



**Thursday, September 21, 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
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 corrected April 20, 2023, meeting minutes
- B. Adoption of the June 15, 2023, meeting minutes.
- C. Adoption of the July 11-13, 2023, meeting minutes.

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

4. Board Governance (9:45-9:55)

- A. Oath of Office
- B. Officer Elections
- C. 2023 Meeting Schedule

5. CEO Report to the Board (9:55-10:05)

- A. CEO Report to the Board - July-September 2023

6. Administrative Committee Report (10:05-10:15)

- A. 2023-2024 Board Conference and Education List

7. Audit Committee Report (10:15-10:20)

8. Public Markets Committee Report (10:20-10:25)

- A. Technical Policy Revisions
- B. Substantive Policy Revisions

9. Private Markets Committee Report (10:25-10:35)

- A. Schrodgers Greencoat Woodmont Renewables, LP
- B. TowerBrook Delta, L.P.
- C. KKR Global Impact Fund II, L.P.
- D. Ara Fund III, L.P.
- E. Centerbridge Capital Partners V, L.P.

10. Performance Reports (10:35-10:45)

A. Quarterly Commingled Trust Fund (CTF) Performance Update

11. Break (10:45-10:55)

12. Annual Labor and Industries Portfolio Review (10:55-11:40)

A. Annual Labor and Industries Portfolio Review

13. 2023 Board Ethics Training Overview (11:40-11:55)

A. 2023 Quiet Periods, OPMA, Ethics, Conflicts, Public Records, and Fiduciary Training Overview

14. Lunch (11:55-12:30)

15. Global Custodian Bank and Securities Lending Manager Recommendation (12:30-1:45)

A. Global Custodian Bank and Securities Lending Manager Recommendation

16. Proxy Voting Review (1:45-2:45)

A. WSIB Proxy Voting Activity - Fiscal Year 2023

17. Other Items (2:45-2:50)

18. Break (2:50-3:00)

19. Executive Session: Administrative Committee Report continued (3:00-3:30)

A. Annual Succession Planning Update

B. Board Self-Evaluation

20. Adjourn (3:30p)

**WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
September 21, 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: 288 193 611 23; Passcode: QT4ZXp; Dial-In Telephone Number 1-360-726-3322; Phone Conference ID Number 810 265 174#. The meeting was also live-streamed by TVW.

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

Members Absent: Liz Lewis

Also Present: Allyson Tucker, Chief Executive Officer
Christopher Hanak, Chief Investment Officer
Liz Smith, Legal, Risk, and Compliance Director
Cala Risse, Director of Investment Accounting and Administration
Clark Llamzon, Investment Data Manager – Risk Management and Asset Allocation (RMAA)
Fred Gjerstad, 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
Janet Becker-Wold, Callan
Steven Center, Callan
Kevin Machiz, Callan
Anders Reinertsen, Bank of New York Mellon
Todd Rossignol, Bank of New York Mellon
Yolanda Diaz, Bank of New York Mellon
Meghan Dragina, Bank of New York Mellon

CALL TO ORDER

Chair Guerin called the meeting to order at 9:30 a.m. and took roll call; all Board members listed as present were able to fully participate in the meeting while in attendance.

ADOPTION OF MINUTES

Chair Guerin moved that the Board adopt the April 20, 2023, meeting minutes as corrected to include Board member George Zinn as present at the meeting. Judy Kuschel seconded, and the motion carried unanimously.

Chair Guerin moved that the Board adopt the June 15, 2023, meeting minutes. Judy Kuschel seconded, and the motion carried unanimously.

Chair Guerin moved that the Board adopt the July 11-13, 2023, meeting minutes. Yona Makowski seconded, and the motion carried unanimously.

PUBLIC COMMENT

Barbara Carey, Kirsten Edmark, Donna Albert, and Sue Langhams addressed the Board regarding climate change and existential threats posed by global warming, urging the Board to divest of its holdings in fossil fuels.

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

Riddhi Mehta-Neugebauer addressed the Board on behalf of the Private Equity Stakeholder Project regarding climate- and financial-related risks of the WSIB's investment in the proposed Rio Grande LLG export terminal through its commitment to Global Infrastructure Partners Fund V, L.P.

Allyson Tucker reported that the WSIB received 23 written public comment submissions: 21 related to the WSIB's investments in fossil fuels and requesting divestment; one expressing climate-related concerns regarding a specific private equity portfolio investment, and one regarding labor used by one of the WSIB's private equity investment portfolio companies. The written public comments were provided to all Board members prior to the start of the meeting.

Chair Guerin expressed her appreciation to the public commenters for bringing forth their comments, noting the WSIB's implementation of the climate blueprint and highlighting the statutory mission of the organization: to maximize return at a prudent level of risk for the exclusive benefit of beneficiaries.

BOARD GOVERNANCE

Oath Of Office – Representative Mia Gregerson

Presenter: Tracy Guerin, Board Chair

Chair Guerin welcomed Representative Gregerson to the Board and administered the Oath of Office. Representative Gregerson expressed her enthusiasm and eagerness to be part of the Board.

Officer Elections

Chair Guerin called for nominations for Board Chair.

Judy Kuschel nominated Vice Chair Markley to serve as Chair. There were no other nominations, and Vice Chair Markley was declared Chair by unanimous vote of the Board.

Chair Markley expressed appreciation for Chair Guerin’s service and acknowledged others who had previously served in the role.

Chair Markley called for nominations for Vice Chair.

Joel Sacks nominated Yona Makowski to serve as Vice Chair. There were no other nominations, and Board Member Makowski was declared Vice Chair by acclamation.

2024 Meeting Schedule

Presenter: Greg Markley, Chair

The proposed 2024 Board meeting dates are February 15; April 18; June 20; July 16-18; September 19; November 21; and December 12-13. The proposed July strategic planning meeting dates are July 15-17, 2025, and July 14-16, 2026.

Chair Markley moved that the Board adopt the 2024 meeting dates and the 2025 and 2026 July strategic planning meeting dates as proposed. Vice Chair Makowski seconded the motion.

Treasurer Pellicciotti noted a conflict with one of the proposed dates.

The motion carried with Treasurer Pellicciotti voting no.

JULY-SEPTEMBER CEO REPORT TO THE BOARD

Presenter: Allyson Tucker, Chief Executive Officer

Allyson Tucker presented the CEO Report to the Board. Of note was the recent New York Times article suggesting that the true risk of the WSIB portfolio is 50 percent higher than posted quarterly returns. An explanation was offered on how the WSIB analyzes and forecasts the risk of its private equity portfolio in the Capital Market Assumptions adopted by the Board.

Board discussion ensued regarding the implications of the article; the WSIB’s outperformance as compared to peers, which has largely been driven by the CTF’s significant allocations to public and private equities; the Office of the State Actuary independent review of the WSIB’s CMAs; and whether the WSIB should respond to the article. Chair Markley deferred to staff on the decision to respond, and there was no objection from the Board.

In addition, Allyson formally announced the retirement of Diana Will, Senior Investment Officer – Tangible Assets and appointment of Dorota Czub as successor. On behalf of the Board, Chair Markley thanked Diana for her contributions to the WSIB.

At Allyson's request, Ada Healey acknowledged Mary Pugh's receipt of the "Grit, Grace, and Gratitude Award" given by the Federal Reserve Bank of San Francisco, on which both Ada and Mary serve.

ADMINISTRATIVE COMMITTEE REPORT

Presenter: Tracy Guerin, Administrative Committee Chair

There was one action item considered: the recommendation for approval of the 2023-2024 Board Conference and Education List.

On behalf of the Administrative Committee, Tracy Guerin moved that the Board approve the 2023-2024 Board Conference and Education List as proposed. Vice Chair Makowski seconded the motion.

The events on the proposed list have been vetted by staff and Board members as having valuable content and networking opportunities relative to the work of the WSIB.

The motion carried unanimously.

The Committee also reviewed the 2022-2023 Board Education and Conference report, prepared by staff as required by the Board Education Policy, and received a budget update for Fiscal Year 2023, with staff reporting that the appropriated budget closed the fiscal year with a balance of \$9.2 million or a 21.9 percent savings, and the non-appropriated budget closed the fiscal year with a balance of \$86 million or 11.6 percent savings.

The Committee also discussed a nomination and recruitment process for non-voting Board member vacancies. The process would be led by the Administrative Committee, as set forth in policy, and will include an evaluation of incumbent non-voting Board members who have expiring terms and options for recruitment of new advisors, including advertising and outreach. The Administrative Committee will take the lead on addressing the upcoming expiring terms, and more information will be shared at the November Board meeting.

In addition, the Committee set its 2024 meeting schedule, which corresponds with the Board meeting dates, and discussed succession planning and the Board self-evaluation in executive session, to be addressed further in the Board's executive session later in the meeting.

AUDIT COMMITTEE REPORT

Presenter: Treasurer Mike Pellicciotti, Audit Committee Chair

The Audit Committee met on September 5 with a full agenda. The Committee received the results of three internal audit engagements: the Fiscal Year 2023 Computer Assisted

Auditing engagement, which included one audit recommendation aimed to strengthen processes and controls; the Human Resources Management internal audit engagement, which included four audit recommendations aimed to assist with ensuring compliance and enhancing processes and controls; and the Tangible Assets Investments internal audit engagement, which included two recommendations aimed at strengthening processes.

The Committee reviewed the Fiscal Year 2023 Performance Measures and Quality Assurance Reporting for the Internal Audit unit. The unit met all five performance measures for the last year and the Internal Audit unit continues to “generally conform” with Internal Auditing Standards. The Committee was provided with a presentation summarizing the planning relating to the 5-year assessment of the internal audit function that will take place in 2024. The Committee supports contracting with an independent consultant to perform a full review.

The Committee also received the results of the biennial Board Policy Compliance Review, which included 3 compliance observations out of the 350 testable items reviewed. Staff reported to the Committee a very high degree of Board compliance with WSIB governance policies.

The Committee also received an update on the Fiscal Year 2024 audit plan, set the 2024 meeting schedule, received the quarterly investment referral report and a cybersecurity update, and reviewed and adjusted the Audit Director’s compensation.

[Representative Mia Gregerson left the meeting at 10:22 a.m.]

PUBLIC MARKETS COMMITTEE REPORT

Presenter: Yona Makowski, Public Markets Committee Chair

The Public Markets Committee met on September 5, 2023, to consider both technical and substantive revisions to nine policies and to set the 2024 Public Markets Committee meeting schedule. The first five policies, the Fixed Income Retirement Funds Policy, the Savings Pool Policy, the Bond Market Fund Policy, the U.S. Treasury Inflation Protected Securities Fund Policy, and the Permanent Funds Policy contain technical revisions only.

On behalf of the Public Markets Committee, Yona Makowski moved that the Board approve the proposed revisions to the Fixed Income Retirement Funds Policy 2.10.200, the Savings Pool Policy 2.13.200, the Bond Market Fund Policy 2.14.200, the U.S. Treasury Inflation Protected Securities Fund Policy 2.14.400, and the Permanent Funds Policy 2.25.100. Tracy Guerin seconded the motion.

These five policies are presented as part of the required 3-year review to ensure policies remain relevant and appropriate. Proposed technical revisions include changes that clarify policy language, updates to the names of indexes for accuracy, updates to position title language, and language changes to tie the policies to relevant parts of the Revised Code of Washington.

The motion carried unanimously.

There were four policies that contained substantive revisions: the Commercial Paper Investment Policy, the Public Markets Equity-Retirement Funds Policy, the Defined Contribution Plan 3 Retirement Funds Policy, and the DC Program and Judicial Retirement Account Policy.

On behalf of the Public Markets Committee, Yona Makowski moved that the Board approve the proposed revisions to the Commercial Paper Investment Policy 2.05.500, the Public Markets Equity-Retirement Funds Policy 2.10.100, the Defined Contribution Plan 3 Retirement Funds Policy 2.11.100, and the DC Program and Judicial Retirement Account Policy 2.13.100. Tracy Guerin seconded the motion.

These four policies were also presented as part of the required 3-year review to ensure policies remain relevant and appropriate. Proposed substantive revisions include changes that impact policy implementation as well as technical revisions.

Revisions to the Public Markets Equity – Retirement Funds Policy include updates to references to the public equity benchmark ensuring policy language is consistent with the index calculation for performance comparison purposes; the addition of clarifying language describing the objectives of passive investments and the circumstances under which they are appropriate for gaining exposure in emerging markets; removal of language permitting the hiring of active managers implementing non-U.S. strategies, as these mandates are no longer a focus of the public equity team; and updated language to clarify the application of benchmarks.

Revisions to the Defined Contribution Plan 3 Retirement Funds Policy include updating the timeline to review program investment options with the Department of Retirement Systems from “quarterly” to “at least annually”; updating the cash benchmark from the 1-month LIBOR to the 90-day Treasury Bill index to be consistent with the WSIB’s other cash benchmarks; and updating language to the “Retirement Strategy Funds” section for clarity and to reflect the program implementation more accurately.

Revisions to the Deferred Compensation Program and Judicial Retirement Account Policy include changes made to the “Background” and “Standard of Care” sections of the policy for clarity and to tie the policy more closely with language in the Revised Code of Washington and updating the timeline to review program investment options with DRS from “quarterly” to “at least annually”, as well as the addition of language referring to the Administrative Office of the Courts interagency agreement with the WSIB.

Revisions to the Commercial Paper Investment Policy include updating the permissible ratings provider language from “Nationally Recognized Statistical Rating Organizations” to an identified list of the three most relevant rating agencies: Moody’s Investor Services, Standard & Poors, and Fitch IBCA, along with the addition of “market value” language to clarify how issuer exposure limitations are calculated when securities are purchased.

The motion carried unanimously.

PRIVATE MARKETS COMMITTEE REPORT

Presenter: Joel Sacks, Private Markets Committee Chair

The Private Markets Committee met on September 7 to set the 2024 Private Markets Committee meeting schedule and to consider one tangible assets investment recommendation and four private equity investment recommendations.

The first item for the Board’s consideration was Schroders Greencoat Woodmont Renewables, LP.

On behalf of the Private Markets Committee, Joel Sacks moved that the Board invest up to \$300 million, plus fees and expenses, in Schroders Greencoat Woodmont Renewables, LP, subject to continuing due diligence and final negotiation of terms and conditions. Judy Kuschel seconded the motion.

Schroders Greencoat Woodmont Renewables, LP, is a separately managed account with Schroders Greencoat LLP. This would be a new general partner relationship for the WSIB, and the 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 Greencoat’s experienced team with a robust track record, investment approach and strategy closely aligned with the tangible assets mandate, largely predictable and stable cash flows, portfolio diversification, vehicle uniquely designed for the WSIB, and other factors relevant to the recommendation. In addition, the investments will be primarily focused on energy generation solar and wind in Europe.

The motion carried unanimously.

The second item for the Board’s consideration was TowerBrook Delta, L.P.

On behalf of the Private Markets Committee, Joel Sacks moved that that the Board invest up to \$100 million, plus fees and expenses, in TowerBrook Delta, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Judy Kuschel seconded the motion.

TowerBrook Delta, L.P., is a small growth buyout impact fund raised by TowerBrook Capital Partners. The fund will seek to make control-oriented equity investments in North American- and Western European-based businesses in the education and human capital development,

financial products and services, food and agriculture, healthcare, and environmental technologies and services sectors. The fund will target businesses that contribute actively to at least one of the United Nations Sustainable Development Goals. The WSIB has invested in three TowerBrook-sponsored partnerships since 2013. The proposed investment would fall into the unidentified allocation in the Board-approved 2023 Private Equity annual plan. The recommendation is based in part on TowerBrook's experienced and cohesive leadership team, firm platform, existing portfolio, sustainability pedigree, and other factors relevant to the recommendation.

The motion carried unanimously.

The third item for the Board's consideration was KKR Global Impact Fund II, L.P.

On behalf of the Private Markets Committee, Joel Sacks moved that the Board invest up to \$150 million, plus fees and expenses, in KKR Global Impact Fund II, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Yona Makowski seconded the motion.

KKR Global Impact Fund II, L.P., is a global mid-market buyout fund managed by KKR. The fund will primarily seek to make control-oriented equity investments in mid-market businesses based in North America, Western Europe, and Asia Pacific. KKR Global Impact Fund II, L.P., will seek to continue to invest behind scalable, commercial solutions to solve critical global challenges that address the United Nations Sustainable Development Goals in four investment themes: climate action, lifelong learning, sustainable living, and inclusive growth. The WSIB has invested in 26 KKR-sponsored partnerships since 1983. The proposed investment would fall into the unidentified allocation in the Board-approved 2023 private equity annual plan. The recommendation is based in part on KKR's strong franchise, global platform, value creation approach, strong inaugural debut with KKR Global Impact Fund I, and other factors relevant to the recommendation.

The motion carried unanimously.

The fourth item for the Board's consideration was Ara Fund III, L.P.

On behalf of the Private Markets Committee, Joel Sacks moved that the Board invest up to \$200 million, plus fees and expenses, in Ara Fund III, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Sara Ketelsen seconded the motion.

Ara Fund III, L.P., is a middle-market buyout fund managed by Ara Advisers, LLC. The fund will primarily pursue control buyout investments in lower middle-market North American and European industrial businesses aiming to decarbonize by adopting low-emission manufacturing processes and reducing waste production. Ara focuses on investment

opportunities in four target industrial subsectors: manufacturing, chemicals and materials, energy efficiency and green fuels, and food and agricultural sectors. This would be a new general partner relationship for the WSIB, and the proposed investment would fall into the unidentified allocation in the Board-approved 2023 Private Equity annual plan. The recommendation is based in part on Ara's sector specialization and direct project management capabilities led by seasoned industry experts, first-mover advantage in a less competitive niche market benefiting from secular tailwinds, complementary market segment exposure, and other factors relevant to the recommendation.

The motion carried unanimously.

The last item for the Board's consideration was Centerbridge Capital Partners V, L.P.

On behalf of the Private Markets Committee, Joel Sacks moved that the Board invest up to \$400 million, plus fees and expenses, in Centerbridge Capital Partners V, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Yona Makowski seconded the motion.

Centerbridge Capital Partners V, L.P., is a multi-strategy fund managed by Centerbridge Capital Partners. The fund will pursue value-oriented private equity and distressed-for-control investments in the United States, Canada, and Western Europe with an emphasis on the financial services, healthcare, technology, and industrial sectors. Centerbridge Capital Partners V, L.P., is expected to flexibly invest across a company's capital structure as market conditions and other circumstances dictate. While Centerbridge is a new private equity investment partner, the innovation portfolio invested in Centerbridge Special Credit Partners IV in 2022. The proposed investment would fall into the unidentified allocation in the Board approved 2023 private equity annual plan. The recommendation is based in part on Centerbridge's experienced team with deep sector backgrounds, flexible investment capabilities, one-team and sector-focused approach, well-adapted strategy for the current economic cycle, and other factors relevant to the recommendation.

The motion carried unanimously.

QUARTERLY CTF PERFORMANCE UPDATE

Presenter: Christopher Hanak, Chief Investment Officer

The CTF Quarterly Performance Update presentation included CTF investment returns over relevant time periods; individual asset class performance; the current economic environment; continued performance impact of lagged pricing in private asset classes; asset class allocations; and the impact of asset class performance on actual asset allocations. Labor and Industries (L&I) fund performance was also addressed.

Discussion ensued regarding the lagged pricing in private markets; the valuation process; the consideration of lagged valuation in the private markets benchmark; and the limited impact of the “J-curve” effect due to the mature nature of the private asset portfolios.

A detailed description of the makeup and purposes of the four benchmarks used by the WSIB in reporting was shared by Allyson Tucker.

[The Board recessed at 10:55 a.m. and reconvened at 11:07 a.m.]

ANNUAL LABOR AND INDUSTRIES PORTFOLIO REVIEW

Presenters: Janet Becker-Wold, Steven Center, and Kevin Machiz, Callan

Callan staff presented a performance overview for Fiscal Year 2022 for the L&I portfolio. The presentation included a review of the purposes and attributes of the four L&I funds; differences between insurance investing and pension investing, specifically the goals of statutory accounting principles; the policy objectives, investment implications, investment strategy drivers, and strategic target allocations of each of the L&I funds; portfolio composition as of June 30, 2023; a peer asset allocation comparison; a comparison of portfolio yields versus duration; and a notation that as private credit is starting to catch on in the insurance industry it is beginning to be reflected in comparison data.

Discussion ensued regarding the timing of inclusion and implementation of real estate investments in the L&I portfolio; the duration comparison; the methodology for matching duration of investments with duration for liabilities, necessary due to the longer open claims in L&I’s pension program; implications of changing duration targets; potential to move the L&I asset allocation to 2024; and the importance of maintaining stable L&I program premium rates.

BOARD ETHICS TRAINING OVERVIEW

Presenter: Liz Smith, Legal, Risk, and Compliance Director

Board members are required to participate in annual ethics trainings. In 2023 this training was completed through seven small group educational sessions. Training covered the Ethics in Public Service Act, WSIB ethics policies, and the WSIB Code of Conduct policy; quiet periods, including the WSIB Service Provider Policy and the new active equity manager open rolling procurements; OPMA; public records; and fiduciary duty. The 2024 training is expected to be conducted at a Board meeting.

Discussion ensued regarding the potential to complete the training in small groups again in 2025.

[The Board recessed at 11:49 a.m. and reconvened at 12:32 p.m.]

GLOBAL CUSTODIAN BANK AND SECURITIES LENDING MANAGER RECOMMENDATION

Presenters: Cala Risse, Director of Investment Accounting and Administration

Fred Gjerstad, Assistant Senior Investment Officer – RMAA

Clark Llamzon, Investment Data Manager – RMAA

Anders Reinertsen, Todd Rossignol, Yolanda Diaz, and

Meghan Dragina, Bank of New York Mellon

WSIB staff presented the recommendation for the Global Custodian Bank and Securities Lending Manager. The presentation included a definition of a global custodian, explanation of the key services required by the WSIB, which include investment accounting and reporting, investment data and technology, performance reporting, and compliance monitoring and reporting. Additional services include cash management and securities lending, which would be included in the services provided; however, could be separated and moved to another service provider if necessary. The Office of the State Treasurer is also a signatory on the contract for custodian services; however, only the WSIB is a signatory on the securities lending contract. Staff discussed the procurement process, noting that there were only two respondents, and described the due diligence conducted by the cross-agency evaluation team that resulted in unanimous support of the selection of Bank of New York Mellon.

Board discussion ensued regarding transition risk and actions planned to mitigate risks; the limited number of respondents and number of banks able to service the WSIB; and utilization of a separate account in securities lending to ensure adherence to clear instruction on the specific securities that may be lent on.

Bank of New York Mellon staff discussed their services and capabilities as the world's largest custodian and one of the world's largest asset managers, addressing strategic focus areas, including continued investment in core business functions; building of next-generation solutions; developing industry-leading talent and brand; and achieving superior outcomes. The firm's commitment to the WSIB is its core service offering, experienced and accessible points of contact, technology and capabilities, and dedicated conversion resources. Key competitive advantages include experience gained by existing clients, technology, client engagement, and core capabilities. Service and support would be handled by BNY Mellon staff located in the U.S. in a similar time zone or within the state.

BNY Mellon staff shared their history and experience in assisting with conversions, servicing clients, and meeting deliverables; described the BNY Mellon relationship model; addressed investment in training and education of WSIB staff well beyond conversion; and discussed the firm's role in protecting assets and infrastructure. BNY Mellon holds a designation as a Globally Systemic Important Bank (G-SIB), operating as the sole clearer of U.S. Treasuries on behalf of the U.S. government. BNY Mellon staff described the organization's approach to cybersecurity and to its selection and appointment of sub-custodial providers.

BNY Mellon staff addressed the firm's fully integrated core processing platform, middle-office trade support services for fixed income; insurance statutory accounting services by an

experienced team; and performance and risk analytics, touching on the securities lending business.

Discussion ensued regarding transition risk; the longer-than-average lead time for the conversion; the level of support the WSIB can expect post-transition; basis for compensation; redundancy and backup support built into BNY Mellon's operations; mitigation actions to counter securities lending risks; future ability to separate the Short Term Investment Fund (STIF) from the custodian; current contract expiration date and implementation time of conversion; length of time with the current custodian bank; and proposed contract term for BNY Mellon.

Chair Markley moved that the Board appoint Bank of New York Mellon as its global custodian and securities lending manager for an initial term of 5 years from the implementation date, with two subsequent renewal options of up to 5 years each, subject to continuing due diligence and final negotiation of terms and conditions, and further that the Board recommend the State Treasurer award the before-mentioned global custodial contract to Bank of New York Mellon. Sara Ketelsen seconded, and the motion carried unanimously.

Chair Markley expressed his appreciation to the evaluation team for their work on this request for proposal.

WSIB PROXY VOTING ACTIVITY – FISCAL YEAR 2023

Presenters: Bridget Murphy, Corporate Governance Officer

Julian Hamud, Assistant Corporate Governance Officer

Staff presented the proxy voting activity report for Fiscal Year 2023, explaining that the reporting cadence has been changed to a June 30 year-end reporting cycle to more closely align with the end of the annual proxy season and the WSIB's fiscal year end. Staff has been using the off-season voting period to analyze data, preview new and upcoming shareholder resolution types, and iron out further process, policy, and reporting enhancements for next year. The presentation was revised subsequent to release to the Board, as staff reassessed how contested director elections were classified and removed the "take no action" votes from this category. Both sets of data were included in the presentation, and the difference between the two sets are very minor. The updated presentation would be provided to Board members following the Board meeting. Staff explained that institutional investors continue to contend with data tagging challenges, largely driven by a rapid increase in the volume and complexity of proxy contests and shareholder resolutions. Staff is working with proxy advisors to develop more refined data classifications and enhance the story telling component to provide more clarity on the WSIB's proxy voting program.

Discussion ensued regarding the small number of contested elections, which appears to be increasing based on “take no action” votes, and the increase in shareholder proposal resolutions, which continue to be a very small part of the total votes cast. Staff described contested elections, the introduction of blended ballots, the nuanced and non-binding nature of ballots cast for some resolution types, and efforts made to advocate for majority voting standards.

Staff explained that the WSIB has been incrementally updating its guidelines on board-level accountability and diversity, climate, and shareholder rights since 2019, and described the outcomes of those policy changes. Aggregate voting outcomes of Fiscal Year 2023 were presented by staff. During the period the WSIB voted on 2,993 meetings and 28,378 resolutions. Just over two thirds were related to director elections and the remaining votes split between other resolution types. Voting is done through an online platform hosted by Glass Lewis. Staff detailed the number of director votes, the most common concerns related to director votes, and the reason for the WSIB’s decrease in director support.

Discussion ensued regarding the WSIB’s opposition of over 2,000 director nominees and the non-binding nature of the votes; the rarity of directors losing board seats as a result of the votes; and the infrequent situation of companies that do not have either an independent chair or a lead independent director.

Staff addressed the impact of recent changes in policies regarding board gender diversity and voting on executive compensation, including Say-on-Pay and Say-When-on-Pay, highlighting the reasons for negative votes and the relationship between director votes and Say-on-Pay voting. Because these votes are not binding, the bar for raising concerns is much lower than for director elections, so there is much more activity. The WSIB voted against 74 directors due to companies ignoring shareholder concerns on executive compensation. In assessing Say-When-on-Pay resolutions, the WSIB’s was consistent in supporting annual votes in all holdings.

Discussion ensued regarding how the WSIB’s voting on Say-on-Pay lines up with peer voting and the impact of negative votes on company behavior.

Staff presented aggregate voting outcomes of shareholder proposals, comparing 2023 to 2022 and noting reduced support of environmental, social, and governance proposals, both at the WSIB and across the market. The WSIB’s reduced support of environmental and social proposals is attributable to multiple factors, mostly related to the nature of the specific proposal rather than changes to policy or approach. The reduced support of these shareholder proposals, due primarily to a decline in the quality of the proposals as well as an increase in the aggregate number brought to a vote, was anticipated. Governance proposals in particular follow a more predictable and rules-based framework, while environmental and social proposals generally require a more nuanced assessment. Staff presented several shareholder proposal case studies to explain the nuances in voting.

APPROVED

Discussion ensued regarding the ways in which companies react to shareholder proposals and the impact on the WSIB's voting.

Staff noted the evolving nature of stewardship priorities and proxy voting policies, noting that any recommended policy revisions would be presented to the Board later in 2023.

Board discussion ensued regarding the proxy voting documentation and data maintained by staff, the availability of voting data on the WSIB's website, the integration of the WSIB's proxy voting policy into Glass Lewis' platform, and the review of WSIB policy implementation with Glass Lewis to ensure votes are in line with the WSIB's proxy voting policy; the trustworthiness of information that companies are reporting, the due diligence completed by staff and Glass Lewis on company-reported information, and the potential legal action if a company provides incomplete or inaccurate information; process and due diligence for selecting and maintaining a proxy adviser and ensuring alignment of the firm with the WSIB; corporate governance changes over the last 30 years, including gender diversity advancements, and the challenges in changing a board's culture; the WSIB's use of a staff committee that works through issues that may not be directly addressed by the WSIB's proxy voting policy; the Board's fiduciary duty to ensure votes are cast according to the proxy voting policy; regular reporting by staff to the Board regarding proxy voting activities and regular review of the proxy voting policy by the Board; considerations when reviewing executive compensation; climate shareholder resolutions related to company reporting; ability to capture data on action taken in relation to advisory votes; and appreciation for the case studies to explain voting.

OTHER ITEMS

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

[The Board recessed at 2:39 p.m. and reconvened at 2:50 p.m.]

EXECUTIVE SESSION

Chair Markley announced that the Board would go into executive session to review the performance of public employees. The executive session was expected to last approximately until approximately 3:20 p.m., at which time the Board would reconvene in open session to adjourn.

[The Board went into executive session at 2:51 p.m.]

Succession Planning Discussion

Presenter: Allyson Tucker, Chief Executive Officer

Board Self Evaluation

Presenter: Tracy Guerin, Administrative Committee Chair

[The Board reconvened in open session at 3:21 p.m.]

APPROVED

ADJOURNMENT

There were no other items to come before the Board, and the Board meeting adjourned at 3:22 p.m.