



**Thursday, December 12, 2024
Board Meeting**

Call to Order - 9:00 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 (9:00a)

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

A. Adoption of the November 21, 2024, Minutes

3. Public Comment (9:05-9:30)

A. Written Public Comment

4. CEO Report to the Board (9:30-9:35)

A. CEO Report to the Board - December 2024

5. Committee Assignment (9:35-9:40)

A. Committee Assignment

6. Administrative Committee Report (9:40-9:45)

A. 3-Year Policy Review - Review Only

B. 3-Year Policy Review - Revisions

C. Governance Ad Hoc Committee

7. Audit Committee Report (9:45-9:50)

A. Fiscal Year 2024 Independent Financial Auditor's Reports and WSIB Annual Report

B. Revised Internal Audit Standards and Charter Revisions

8. Public Markets Committee Report (9:50-9:55)

A. Policy Revisions

9. Private Markets Committee Report (9:55-10:00)

10. DC Investment Beliefs (10:00-10:30)

A. DC Investment Beliefs

11. Break (10:30-10:40)

12. Executive Session and Lunch (10:40-2:10)

A. 2025 Private Equity Annual Plan (10:40-12:10)

B. Lunch (12:10-12:40)

C. 2025 Tangible Assets Annual Plan (12:40-2:10)

13. Annual Plan Approvals (2:10-2:15)

A. 2025 Private Equity Annual Plan Approval

B. 2025 Tangible Assets Annual Plan Approval

14. Break (2:15-2:25)

15. Public Equity Annual Plan (2:25-3:45)

A. Public Equity Annual Plan

16. Strategic Plan (3:45-4:10)

A. 2025 Proposed Strategic Plan

17. Other Items (4:10-4:15)

18. Adjourn (4:15p)

**WASHINGTON STATE INVESTMENT BOARD
Board Meeting Minutes
December 12, 2024**

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: 279 056 651 994; Passcode: A6AH9oL9; Dial-In Telephone Number 1-564-999-2000 and 1-833-322-1218; Phone Conference ID Number 322 426 129#. The meeting was also live-streamed and recorded by TVW.

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

Members Absent: George Zinn

Also Present: Allyson Tucker, Chief Executive Officer (CEO)
Christopher Hanak, Chief Investment Officer (CIO)
Aileen Liu, Assistant Senior Investment Officer – RMAA
Fabrizio Natale, Senior Investment Officer - Private Equity
Aaron Daley, Assistant Senior Investment Officer - Private Equity
Kariym McHoney, Investment Officer - Private Equity
Dorota Czub, Senior Investment Officer - Tangible Assets
Raman Kabarwal, Assist. Senior Investment Officer - Tangible Assets
Wes Loyd, Assistant Senior Investment Officer - Tangible Assets
Lichen Bu, Investment Officer - Tangible Assets
Phil Paroian, Senior Investment Officer, Public Equity
Chris Biggs, Assistant Senior Investment Officer - Public Equity
Fletcher Wilson, Assistant Senior Investment Officer - Public Equity
Patience Mukandi, Investment Officer - Public Equity
Liz Smith, Legal, Risk and Compliance Director
Jessica Carter, Executive Assistant

Tor Jernudd, Attorney General's Office
Tammie Nuber, Office of the State Treasurer
Donna Albert
Barbara Carey

CALL TO ORDER

Chair Markley called the meeting to order at 9:02 a.m. and took roll call; all Board members listed as present could participate fully in the meeting while in attendance.

Chair Markley recognized Tracy Guerin and Senator Mullet for their service on the Board. He shared their background and accomplishments and thanked them for their contributions to the Board.

Tracy addressed the Board and shared her appreciation for its work and how much she has enjoyed being in public service for 40 years.

ADOPTION OF MINUTES

Chair Markley moved that the Board adopt the November 21, 2024, meeting minutes. Yona Makowski seconded, and the motion carried unanimously.

PUBLIC COMMENT

Chair Markley reported that two people signed up for public comment, and each would have 3 minutes to comment.

Donna Albert addressed the Board regarding climate change, current climate events and concerns about the WSIB's investments, asking the Board to act immediately to stop investing in fossil fuels.

Barbara Carey addressed the Board regarding the climate impact of pension investments, sharing her opinion that decarbonizing a portfolio is fiduciarily sound and asking the WSIB to develop a net zero plan.

Chair Markley thanked all those who commented, noting that the WSIB takes its fiduciary duty to beneficiaries seriously and that their comments are meaningful. The Board has been

integrating material ESG factors, such as climate change impacts, into the investment process for many years, and the recently released Sustainability Report outlines the agency's efforts to address these impacts on the portfolios managed.

Allyson Tucker reported that in addition to the oral comments provided, the Board received 12 written public comment submissions, which were provided to the Board before the start of the meeting.

DECEMBER 2024 CEO REPORT TO THE BOARD

Presenter: Allyson Tucker, Chief Executive Officer

Allyson Tucker presented the December CEO Report to the Board, reporting that there are no scheduled Board or Committee meetings in January, and the Board will meet next in February. She reminded the Board that the Public Disclosure Commission would be sending out reminders for the required Statement of Financial Affairs filings, and she noted that confirmation of her reappointment as CEO was scheduled for the February State Finance Committee meeting. Last, she shared that there are three procurements for which we are in a quiet period.

COMMITTEE ASSIGNMENTS

Presenter: Greg Markley, Board Chair

The departures of Senator Mullet and Tracy Guerin leave two vacancies on the Private Markets Committee.

On behalf of the Administrative Committee, Chair Markley moved that the Board appoint Joel Sacks as Chair of the Private Markets Committee and Greg Markley as a member of the Private Markets Committee. Yona Makowski seconded, and the motion carried unanimously.

ADMINISTRATIVE COMMITTEE REPORT

Presenter: Greg Markley, Administrative Committee Chair

The Administrative Committee met earlier this morning and presented three action items for the Board's consideration. The first item is a policy presented for reaffirmation.

On behalf of the Administrative Committee, Chair Markley moved that the Board reaffirm approval of the Investment Officer Compensation Levels Policy 2.01.100. Yona Makowski seconded the motion.

Board policies are required to be reviewed at least every 3 years. The Investment Officer Compensation Levels policy is presented for review and reaffirmation, with no revisions proposed.

Discussion ensued regarding the language in the policy that refers to “cost-of-living” increases considering the revisions proposed to the General Wage Adjustments policy (formerly Cost-of-Living Increases policy). Staff noted that in this case it was appropriate to retain the “cost-of-living” language; however, staff would review this further and update if determined necessary.

The motion carried unanimously.

The next items for consideration are proposed revisions to seven Board policies.

On behalf of the Administrative Committee, Chair Markley moved that the Board approve the revisions to the Board Operations Policy 2.00.210, the Public Records Policy 2.00.250, the Board Member Travel and Expense Reimbursement Policy 2.00.260, the Human Resources Policy 2.01.000, the General Wage Adjustments Policy 2.01.050, the Equal Employment Affirmative Action Policy 2.01.150, and the Commingled Trust Fund Policy 2.10.010, as proposed. Yona Makowski seconded the motion.

Each of these policies was last reviewed and/or revised by the Board in 2021.

Revisions are proposed to the Board Operations Policy to provide additional clarity regarding the implications of the RCW for State Investment Board Quorum-Meetings, and to provide additional clarity and update language for consistency with WSIB practice. In addition, language was updated to reflect the changes in the Open Public Meetings Act.

APPROVED

The proposed revisions to the Public Records Policy include the reorganization of several existing sections and refining the language to increase clarity. In addition, proposed revisions include added, updated, and clarified language regarding the Public Records Act, its exemptions, and our practices for third-party readers.

Clarifying revisions are proposed to the Board Member Travel and Expense Reimbursement Policy that address considerations and expectations for personal side trips associated with agency travel and the requirement for pre-approval of exceptions to lodging per diems.

Revisions are proposed to the Human Resources Policy to clarify the Audit Committee's role regarding the Audit Director, update expectations related to a respectful workplace and culture and align with the Washington State Law Against Discrimination.

Formally known as the Cost-of-Living Increases Policy, revisions are proposed to the General Wage Adjustments Policy to change the policy's title and references within the policy from "cost of living" to "general wage adjustments" to align with the Office of Financial Management's terminology.

Revisions are proposed to the Equal Employment Opportunity Affirmative Action Policy to align the policy with the Washington State Law Against Discrimination, include a more broad description of prohibited discrimination, and provide for an interactive process in the provision of reasonable accommodations. In addition, to comply with state law, a provision requiring annual review by the CEO, as head of the agency, has been added. The Board will continue to review the policy at least every 3 years.

The proposed revisions to the Commingled Trust Fund Policy remove the Judges' Retirement Fund and Judicial Retirement System from the list of plans covered by the policy as they are not included in the Commingled Trust Fund (CTF). In addition, a note has been added to clarify that the Judicial Retirement Account and Deferred Compensation Program may only participate in the CTF through the Target Date Funds (TDFs).

[Heather Redman and Senator Mullet arrived at 9:28 a.m.]

Discussion ensued regarding the proposed revision to the Commingled Trust Fund Policy, which removes the two accounts not associated with the CTF.

Treasurer Pellicciotti expressed concerns regarding the proposed revisions to the Public Records Policy, commenting that he viewed the changes to be substantive and inconsistent with the Board's historical transparency, using discontinued distribution of internal rates of return as an example. He suggested that the motion to approve the revisions not be passed at this meeting, and he inquired as to how information such as internal rates of return is handled at peer funds.

Allyson Tucker expressed that the proposed policy revisions are consistent with how the WSIB has broadly interpreted the Public Records Act. The WSIB has always been in compliance with the Public Records Act and has exemptions for information that would cause harm if released. The focus of the recommended policy revisions is on WSIB compliance, interpretation, and practices. The appropriate Office of the Attorney General staff has reviewed the Public Records Act and OPMA aspects of the policies.

Treasurer Pellicciotti clarified his concerns about the policy revision, opining that the revisions give much broader discretion to the Board to more broadly interpret what would qualify as disclosable information, such as internal investment rate of return reports. This might limit public access to information and, more broadly, allow for an interpretation by the Board that would further limit information that would otherwise be disclosed.

Liz Smith addressed the Board, stating that the WSIB is providing more information on the website, where previously, the public would have had to make a public records request. The proposed policy revisions will not change our practices; the revisions simply provide clarity around the WSIB's formal process and practice for public records requests. In response to Joel Sacks' inquiry about the change in disclosable information upon approval of the policy revisions, Liz Smith confirmed that there would be no change. In response to Treasurer Pellicciotti's inquiry regarding the thought process in changing the language that references "prioritizing the Public Records Act," Liz Smith noted that staff spent a considerable amount of time on the revisions and felt that the proposed revisions more clearly articulated the intent of the policy. In addition, she shared that the Assistant Attorney General (AAG) reviewed the relevant sections of the Public Records and Board Operations

Policies and that the proposed revisions were discussed thoroughly. Tor Jernudd concurred, adding that there was a significant amount of work in drafting the proposed edits.

Chair Markley expressed that he will move forward with the proposed revisions.

The motion carried with Treasurer Pellicciotti opposed.

The final item for the Board's consideration is member appointment to the *ad hoc* governance committee.

At the November 21, 2024, Board meeting, the Board approved the formation of an *ad hoc* governance committee. The Administrative Committee discussed the formation of the *ad hoc* committee and recommends the following members comprise the Committee: David Nierenberg as Chair, Yona Makowski, Joel Sacks, and Sara Ketelsen.

On behalf of the Administrative Committee, Chair Markley moved that the Board appoint David Nierenberg as Chair, Yona Makowski, Joel Sacks, and Sara Ketelsen to the *ad hoc* governance committee. Senator Mullet seconded the motion.

Discussion ensued regarding the composition of the *ad hoc* committee, specifically whether having a majority of the Administrative Committee members on the *ad hoc* committee violates the Open Public Meetings Act (OPMA). The WSIB's AAG confirmed that the OPMA applies to all meetings of a governing body; for the Board, the governing body is six members or a quorum of the Board itself. Further, the WSIB adopted a policy that standing committees of the Board will all voluntarily comply with the OPMA. However, *ad hoc* committees are not governing bodies, subject to the OPMA, as long as they are not acting on behalf of the governing body, taking testimony or public comment, or conducting hearings.

The motion carried unanimously.

Audit Committee Report

Presenter: Sara Ketelsen, Audit Committee Chair

Sara Ketelsen reported that the Audit Committee met on December 3 with a full agenda, including two action items for the Board's consideration. The first item for consideration was the Fiscal Year 2024 Independent Financial Auditor's Reports and WSIB Annual Report.

On behalf of the Audit Committee, Sara Ketelsen recommended the Board accept the Fiscal Year 2024 Independent Auditor's Reports and approve the Fiscal Year 2024 WSIB Annual Report. Yona Makowski seconded the motion.

Eide Bailly, the Board's independent financial statement auditor, presented the audit results of the eight sets of WSIB-prepared financial statements for Fiscal Year 2024. All financial statements received an unmodified opinion, which is the highest rating possible, and there were no identified deficiencies in internal controls or material weaknesses.

Staff presented an overview of the WSIB's Annual Report for Fiscal Year 2024, highlighting the importance that the WSIB's audited financial statements have to agency stakeholders, the composition of the annual report, and the inclusion of the financial statement for the Long-Term Services and Supports Trust Account, also known as WA Cares.

Once approved by the Board, the Annual Report will be made available on the WSIB's website.

The auditors recognized a number of best practices they see at the WSIB, including the level of detail in the Management Discussions and Analysis of the financial statements, the independent pricing of securities, the monitoring and regular evaluation of alternative asset valuations and an independent internal audit function.

Sara Ketelsen shared on George Zinn's behalf that this was the best internal or external audit that he had seen.

The motion carried unanimously.

Also presented for the Board's consideration were revisions to the Audit Committee Charter Policy 1.00.130 and Internal Audit Charter Policy 1.00.190.

On behalf of the Audit Committee, Sara Ketelsen recommended that the Board approve the revisions to the Audit Committee Charter Policy 1.00.130 and the Internal Audit Charter Policy 1.00.190 as proposed. Liz Lewis seconded the motion.

Staff presented an overview of the updated Internal Audit Standard and reviewed the internal audit's assessment of the WSIB's conformance with the new Standards, highlighting areas where the WSIB excels and areas to strengthen conformance. Overall, the WSIB continues to generally conform to the Global Internal Audit Standards.

Revisions to audit-related charters are proposed to codify current practice and align with the requirements of the new Standards.

The motion carried unanimously.

The Committee received the results of the Sustainability Report internal audit engagement. Staff concluded that overall, the 2023 Sustainability Report was valid, complete, and accurate, and the WSIB has processes and controls in place to ensure the completeness and accuracy of the report. There was one audit recommendation that would enhance processes and controls and support operational continuity.

The Committee also received an update on the implementation of the Fiscal Year 2025 Internal Audit Plan. Due to Internal Audit staff availability, two audits will be postponed and considered in the next year's audit plan development. Staff provided the Committee details around the two audits being postponed.

The Committee received the Enterprise Risk Management Annual Report. Staff provided an overview of the WSIB's approach to risk management, emphasizing the agency's risk management systems, and explained the structure of the WSIB's Enterprise Risk Management Committee and how it identifies, evaluates, tracks, and reports risks. The report also highlighted the significance of enterprise risk management in shaping agency culture and its influence on executive management's decision-making. The report also reviewed the 2024 Enterprise Risk Management Committee activities, expected 2025 activities, and the Enterprise Risk Management dashboard, along with the Board's risk appetite statements.

In addition, the Committee received an update on the status of prior audit recommendations and the quarterly investment referral report, and, in executive session, the Committee had a discussion with the financial statement auditor and received a staffing update from the Audit Director.

PUBLIC MARKETS COMMITTEE REPORT

Presenter: Liz Lewis, Public Markets Committee Chair

Liz Lewis reported that the Public Markets Committee met on December 3 to consider revisions of two policies, affirm the 2025 Public Markets Committee meeting schedule, and receive an educational presentation from Public Equity staff.

The first item for the Board’s consideration is the proposed revisions to the Defined Contribution Plan 3 Retirement Funds Policy and the Deferred Compensation Program and Judicial Retirement Account Policy.

On behalf of the Public Markets Committee, Liz Lewis moved that the Board approve the proposed revisions to the Defined Contribution Plan 3 Retirement Funds Policy 2.11.100 and Deferred Compensation Program and Judicial Retirement Account Policy 2.13.100. Sara Ketelsen seconded the motion.

In April 2023, the Board approved changing the Socially Responsible Investment (SRI) Fund from a balanced equity/bond fund managed by Walden to an equity-only fund managed by AB. Implementation was completed earlier this year. The proposed policy revisions reflect this change in the respective policy tables and outline the specific objectives, strategy, and benchmark of the new SRI equity fund.

In addition, the style description of the Target Date Funds (TDF’s) in the Asset Class tables have been updated to reflect the inclusion of alternative assets via the Total Allocation Portfolio (TAP).

The motion carried unanimously.

The Committee received an education session regarding strategies peer funds included in their public equity programs. Public Equity staff conducted a review of 24 funds with the

intent to identify innovative strategies that might warrant further research for incorporation into the Commingled Trust Fund's active public equity portfolio. The CTF's public equity portfolio has added value for the risks taken, but a spirit of continuous improvement and need to challenge assumptions led the Public Equity team to perform this review. Staff presented results of the survey and potentially additive strategies, including active small-cap investing and sustainability indices, which the team may research further in 2025, pending the Board's feedback on the public equity annual plan to be presented later in today's meeting.

PRIVATE MARKETS COMMITTEE REPORT

Presenter: Yona Makowski, Acting Private Markets Committee Chair

Yona Makowski reported that the Private Markets Committee met on December 5 to receive presentations from Private Equity and Tangible Assets staff in executive session. These presentations centered around the proposed re-investment opportunities for 2025, leading to an engaging discussion.

The Committee discussed the staff's delegated authority to execute re-investment transactions with existing partners and strategies once they are approved in the annual plans, noting that the actual investment amounts may vary slightly from those presented.

DEFINED CONTRIBUTION INVESTMENT BELIEFS

**Presenters: Aileen Liu, Assistant Senior Investment Officer - RMAA
Phil Paroian, Senior Investment Officer - Public Equity**

Aileen Liu introduced the Defined Contribution (DC) Investments Beliefs, explaining that the WSIB provides a balance of investment options that allow DC participants to save for their retirement goals through self-directed investment choices. The DC Investment Beliefs are being introduced for the Board's consideration for the first time. The DC beliefs provide a framework that includes fundamental assumptions and principles addressing menu design and participant choices, which are not relevant in the investment beliefs for the CTF or the L&I funds, and these differences led to the development of investment beliefs for these programs separate from the ones that the Board has previously adopted. These beliefs are consistent with the WSIB's goal to help participants prepare for a secure retirement. The presentation provided an opportunity for staff to receive Board feedback before the

proposed DC Investment Beliefs are recommended to the Board for adoption at its February 20, 2025, meeting.

Phil Paroian provided some brief history and context regarding the creation of the CTF Investment Beliefs and the development of the DC Investment Beliefs, noting the benefits including a foundation to guide DC plan menu design, alignment with emerging good governance practices, and support of the WSIB's goal to set participants up for success in achieving their long-term retirement objectives.

Aileen Liu and Phil Paroian detailed the individual proposed DC Investment Beliefs, explaining the considerations for each and sharing examples.

Discussion ensued regarding the mechanics of the TDFs, the default investment fund for DC participants, Department of Retirement Systems (DRS) communications, future potential menu design or other changes that may be considered in light of the DC Investment Beliefs, investment approach and guidelines for the SRI fund, the benefit of having private assets included in the TDFs, and auto-enrollment in the DC plans for state employees.

Allyson Tucker provided additional clarification regarding the SRI investment option, noting that there are exclusions that are deemed to be misaligned with the Sustainable Development Goals (SDGs), and for this option, that exclusion is coal, it is not fossil fuels broadly, although the fund currently has no fossil fuel exposure. Regarding investment beliefs in general, she noted that the WSIB has defined benefit investment beliefs and Labor and Industries investment beliefs, both of which were adopted by the Board through this same process.

ACKNOWLEDGEMENT OF DEPARTING BOARD MEMBER

Chair Markley acknowledged Senator Mullet's attendance at the meeting and again acknowledged his Board service, sharing some of Senator Mullet's accomplishments throughout his tenure on the Board.

Senator Mullet addressed the Board briefly, expressing his experience and appreciation for the Board's work.

[The Board recessed at 10:40 a.m. and reconvened in open session at 10:50 a.m.]

EXECUTIVE SESSION

Chair Markley announced that the Board would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last approximately 85 minutes, after which time the Board would reconvene in open session and break for lunch.

[The Board convened in executive session at 10:58 a.m.]

[The Board extended the executive session to 12:30 p.m. Notice was given to those waiting in the lobby and virtually to rejoin the meeting.]

[The Board extended the executive session to 12:50 p.m. Notice was given to those waiting in the lobby and virtually to rejoin the meeting.]

2025 Private Equity Annual Plan

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

[The Board reconvened in open session at 12:46 p.m.]

[The Board recessed at 12:46 p.m. and reconvened in open session at 1:17 p.m.]

Chair Markley announced that the Board would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last approximately 90 minutes, after which time the Board would reconvene in open session

[The Board went into executive session at 1:18 p.m.]

2025 Tangible Assets Annual Plan

Presenters: Dorota Czub, Senior Investment Officer - Tangible Assets

Raman Kabarwal, Asst. Senior Investment Officer - Tangible Assets

Wes Loyd, Assistant Senior Investment Officer - Tangible Assets

Lichen Bu, Investment Officer - Tangible Assets

[The Board recessed at 2:04 p.m. and reconvened in executive session at 2:09 p.m.]

[The Board reconvened in open session at 2:45 p.m.]

ANNUAL PLAN APPROVALS

Presenter: Greg Markley, Board Chair

In the executive session, the Board reviewed and discussed the 2025 Private Equity and Tangible Assets Annual Plans in detail.

Chair Markley moved that the Board approve the 2025 Private Equity Annual Plan as presented and discussed in executive session. Yona Makowski seconded the motion.

Treasurer Pellicciotti thanked the Private Equity team for their thoughtful presentation, noting that he has been raising various concerns in open meetings since 2021 and will vote no on this motion.

The motion carried with Treasurer Pellicciotti opposed.

Chair Markley moved that the Board approve the 2025 Tangible Assets Annual Plan as presented and discussed in executive session. Tracy Guerin seconded the motion.

Tracy Guerin complimented the efforts and success of the Tangible Assets team.

The motion carried unanimously.

PUBLIC EQUITY ANNUAL PLAN

Presenters: Phil Paroian, Senior Investment Officer, Public Equity

Chris Biggs, Assistant Senior Investment Officer - Public Equity
Fletcher Wilson, Assistant Senior Investment Officer - Public Equity
Patience Mukandi, Investment Officer - Public Equity

Public Equity staff presented their proposed 2025 annual plan for the Board's consideration, sharing their principles for developing the plan, how they approach the planning process, the role of public equity, and unit initiatives. Staff addressed select investment beliefs, including public equity's role in the portfolio and highlighting capital appreciation and liquidity. Staff discussed the 2024 market environment, touching on inflation trends, geopolitics, and long-term risks, including artificial intelligence (AI), potential material financial impacts from global warming and climate risk, and changing demographics. The public equity portfolio is diversified and designed to do well in most environments. It is divided into passive and active management, with passive management, investing in broad, all-inclusive, capitalization-weighted benchmarks, making up 65 percent of the program.

Discussion ensued regarding the potential cost of utilizing a benchmark that excludes fossil fuels, with staff indicating that lower carbon and ex-carbon indices will be further researched in 2025. Also discussed were assertions about historical performance data made during some public comments, and the steadily increasing number of passive index constituents in the portfolio.

Staff addressed the Board regarding ongoing efforts focused on continuous improvement, including the benefits of the newly adopted open rolling procurement processes benefits. Staff also discussed the benefits of a focus by the WSIB and by its external public equity managers on quality.

Staff presented the annual plan initiatives, with manager monitoring and risk management remaining the highest priority.

Discussion ensued regarding the potential number of firms interested in the passive rebid which is currently underway.

Research planned in 2025 includes further investigation into active small-cap investing and low-carbon indices.

Discussion ensued regarding the potential reallocation and rebalancing of the TAP depending on the results of the CTF strategic asset allocation study, public employees' participation in the TDFs, and the Public Equity team's high standards of due diligence.

Chair Markley moved that the Board approve the 2025 Public Equity Annual Plan as proposed. Yona Makowski seconded the motion.

Treasurer Pellicciotti thanked staff for their talents, noting that he has raised concerns related to his views that the Board is overweight in private equity, investments in Russia and China, and the alignment of proxy voting with Board beliefs. Excluding the Russia investment concerns, which were addressed, he continues to have the same concerns, so he would vote no on the motion.

The motion carried with Treasurer Pellicciotti opposed.

STRATEGIC PLAN

Presenter: Allyson Tucker, Chief Executive Officer

Each year, the WSIB's Chief Executive Officer presents the proposed strategic plan to the Board for approval. This plan is developed collaboratively with input from Board members and the Executive Management team. It includes an overview of 2024 accomplishments, strategic initiatives, and focus areas for the coming year.

Allyson Tucker presented the proposed 2025 Strategic Plan, reminding the Board of the organization's vision, mission, and values. She shared the investment and operational excellence theme noted in the vision and said that she would address patience and excellence later in her presentation. She highlighted the WSIB's strengths, organization size and scale, investment scope and scale, the current funded status due to adequate funding and strong investment performance, and growth of the CTF assets and history of payment outflows. She reviewed investment performance, commenting that exceeding the actuarial assumptions allows the state to implement its policy work. She addressed potential threats the WSIB faces, including changes in the investment landscape, external interest, Board turnover, a hybrid workplace, workload growth, retention, employee mental health, and greater concern for burnout. She highlighted accomplishments and metrics for 2024 before moving to the 2025 plan.

The 2025 strategic theme is sustaining excellence; stakeholders and Board members expect excellence, reflected in the five critical success factors adopted by the Board over 20 years ago and embedded in the agency's vision and values. There will be a focus on capacity-building and foundational items, ensuring we are adequately resourced as a team. Mental health and burnout are priorities; the external environment is a factor, and we are looking to respond to this work. Selected investment beliefs that correlate to these key issues were highlighted.

Allyson Tucker reviewed the 2025 Value initiatives, including the implementation of the Board-approved annual plans and the launch of the Deferred Compensation Program (DCP) menu review in partnership with DRS. She noted that the major initiative for 2025 will be guiding the Board through the CTF strategic asset allocation. She commented on accomplishments in 2024, specifically noting the consistent support provided by the AAGs. She addressed accomplishments related to the WSIB's Climate and Diversity, Equity, and Inclusion (DEI) Blueprints and discussed 2025 initiatives, including the evaluation of explicit inclusion of climate scenarios into Capital Market Assumptions, total portfolio risk management, and review of the carbon footprint of fixed income and private markets. In addition, the WSIB will continue to work with the Institutional Limited Partners Association on a workforce assessment.

Initiatives in the area of Capacity will be centered around investment in staff, and succession planning will be a focus. With regard to Support, the Board will see more transparency with position papers and talking points to assist Board members in articulating the Board's position and improving outreach. There will be an opportunity to partner with DRS on messaging.

The Skillful Board 2024 accomplishments were detailed, and Board members have shared additional requests for education opportunities. There will be more outreach from staff to ensure Board members are heard and staff will continue to ask non-voting Board members for their expertise.

Quality work is the product of prioritization, planning, and preparation. Will invest in ensuring a strong foundation for the future.

APPROVED

Discussion ensued regarding the importance of continuing to focus on sustaining excellence and supporting Board members in their roles, an appreciation for keeping the focus on sustaining what the organization has built, and encouragement for experimentation with AI by staff.

Chair Markley moved that the Board approve the 2025 Strategic Plan as proposed. Senator Mullet seconded, and the motion carried unanimously.

ADJOURNMENT

There were no other items to come before the Board, and the meeting adjourned at 4:11 p.m.

ATTEST

Allyson Tucker
Chief Executive Officer

Greg Markley
Board Chair