups is increasing and could impact Board independence.
2. The risk of acting contradictory to the best interests of beneficiaries and stakeholders.	Personal trading policy, gift reporting, outside consultant review of investments, investment committee, internal policies, procedures and compliance.				2.5	2	2	2	Addition of new staff and Board members and loss of institutional knowledge can potentially contribute to continued increasing challenges in this risk factor.

2025 KEY RISK DASHBOARD UPDATE



10

Description	Metrics/Evaluation	Rating (1 low, 5 high)				Comments/Projects/Monitoring
		2025	2024	2023	2022	
C: Strategic						
1. The risk of a decreased time horizon influencing the long-term strategy and its outcome.	On-going portfolio review.	2	2	2	2.5	Investment Beliefs help guide WSIB through periods of market volatility. Committee kept the risk lower as the market environment is still somewhat calm.
2. The risk that investment actions are taken with short term consideration during adverse market conditions.	On-going portfolio review.	2	2	2	2.5	WSIB has come through volatility well in regards to sticking with long-term investment beliefs. Need to stay alert.
		2025	2024	2023	2022	
D. Governmental Environment						
1. The risk that the Legislature or court decisions materially impact the mission of the WSIB.	Review cases and monitor legislation.	4	4	4	4	Increasing political pressure regarding ESG factors; continue monitoring.
2. The risk of not achieving the expected return for the CTF.	Monitor performance and investment attribution. Look for weakness in returns among asset classes.	2	2	2	2	Closely watching valuations of private assets. Current CMAs were approved by the Board in April 2025.
3. The risk that political influence outside of WSIB's control may contradict our fiduciary duty in legislation or guidance.	Monitor state and federal legislation. Partnership with associations, such as CII and ILPA, provide visibility on federal issues; sustainability officer provides greater transparency and attention to potential outside political influences.	4	4	4	3.5	Pressure and contact from special interest groups is increasing. Increasing political risk. Continue monitoring.

2025 KEY RISK DASHBOARD UPDATE



Description	Metrics/Evaluation	Rating (1 low, 5 high)				Comments/Projects/Monitoring
		2025	2024	2023	2022	
E. Operational						
1. The risk that recruitment and retention of qualified professionals in a state agency could drive turnover, impacting the quality in management of assets and the agency.	Let us keep an eye on turnover. According to one manager at WSIB, the person has experienced a hard time finding candidates and is at the moment shorthanded. On the investment side, several positions in RMAA have been filled	4	4.5	4.5	5	Watching retention, staff burning out from stress and workload, and hybrid working environment. Risk is still elevated.
2. The risk that manager/vendor transitions, new systems, or new market implementations create operational challenges.	Project Collaboration Committee to monitor and coordinate new projects for operational risks.	4	4	5	4	Watching for problems implementing new systems, training of staff on new systems, and also training of new staff on existing systems. WSIB is working on a Third-Party/Vendor Risk Project.
3. The risk that current biennial appropriated budget process may constrain the agility of WSIB in its mission.	Monitor legislation.	2	2	2	2	Watching budget carefully; continue monitoring.
		2025	2024	2023	2022	
F. Reputation						
1. The risk that the WSIB’s reputation or credibility is damaged.	Conflict of interest policies, trading monitoring, compliance reporting of political contributions by contractors, gift reporting, annual ethics & fiduciary training compliance. [Incl. investments	2	2	2	2	Continued training and monitoring.
2. The risk that the Board or staff behave unethically.	See risk of reputation damage above.	1	1	1	1	Continued training and monitoring.

BOARD GOVERNANCE POLICY COMPLIANCE REVIEW REPORT

DECEMBER 2, 2025

Liz Smith, Legal, Risk, and Compliance Director



PURPOSE OF BOARD GOVERNANCE POLICY REVIEW

- Biennial Compliance Review
- Demonstrates the Board's internal governance structure is strong
- Improves policy oversight
- Refines overlaps in policies and processes
- Improves Board governance process



GOVERNANCE CHARTERS AND POLICIES REVIEWED

Reviewed Charters, Delegation, and Roles	
Number	Description
1.00.110	Board Charter
1.00.120	Administrative Committee Charter
1.00.130	Audit Committee Charter
1.00.140	Private Markets Committee Charter
1.00.150	Public Markets Committee Charter
1.00.160	Charter of the Board Chair
1.00.170	Board Vice Chair Charter
1.00.180	Executive Director Charter
1.00.190	Internal Audit Charter
1.05.100	Delegation of Authority
Reviewed Board Governance Policies	
Number	Description
2.00.101	Conflict of Interest and Recusal
2.00.102	Gifts
2.00.103	Confidentiality and Use of Position Policy
2.00.104	Personal Investments
2.00.105	Travel Reimbursement by Investment Partners and Others
2.00.200	Board Education
2.00.210	Board Operations
2.00.220	Chief Executive Officer Performance Evaluation
2.00.230	Service Provider
2.00.240	Board Monitoring and Reporting
2.00.260	Board Member Travel and Expense Reimbursement

COMPONENTS OF REVIEW

- Identified readily verifiable provisions within governance policies
- Review period: Fiscal Years 2024 and 2025
- Observed Board and Committee meetings
- Reviewed Board and Committee meeting minutes
- Reviewed Board and Committee meeting materials
- Reviewed additional supporting documents maintained by staff demonstrating compliance
- Identified areas of compliance and non-compliance
- Reviewed approximately 400 provisions within the policies and charters



Board Operations Policy 2.00.210

Requirement

- The schedule (time and place) of regular Board meetings is provided to the Code Reviser and published as part of the State Register in accordance with RCW 42.30.075
- Notice of changes must be published in the State Register for distribution at least 20 days prior to the rescheduled meeting date

Administrative Exceptions Noted

- Three meetings were not updated in the State Register
 - The December 2023 Board meeting changed from a 2-day meeting to a 1-day meeting
 - The December 2024 Board meeting changed from a 2-day meeting starting at 9:30am to a 1-day meeting starting at 9:00am
 - The July 2025 Board meeting was published with a meeting time of “TBD”

Staff Response

- Staff will ensure that required updates to the Code Reviser are timely submitted



Chief Executive Officer Performance Evaluation Policy 2.00.220

Requirement

- Upon completion of the Board's discussion of the evaluation, the Board Chair and the Chief Executive Officer (CEO) will sign the written performance evaluation
- The original, signed document will be placed in the CEO's personnel file

Administrative Exception Noted

- 2024 CEO Performance Evaluation was not signed by the Board Chair until after it was noted during this review
 - CEO Performance Evaluation was completed by the Board on February 20, 2025. However, a written evaluation was not signed and provided to Human Resources (HR) at that time
 - HR staff confirmed the signed copy is now in the CEO's personnel file

Staff Response

- Going forward the Confidential Secretary will ensure a signed copy is timely provided to HR



Conflict of Interest – Recusal Policy 2.00.101

Requirement

- All employees must certify in writing that they have read, understand and will comply with the Board’s ethics policies and related administrative policies within 1 week of employment start date and annually thereafter

Administrative Exceptions Noted

- Not all employees certified within 1 week of employment
 - 7 of 34 employees who started with the WSIB between July 1, 2023, and June 30, 2025, did not complete their policy certification within 1 week of their start date
 - All employees completed the certification within 9 days of start date

Staff Response

- Going forward, the new employee’s supervisor will be included in the certification reminders



A HIGH DEGREE OF COMPLIANCE WITH WSIB GOVERNANCE POLICIES

Less than 1 percent of provisions reviewed resulted in reportable observations

Charter and/or Policy Provisions Reviewed	Compliance Findings
~400	3