



**Thursday, June 15, 2023
Board Meeting**

Call to Order - 9:30 A.M.

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**In-Person Attendance: Washington State Investment Board
2100 Evergreen Park Drive 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 April 20, 2023, meeting minutes.

3. Public Comment (9:35-9:45)

A. Public Comment

4. CEO Report (9:45-9:55)

A. CEO Report to the Board - May/June 2023

5. Administrative Committee Report (9:55-10:05)

A. Fiscal Year 2024 Non-Appropriated Budget

B. 3-Year Policy Review - Reaffirmation

C. 3-Year Policy Review - Technical Revisions

D. 3-Year Policy Review - Substantive Revisions

E. Proxy Voting Oversight

6. Audit Committee Report (10:05-10:10)

A. Fiscal Year 2024 Audit Plan

7. Public Markets Committee Report (10:10-10:15)

8. Private Markets Committee Report (10:15-10:20)

A. CBRE Minke Investments, LP

B. Private Markets Committee Charter Policy 1.00.140 Review

9. Policy Revision (10:20-10:30)

A. Volunteer Firefighters' and Reserve Officers' Relief and Pension Funds Policy 2.09.100 Revision

10. Quarterly Performance Reports (10:30-10:40)

A. Quarterly Performance Reports

11. Break (10:40-10:50)

12. Education Session (10:50-11:50)

A. Fixed Income Session

13. Lunch Break (11:50-12:20)

14. Education Session (12:20-1:35)

A. Geo-Political Outlook

15. Other Items (1:35-1:40)

16. Executive Session - Administrative Committee Report continued (1:40-1:50)

A. Non-Voting Board Member Term Expirations

17. Adjourn (1:50p)

**WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
June 15, 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: 278 449 702 503; Passcode: wZ7vrE; Dial-In Telephone Number 1-360-726-3322; Phone Conference ID Number 596 344 105#. The meeting was also live-streamed and recorded by TVW.

Members Present: Tracy Guerin, Chair
Sara Ketelsen
Judy Kuschel
Liz Lewis
Bill Longbrake
Yona Makowski
Greg Markley
Senator Mark Mullet
David Nierenberg
Treasurer Mike Pellicciotti
Representative Timm Ormsby
Mary Pugh
Joel Sacks
George Zinn

Members Absent: Ada Healey

Also Present: Allyson Tucker, Chief Executive Officer
Christopher Hanak, Chief Investment Officer
Kristi Bromley, Investment Officer – RMAA
Stacy Conway, Executive Assistant

Tor Jernudd, Attorney General's Office
U.S. Retired General David Petraeus, KKR

CALL TO ORDER

Chair Guerin called the meeting to order at 9:33 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 April 20, 2023, meeting minutes.
Mr. Markley seconded, and the motion carried unanimously.**

PUBLIC COMMENT

Ms. Albert addressed the Board, noting the United Nations report titled "Integrity Matters," which she also provided in her written materials. She asked that the Board consider directing professional staff to provide options that align holdings with the Paris Agreement.

She opined that sustainability processes and standards that the WSIB is using are failing to exclude holdings that are not in alignment, and it is the Board's responsibility to act.

Ms. Carey addressed the Board stating that fossil fuels are a serious fiduciary concern for the WSIB. She referenced a study completed by the University of Waterloo comparing cumulative returns with and without fossil fuel exposure, opining that the WSIB's portfolio return would be higher without exposure to energy. She asked the Board to act quickly on fiduciary duty by investing in a way that reduces risk from high emitters and by asking staff to develop a portfolio without fossil fuels that earns a return at least as good or better than current.

Ms. Edmark addressed the Board noting that since last Board meeting there have been several reports explaining the devastation that fossil fuels have on communities. She noted her participation in a recent Washington State University social justice conference, opining on the relationship between fossil fuel funding and criminal and unjust behavior. She referenced the WSIB's investments in KKR and concerns regarding their operations. Ms. Edmark opined that Washington state should not support these companies perceived to cause harm.

Ms. Friedman addressed the Board, representing the construction workers laborer's union in the U.S. and Canada, regarding a TPG Rise investment. She noted that the union generally supports the project; however, has three main concerns: the missed opportunity to commit to an equitable energy transition for workers in local fossil fuel communities along the route; utilizing the wrong contractor to build out the difficult portions of the pipeline; and investors face considerable financial risk because of the reliance on new labor standards tied to the 45Q tax credit. She urged the WSIB to contact TPG Rise to express these concerns.

Chair Guerin thanked the public commenters, relaying that the WSIB's mission is to maximize return over the long term at a prudent level of risk for the exclusive benefit of beneficiaries, and the Board takes this very seriously.

MARCH/APRIL CEO REPORT TO THE BOARD

Ms. Tucker reminded the Board that the 3-day strategic planning meeting will be held in July, and she highlighted the anticipated presentation by the executive director of Ownership Works at the meeting. She noted her attendance at JP Morgan's inaugural Scottsdale Forum, which was attended by a group of high-level CEOs of a variety of firms gathered to discuss sustainability, and her presentation to the Washington Education Association's retiree group at its annual meeting. She announced that the WSIB's Vision, Mission, and Values would be launched soon and shared with the Board in July.

Ms. Tucker introduced new staff members Elisabeth Magyar, Nadaa Elbarbary, and Skylar Houk, who has returned after a short departure. She noted the upcoming retirement of Bill Kennett at the end of June. She noted the open procurements with quiet period in place and the ongoing public equity procurement now in place.

ADDITIONAL PUBLIC COMMENT

Ms. Tucker reported that the WSIB received 31 written public comment submissions regarding the WSIB's investment in fossil fuels and requests for divestment. Copies of the

submissions have been included in Board materials. Written public comment was received from Andrea Mendoza, Andrea Parrish, Anna Johnson, Anne Kohlbry, Anne Shields, Barbara Carey, Bob Cox, Bob Nass, Bob Zeigler, Britta Voss, Chris Covert-Bowlds, Christine Parke, Coleen Anderson, Corbin Johnson, Dale Armstrong, Daniel Schapiro, David Bellefeuille-Rice, Donna Albert, Elizabeth Guss, Elizabeth Hauser, Joe Hiss, Kathy Wilmering, Kristen Edmark, Liz Ellis, Maureen Canny, Otto Buls, Polly Taylor, Riddhi Mehta-Neugebauer, Sally Keely, Timothy Ransom, and Vince Stricherz.

ADMINISTRATIVE COMMITTEE REPORT

Chair Guerin reported that the Administrative Committee met earlier in the morning, prior to the Board meeting.

The first item was consideration of the proposed Fiscal Year (FY) 2024 Non-Appropriated Budget.

On behalf of the Administrative Committee, Chair Guerin moved that the Board approve the Fiscal Year 2024 Non-Appropriated Budget as proposed. Ms. Makowski seconded the motion.

Chair Guerin noted that the proposed budget, contained in the Board materials, is zero-impact with no change to the previous year's budget.

The motion carried unanimously.

The next item for the Board's consideration is reaffirmation of the Board Vice Chair Charter Policy 1.00.170.

On behalf of the Administrative Committee, Chair Guerin moved that the Board reaffirm the Board Vice Chair Charter Policy 1.00.170. Mr. Markley seconded the motion.

Ms. Guerin said this is a reaffirmation with no changes as part of the required 3-year policy review.

The motion carried unanimously.

The next item for the Board's consideration are technical changes to the Delegation of Authority Policy, Board Monitoring and Reporting Policy, and Investment Referral Process Policy.

On behalf of the Administrative Committee, Chair Guerin moved that 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. Ketelsen seconded the motion.

Chair Guerin explained that the three policies contain proposed technical revisions as part of the 3-year review process.

The motion carried unanimously.

The last policy item is substantive revisions to the Service Provider Policy.

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

Chair Guerin explained that the substantive revisions to the policy are related to changes in the public equity procurement process.

The motion carried unanimously.

Chair Guerin said the last item proposed by the Administrative Committee is the change in proxy voting oversight from the Audit Committee to the Board.

On behalf of the Administrative Committee, Chair Guerin moved that 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 disclosed that it was not a unanimous decision to move this item to the Board, as Treasurer Pellicciotti voted no. Chair Guerin noted that she is bringing this forward as the Board Chair after contemplating it for several months, noting the greater interest by the public and Board members in proxy voting and the intent to increase transparency in shifting the oversight to the full Board. In addition, due to an increase in interest over the last several years, there has been some duplication of education sessions, first being held at the Audit Committee and then again as a session at the full Board. She also addressed the strategic nature of the proposal and noted that she believes it is prudent to bring proxy voting back to the full Board for increased transparency and to include all the advisory (non-voting) board members in the discussions.

Treasurer Pellicciotti stated that he strongly opposes the proposal and noted that while he appreciates the Chair's comments, there is a large volume of proxy votes. He opined that the Board has a duty to ensure votes are cast in accordance with Board beliefs and proxy voting guidelines. Treasurer Pellicciotti recalled that at the last Board meeting he noted his concerns related to whether the votes cast were aligned with the Board's proxy voting guidelines and he proposed an audit to determine if the votes were alignment. He expressed his concerns with removing the Audit Committee's oversight of proxy voting and the moving the interaction on proxy voting to the Board Chair. Treasurer Pellicciotti reiterated that he has major concerns and opposes the proposal and asked that the rest of the voting Board members oppose it as well.

Chair Guerin noted that the timing of the internal audit of proxy voting referred to by Treasurer Pellicciotti will be addressed later in today's agenda. She explained that there is no intent to reduce oversight of proxy voting with this proposal.

Discussion ensued regarding Institutional Shareholder Services proxy voting process and results; the increased importance of proxy voting; the educational and discussion opportunities that could take place at the full Board; the benefit of reducing repeated discussions; the value of in-person conversations around this important topic; and the desire for regular reporting and education to the Board.

The motion carried.

AUDIT COMMITTEE REPORT

Treasurer Pellicciotti reported that the Audit Committee met on June 6 with a full agenda, including one action item for the Board's consideration.

Chair Guerin moved that the Board approve the Fiscal Year 2024 Audit Plan as proposed. Ms. Ketelsen seconded the motion.

Treasurer Pellicciotti relayed that the Audit Plan was developed using a risk assessment framework and designed to utilize Internal Audit and agency resources in an efficient and effective manner. The proposed audit areas are Private Equity – Due Diligence and Monitoring; Commingled Trust Fund Valuation and Pricing; Travel Administration and Expenditures; Budget Development and Monitoring; Records Management; Environmental, Social, and Governance (ESG) Reporting; Computer Assisted Auditing (Appropriated/Non-Appropriated Expenditures, Payroll, System Access); as well as the outsourced IT Security Audit and 3-year Office of the Chief Information Officer Policy Review

Treasurer Pellicciotti reiterated that the Audit Committee recommends adoption of the 2024 Audit Plan as presented and the amendment to the motion is made in his individual capacity.

Treasurer Pellicciotti moved to amend the Audit Plan to move up the review of the proxy voting system from Fiscal Year 2024 to 2025. The motion failed to receive a second.

Chair Guerin called for a vote on the original motion.

The original motion passed.

Treasurer Pellicciotti reported that the Audit Committee also received the results of the Private Markets Capital Calls and Distributions internal audit engagement. Staff concluded that overall, processes and controls are in place to ensure cash flow transactions are valid, processed accurately and timely, and are functioning to ensure the safeguarding of assets. There were no audit recommendations. In addition, the Audit Committee reviewed the financial statement audit planning letters and received an update on the status of prior

audit recommendations, the final quarterly report from the Fiscal Year 2023 audit plan, and the quarterly investment referral report.

PUBLIC MARKETS COMMITTEE REPORT

Ms. Makowski reported that the Public Markets Committee met on June 6, 2023, to receive educational presentations from Public Equity and Risk Management and Asset Allocation staff.

The first presentation addressed approaches to non-U.S. exposure in public equities. Staff presented a comparison of the different approaches to gain non-U.S. exposure in the public equity portfolio, and emphasized the nuances associated with each approach. The approaches discussed included U.S.-domiciled multinational companies, depository receipts, local ordinary shares or common stock, commingled vehicles, and derivatives (forwards, futures, swaps, and options). Staff explained that the vast majority of non-U.S. exposure in the public equity portfolio is through common stock representing the widest opportunity set for our external managers. Investment guidelines are useful tools for risk control; however, any constraints will reduce the opportunity set, and no approach offers complete protection from geo-political and other risks at all times.

The second educational presentation the committee received was regarding the London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR) transition. The last date of publication for the U.S. dollar LIBOR rates will be on June 30, 2023. Staff explained how LIBOR became one of the most important benchmarks within the financial industry and discussed what led to its demise through rate manipulation and changing markets. Staff further examined the reasons SOFR was selected to become the benchmark to replace U.S. dollar LIBOR. Staff discussed the impact to the WSIB portfolios and overall, expects the transition to be smooth.

PRIVATE MARKETS COMMITTEE REPORT

On behalf Mr. Sacks, Chair Guerin reported that the Private Markets Committee met on June 1, 2023, to consider a Tangible Assets investment recommendation and a review of the Private Markets Committee Charter Policy 1.00.140.

The first item for the Board’s consideration was CBRE Minke Investments, LP.

On behalf of the Private Markets Committee, Chair Guerin moved that the Board invest up to \$115 million, plus fees and expenses, in CBRE Minke Investments, LP, subject to continuing due diligence and final negotiation of terms and conditions. Ms. Makowski seconded the motion.

Chair Guerin explained that CBRE Minke Investments, LP, is a separately managed account with CBRE Investment Management. The separately managed account is being created to invest in CBRE’s infrastructure platform, with the initial commitment in a Canadian transportation-related infrastructure platform sourced by CBRE’s private infrastructure team. This would be a first-time investment with CBRE for the tangible assets portfolio. This proposed investment would fall into the new partners or new strategies allocation in the

Board-approved 2023 Tangible Assets annual plan. The recommendation is based in part on CBRE's strong long-term yield potential, downside protection, unique middle-market opportunity, club-like investment group, and other factors relevant to the recommendation.

The motion carried unanimously.

The second item for the Board's consideration was the review of the Private Markets Committee Charter.

On behalf of the Private Markets Committee, Chair Guerin moved that the Board approve the proposed technical revisions to the Private Markets Committee Charter Policy 1.00.140. Ms. Ketelsen seconded the motion.

Board policies are required to be reviewed every 3 years to ensure they remain relevant and appropriate. Technical changes, including update of staff titles, update of policy references, and other grammatical edits are proposed to the Private Markets Committee Charter.

The motion carried unanimously.

[Ms. Lewis joined the meeting at 10:25 a.m.]

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION FUNDS (VFFRPF) POLICY 2.09.100 REVISION

Ms. Bromley explained that legislation passed in 2023 split the VFFRPF into two plans: one plan for volunteer firefighters and emergency medical technicians and a separate plan for Reserve Law Enforcement Officers, effective August 1. The policy has been revised to reflect the split and address the asset allocation for the new plan. There is no recommended change to the current asset allocation for the existing plan and the allocation will remain consistent for the new plan at 70 percent global equity and 30 percent fixed income.

Discussion ensued regarding the size, funding status, funding source, number of members, and administration of each plan.

Chair Guerin moved that the Board adopt the proposed revisions to the Volunteer Firefighters' and Reserve Officers' Relief and Pension Fund Policy 2.09.100. Senator Mullet seconded, and the motion carried unanimously.

QUARTERLY COMMINGLED TRUST FUND PERFORMANCE UPDATE

Mr. Hanak presented the CTF performance update for the quarter ending March 31, 2023. He detailed returns for the quarter, as well as the 1-, 3-, 5-, 10-, and 20-year periods, noting that returns remain positive, with the exception of the 1-year. Due to the higher allocation to private markets, the WSIB lagged its peers in returns. He commented on the

economic environment, including interest rate increases and the Consumer Price Index For All Urban Consumers (CPIU).

Mr. Hanak discussed returns for each asset class, noting performance related to benchmarks and highlighting impacts of volatile inflation. He addressed the asset class allocations as compared to targets, noting the decline of the real estate allocation bringing it into alignment with its target. He detailed returns for the various Labor and Industries funds, noting the active management of fixed income and passive management of the public equity portion of the portfolio.

[The Board recessed at 10:41 a.m. and reconvened at 10:52 a.m.]

EDUCATION SESSION

Fixed Income Session

Ms. Pugh shared the agenda of the presentation, noting that the session would include a bit of background and market insights, along with an opportunity to hear from Mr. Kennett and Ms. Ong about the WSIB's fixed income portfolio. She shared definitions of fixed income terminology and the role of fixed income as an asset class. She explained the characteristics, sectors, credit quality, and maturity of the Universal Index, which is the WSIB's fixed income portfolio benchmark. She discussed the growth of outstanding debt since 1991, noting that the economy has become more reliant on debt over time. She discussed the impacts of rate changes on yield and duration and presented an example of price changes with various interest rate scenarios.

[Senator Mullet left the meeting at 11:15 a.m.]

Discussion ensued regarding the impact of interest rate fluctuations on bond pricing and how corporate bonds are issued and traded.

Ms. Pugh noted the WSIB's long-term horizon and discussed short term implications. she presented bond insights, explaining the mechanics and using an example to describe the bond coupon and principal cashflows, rate scenarios, and holding period return by different time horizons.

Mr. Kennett and Ms. Ong joined Ms. Pugh for an overview of the WSIB's fixed income portfolio.

Ms. Pugh noted that the WSIB strategy emphasizes corporate credit, and Ms. Ong explained to the Board the reasoning behind the strategy.

Discussion ensued regarding the corporate credit portfolio, the historical market and WSIB default rates, and the Fixed Income team's conservative application of policy.

Ms. Pugh commented on the higher emerging market allocation, and Mr. Kennett noted the opportunities and benefits of investing in these companies.

Discussion ensued regarding the fixed income unit's process for finding investment opportunities.

Ms. Pugh inquired as to the fixed income unit's success factors. Mr. Kennett said the team focuses on what they believe is important, holding a longer-term view, maintaining knowledge, the decision-making framework, the Board's broad guidelines providing flexibility, and the importance of good judgement. He noted Ms. Ong's experience, work ethic, strong judgement, as well as the longevity and strength of the entire Fixed Income team.

Mr. Nierenberg commented on Mr. Kennett's service to the Board and the people of the state of Washington, as well as his extraordinary judgement and dedication to his work.

Ms. Ong expounded on Mr. Kennett's experience, diligence, strong work ethic, reliability, and dedication. She stated that his consistent excellent work has resulted in the WSIB's consistent outperformance.

In response to Ms. Pugh's inquiry regarding the fixed income team's management and use of duration, Ms. Ong commented that the team maintains an interest rate outlook at all times, looking at the 10-year rate and determining positioning of duration. She opined that the current rate environment is attractive, but not likely to last. There are many uncertainties, but interest rates will likely be lower next year than this year. The team wants to lock in good quality investment grade credits at 10 and 30 years.

Ms. Kuschel passed on her appreciation to Mr. Kennett, noting that his dedication and returns over his career have made a significant difference in the financial lives of beneficiaries.

[The Board recessed at 11:57 a.m. and reconvened at 12:23 p.m.]

[Mr. Sacks joined the meeting at 12:23 p.m.]

EDUCATION SESSION

Geo-Political Outlook

Ms. Tucker introduced Retired U.S. General Petraeus (General Petraeus), to share with the Board his expertise and knowledge of the current geo-political climate and investment implications.

In response to questions posed by Ms. Tucker, General Petraeus discussed his role at KKR, having established the KKR Global Institute, utilizing his expertise to analyze and mitigate risk; his lack of political affiliation; thematic issues that investors should pay attention to; Russia's invasion of Ukraine, the role the U.S. is playing in the conflict, and path to an end to the conflict; key issues of the upcoming election cycle; investing in China; and cybersecurity.

APPROVED

In response to questions posed by Board members, General Petraeus addressed the importance of ensuring deterrence to avoid conflict with China; KKR's careful consideration of and allocation to investments in China; and opportunities and considerations for investing in India.

In response to Ms. Tucker's inquiries, General Petraeus shared his thoughts regarding investing in the Middle East, including the continuing reliance on oil and gas through the energy transition and risk associated with continuing instability, as well as China's relationship with the Middle East and related implications.

In response to Board member questions, General Petraeus discussed geo-political risk driven by individual leaders and the implications of artificial intelligence and generative technology.

OTHER ITEMS

There were no other items to come before the Board in open session.

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 approximately 10 minutes, at which time the Board would reconvene in open session to adjourn.

[Mr. Longbrake, Mr. Nierenberg, Ms. Pugh, and Mr. Zinn left the meeting at 1:46 p.m.]

[The Board went into executive session at 1:46 p.m.]

Non-Voting Board Member Expiring Terms

[The executive session was extended for an additional 5 to 10 minutes. Notice was given to those waiting to return to the meeting.]

[The Board reconvened in open session at 2:07 p.m.]

ADJOURNMENT

There were no other items to come before the Board, and the Board meeting adjourned at 2:08 p.m.