Washington State Investment Board

September 17, 2026
Board Meeting

2100 Evergreen Park Dr SW, Olympia, WA 98502

The link to view the meeting virtually can be found at www.sib.wa.gov/meetings.html

1. **Call to Order/Roll Call (9:30 am)**
2. **Adoption of Minutes (9:30-9:35)**
   - A. Adoption of the June 18, 2026, Meeting Minutes
   - B. Adoption of the July 14-16, 2026, Strategic Planning Meeting Minutes
3. **Public Comment (9:35-10:20)**
   - A. Oral Public Comment (9:35-10:20)
   - B. Written Public Comment (10:20-10:20)
4. **Board Governance (10:20-10:25)**
   - A. Officer Elections - Board Chair and Board Vice Chair
5. **CEO Report (10:25-10:40)**
6. **Administrative Committee Report (10:40-11:25)**
   - A. Board Self-Evaluation Process, Document Discussion, and Recommendation
   - B. Introduction to New Policy
   - C. Policy Review
7. **Break (11:25-11:35)**
8. **Audit Committee Report (11:35-11:40)**
9. **Public Markets Committee Report (11:40-11:45)**
   - A. Policy Review (Revisions)
   - B. Investment Manager Recommendation: Ashmore Emerging Markets Equity
10. **Private Markets Committee Report (11:45-11:50)**
    - A. Private Equity Investment Recommendation - GTCR Fund XV, L.P.
    - B. Private Equity Investment Recommendation - Clayton Dubilier and Rice XIII, L.P.

11. Labor and Industries Portfolio Review (11:50-12:35)

A. Labor and Industries Portfolio Review

12. Lunch (12:35-1:20)

13. Long-Term Services and Supports Recommendation and Policy 2.35.600 Revision (1:20-1:50)

A. Long-Term Services and Supports Strategic Asset Allocation and Policy 2.35.600 Recommendation

14. Quarterly Performance Update (1:50-2:00)

A. Quarterly Performance Update

15. Year End Proxy Voting Report (2:00-3:00)

A. WSIB Proxy Voting Activity Fiscal Year (FY) 2026

16. Executive Session (3:00-3:20)

A. Investment Partner Updates

17. Break (3:20-3:30)

18. Education Session (3:30-4:15)

A. Assessing AI-Related Exposures and Risks in the Commingled Trust Fund (CTF)

19. Executive Session (4:15-4:45)

A. Assessing AI-Related Exposures and Risks in the Commingled Trust Fund Continued (20 min)

B. Confidential Secretary Compensation Discussion (5 min)

C. Non-Voting Board Member Term Expirations (5 Min)

20. Executive Session Report and Action Items (4:45-4:50)

A. Confidential Secretary Compensation

21. Other Items (4:50-4:55)

22. Adjourn (4:55 pm)

WRITTEN PUBLIC COMMENT



Written Public Comment has been received from the following:

- Dale Armstrong
- David Bellefeuille-Rice
- Maureen Canny
- Barbara Carey
- Rocco DeVito
- Kristin Edmark
- Alyssa Giachino
- Chris Goelz
- Mark Keely
- Sally Keely
- Peter Knutson
- Richard Lechtenberg
- Susie Levy
- Melissa Priebe
- Amy Roe
- Keshet Ronen
- Virginia Weihs
- Bob Zeigler

Callan



September 17, 2026

Washington Labor and Industries Funds

WSIB Board Meeting

Steven Center, CFA
Senior Vice President

Evan Williams, CFA, CAIA
Vice President

Kevin Machiz, CFA, FRM
Senior Vice President

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

Agenda

Economic Data and Peer Comparisons

GAAP/International Financial Reporting Standards (IFRS) Peer Analysis

American Association of State Compensation Insurance Funds (AASCIF) Peer Analysis

L & I Fund Performance

Appendix

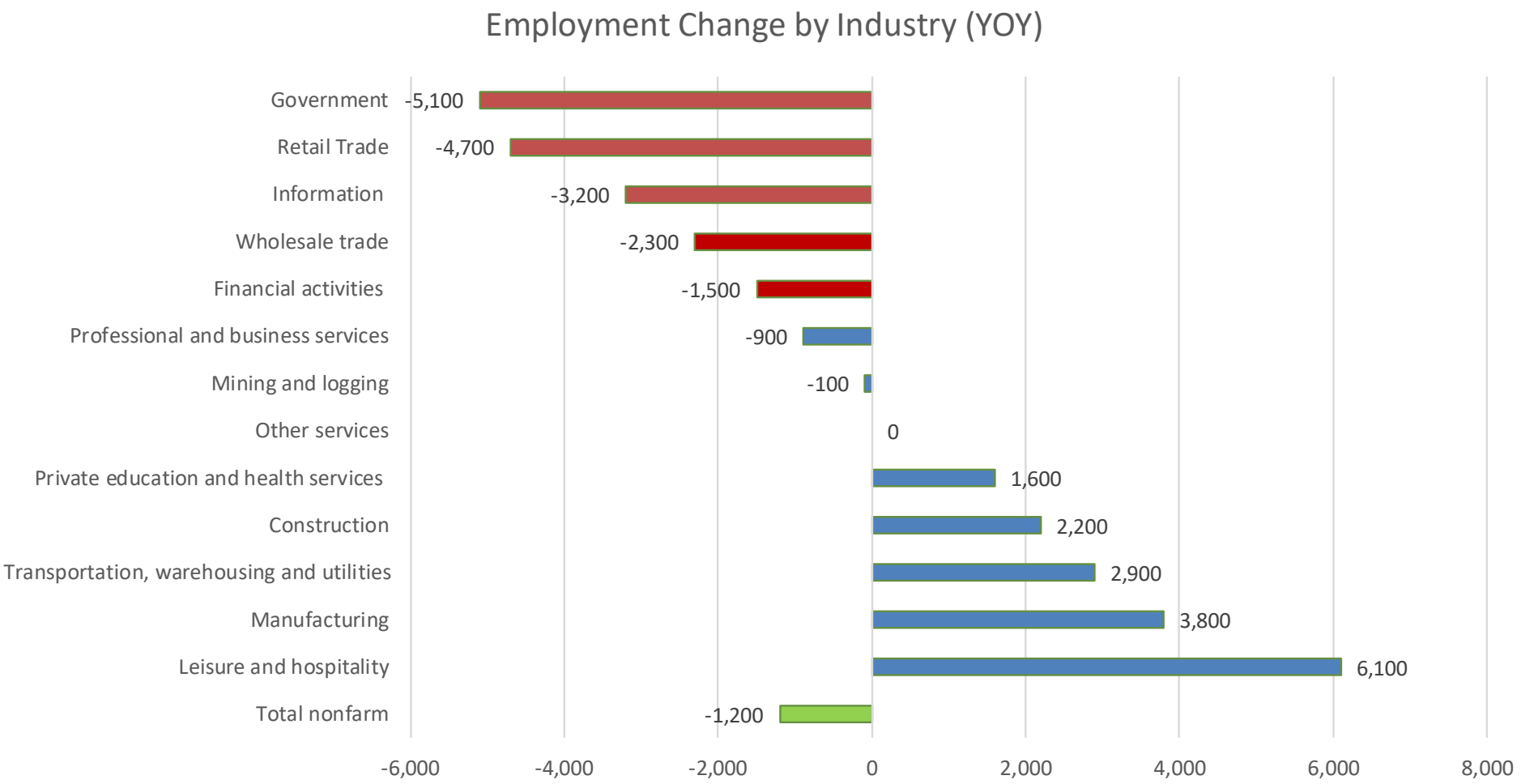
- Washington L&I Financial Statement Adjustments & Peer Analysis
- Performance Disclosures & Investment Policy
- Important Callan Disclosures

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Economic Data and Peer Comparison

Washington Employment Change by Industry

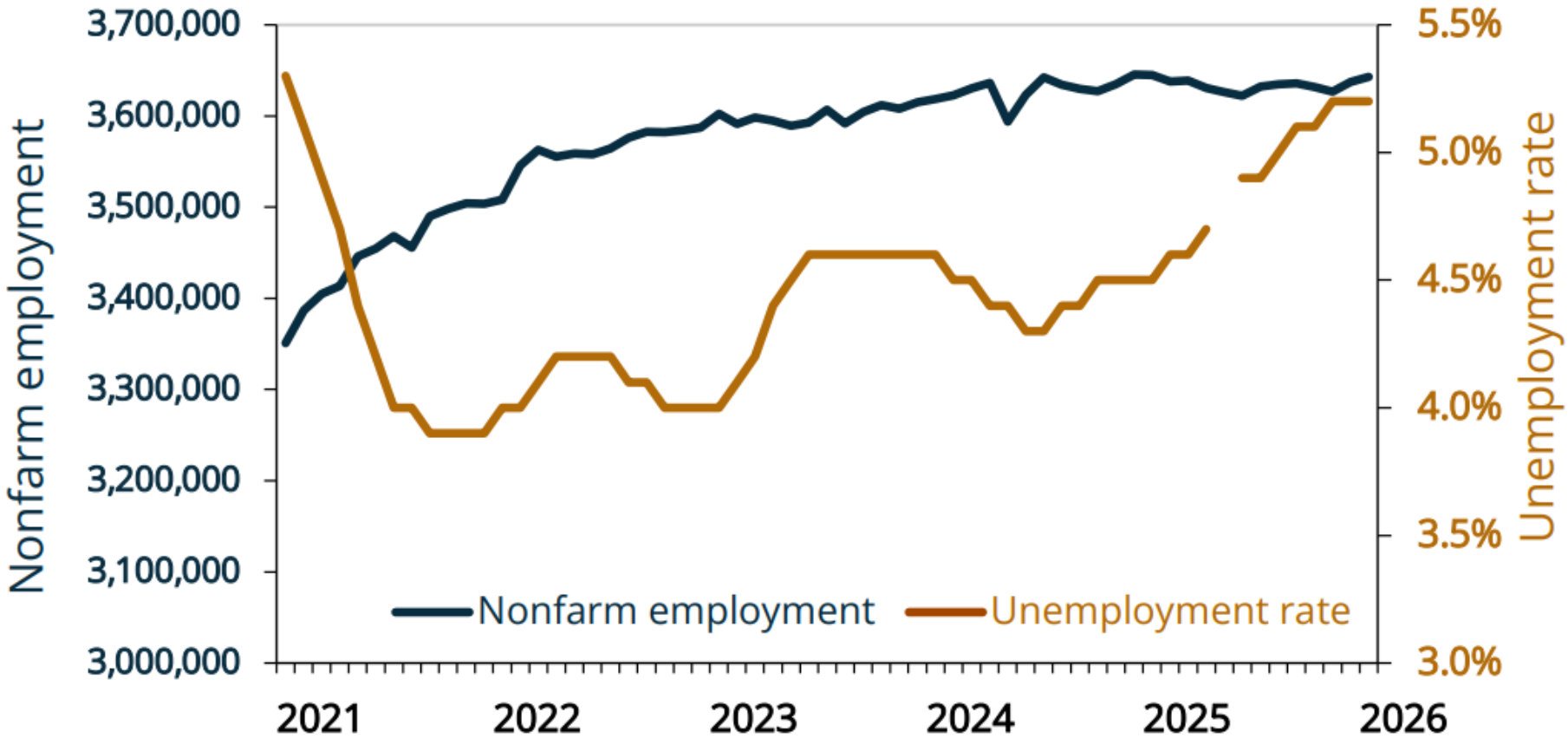
June 2025 to June 2026, not seasonally adjusted



Source: Employment Security Department; U.S. Bureau of Labor Statistics, Current Employment Statistics

Washington Nonfarm Employment and Unemployment Rate

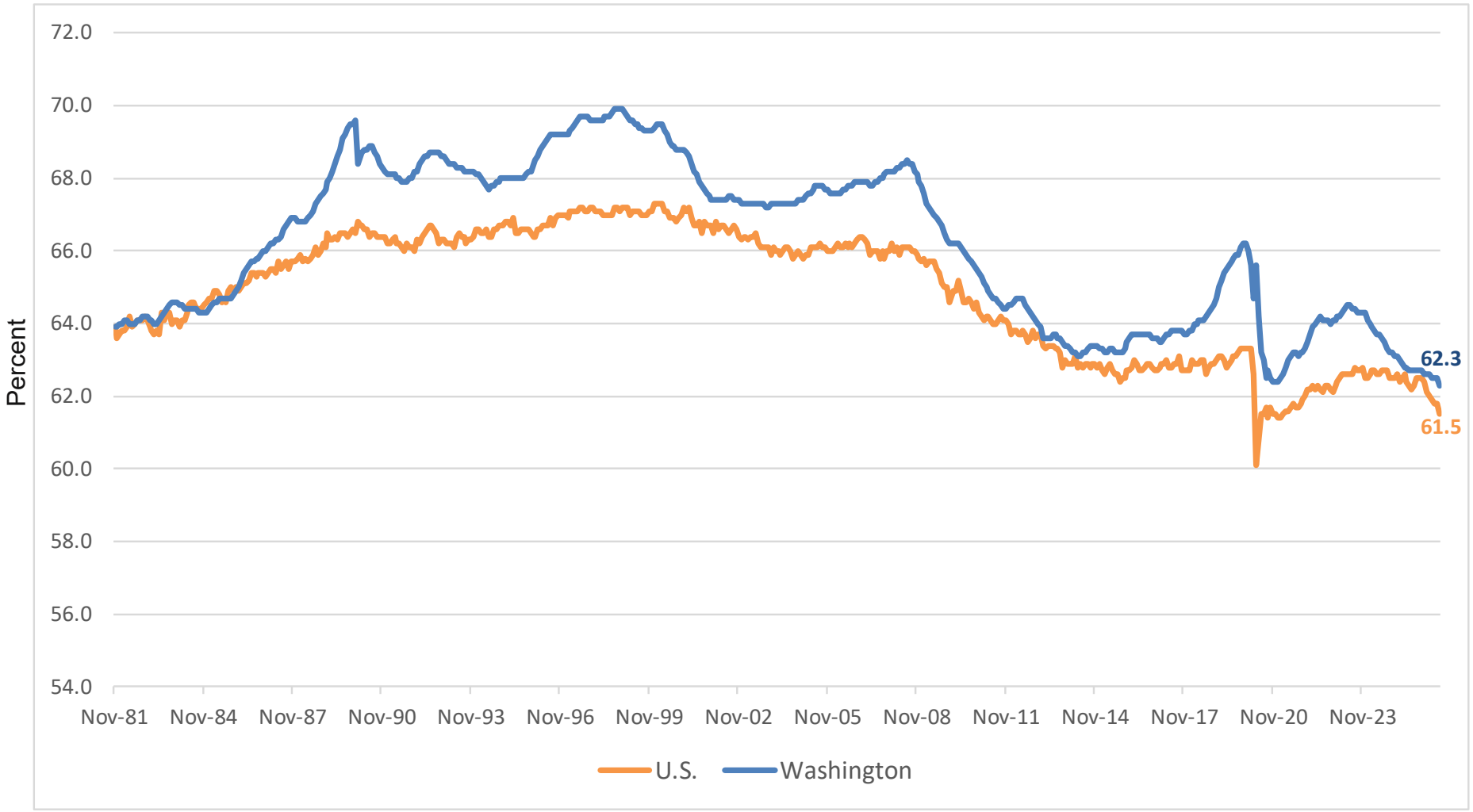
As of June 30, 2026



Source: Employment Security Department/LMIR; U.S. Bureau of Labor Statistics, Current Employment Statistics, Local Area Unemployment Statistics

Labor Force Participation Rate – U.S. and Washington State

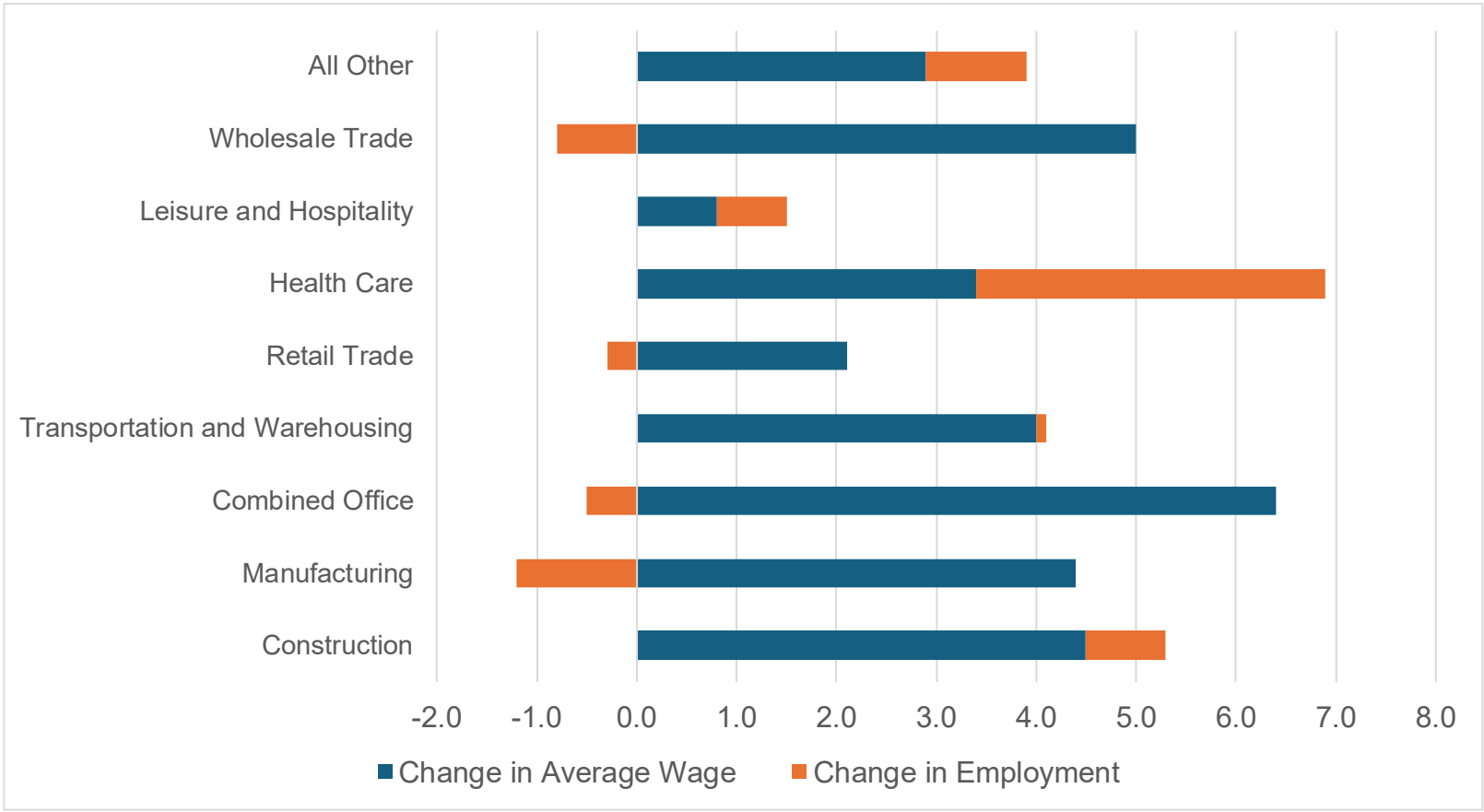
November 1981 – June 2026



Source Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, FRED Database

Percent Change in Payroll By Component 2024-2025

National Employment and Average Wages



- Payroll increased by roughly 4.8% for National Council on Compensation Insurance (NCCI) states, about 0.5% from employment and 4.3% from wages
- Health Care saw the biggest change in employment gains while manufacturing, combined office, retail trade, and wholesale trade so job losses

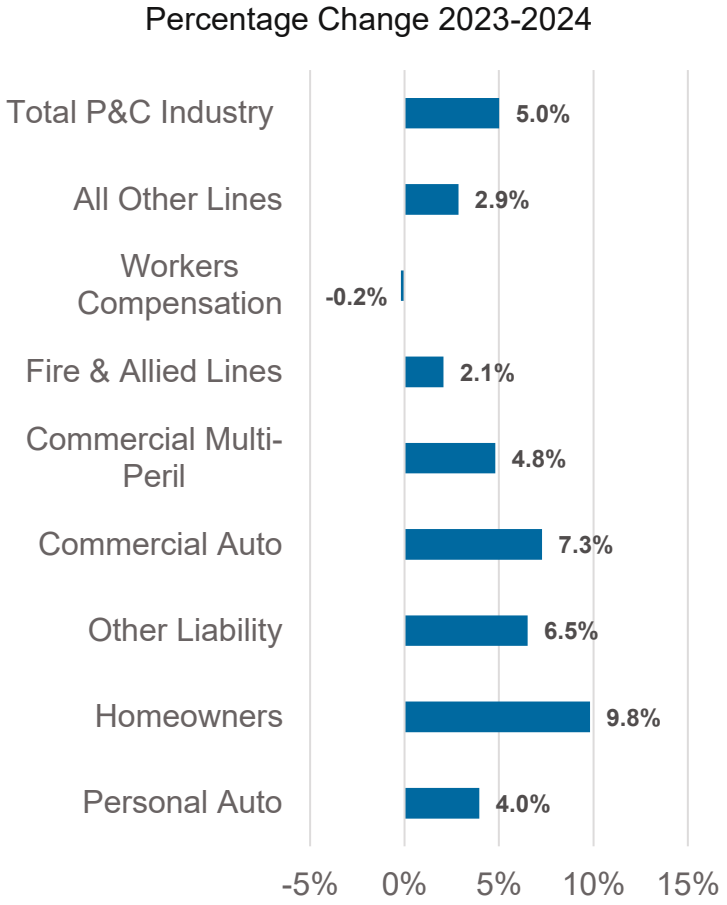
Source Annual Insights Symposium 2026, National Council on Compensation Insurance (NCCI), State of the Line Report

Property & Casualty Industry Net Written Premium Growth

Private Carriers, 2024-2025p

Line of Business	2024 ($B)	2025 ($B)	Change (YoY)
Personal Auto	345.9	359.6	13.7
Homeowners	145.7	160.0	14.3
Other Liability*	104.4	111.2	6.8
Commercial Auto	61.8	66.3	4.5
Commercial Multi-Peril	58.3	61.1	2.8
Fire & Allied Lines (incl. Earthquake)	58.0	59.2	1.2
Workers Compensation	41.6	41.6	0.0
All other Lines	112.1	115.3	3.2
Total P&C Industry	927.8	974.3	46.5

*including product liability

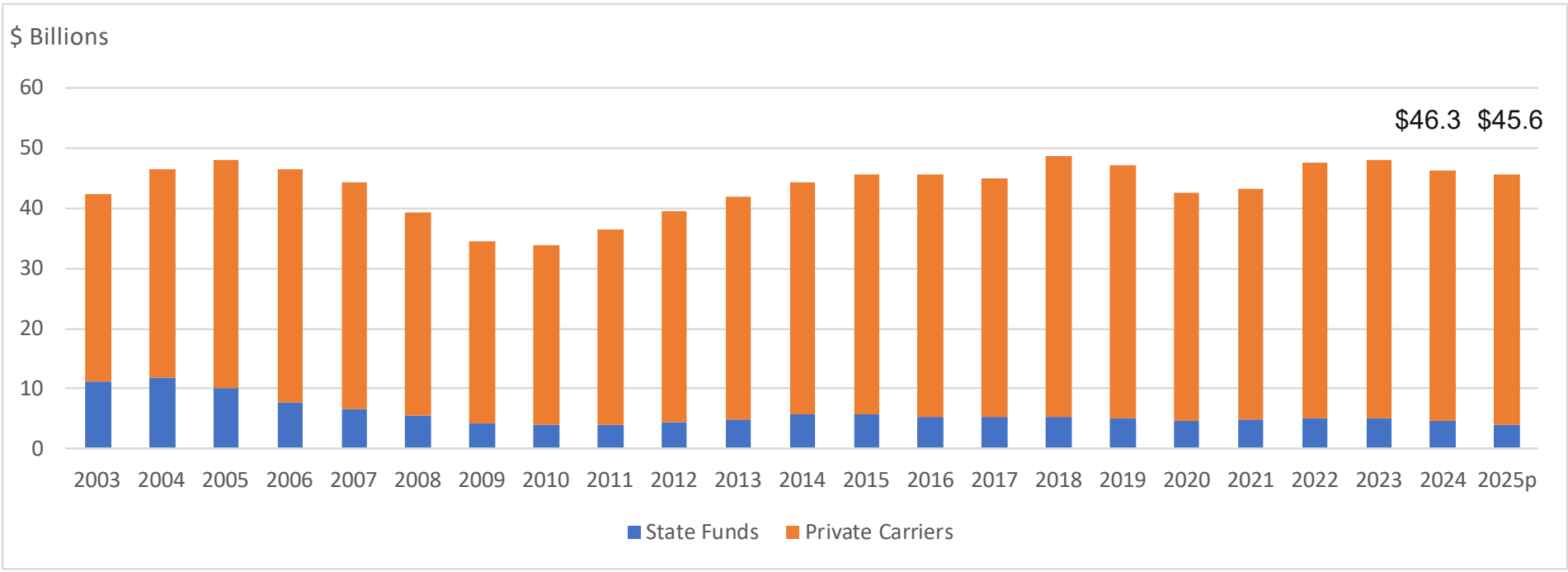


- Property & Casualty net written premium for private carriers increased by 5.0% in 2025
- Workers Comp was the only category that didn't increase in 2025, declining modestly
- All lines except Workers Comp experienced increases led by homeowners and commercial auto which saw large premium increases in 2025 across the country

Source Annual Insights Symposium 2026, National Council on Compensation Insurance, State of the Line Report

Net Written Premium

State Funds and Private Carriers

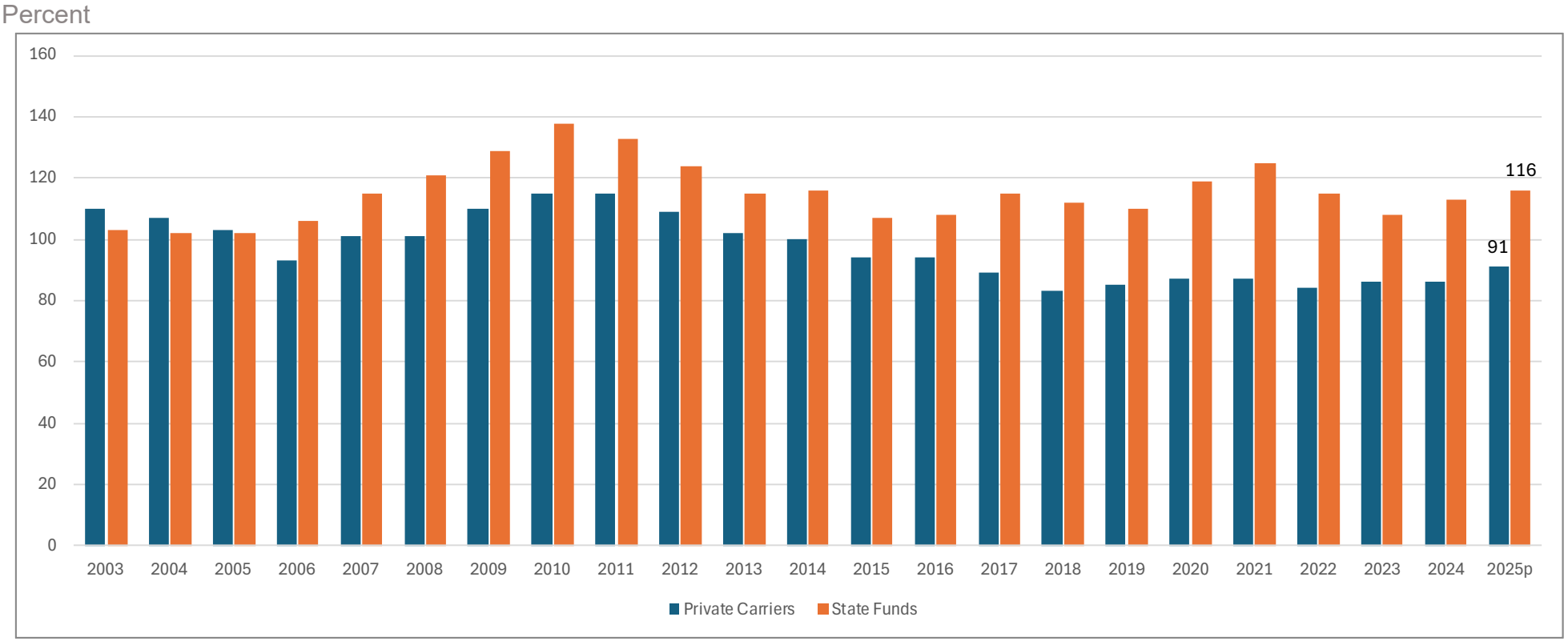


Source Annual Insights Symposium 2026, National Council on Compensation Insurance, State of the Line Report

The following states are included in the respective calendar years in which they operate as state funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT

Workers Compensation Net Combined Ratios

State and Private Carriers



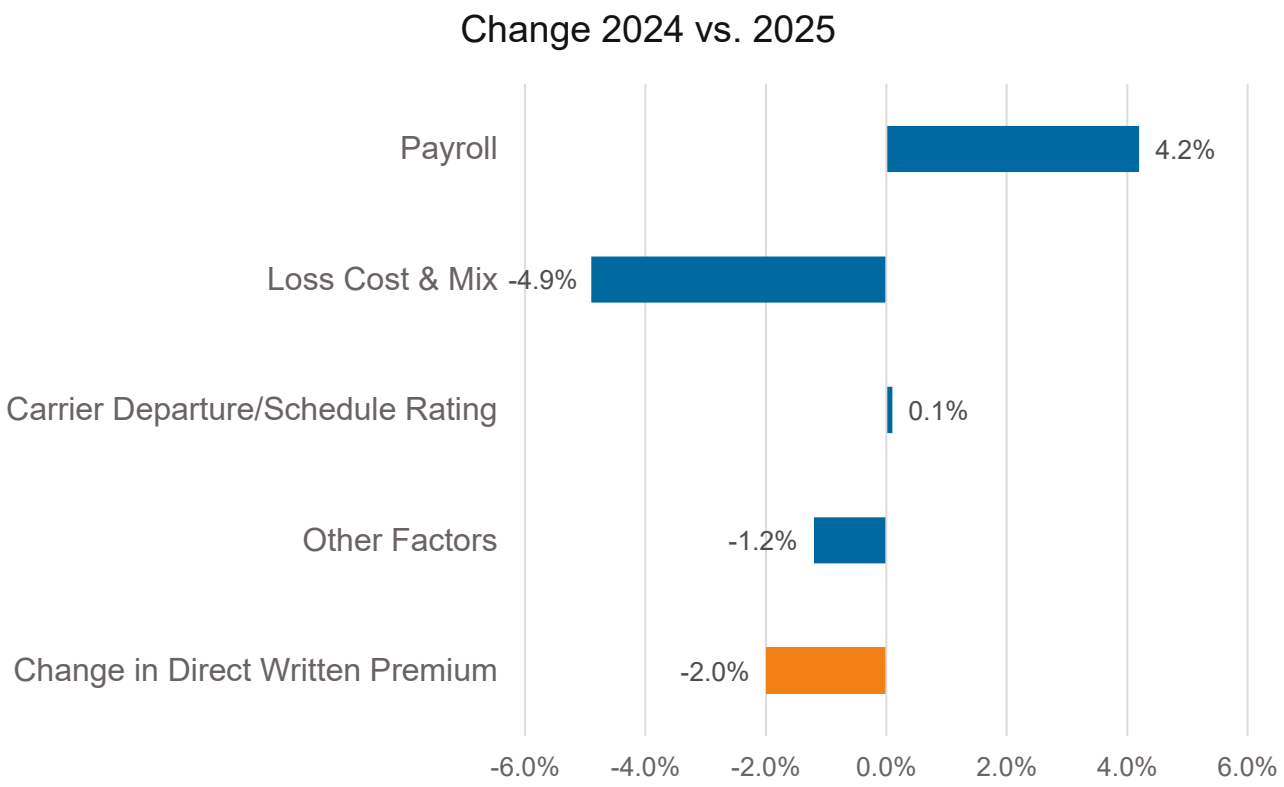
Net Combined Ratio = (Net Claims Incurred + Net Expenses Incurred) / Net Premium Earned

Ratios over 100% indicate claims and expenses were greater than premiums earned

Source Annual Insights Symposium 2026, National Council on Compensation Insurance, State of the Line Report

Workers Compensation Direct Written Premium Change by Component

Private Carriers – NCCI States*



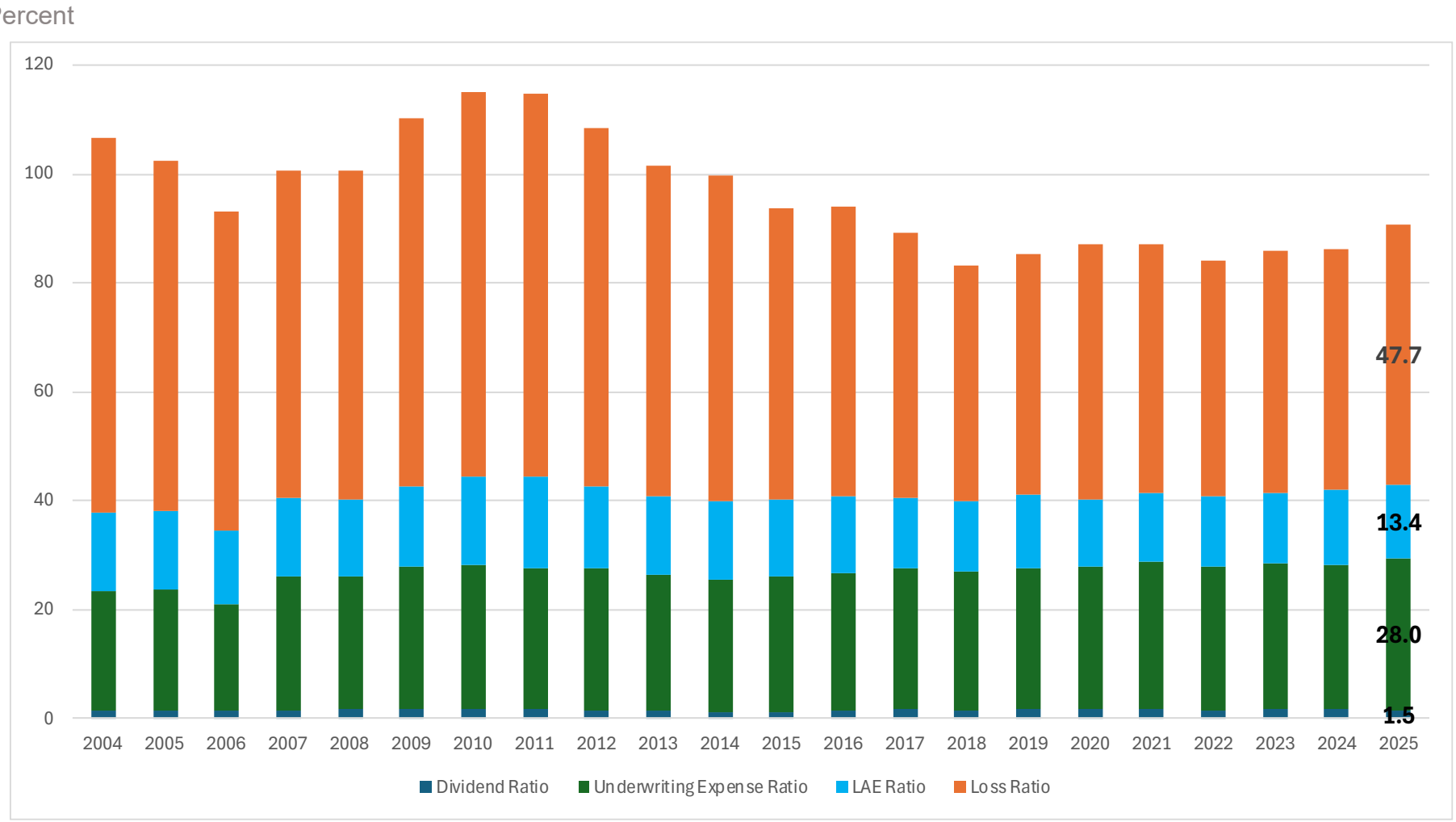
- For Private Carriers in NCCI States, direct written premium volume decreased 2.0% from 2024-2025
- The positive change in payroll was offset by the decrease in Loss Cost & Mix

***National Council on Compensation Insurance (NCII) States: All except Washington, Wyoming, North Dakota, Ohio, California, Minnesota, Wisconsin, Michigan, Pennsylvania, Massachusetts, Delaware, New York, and New Jersey. (independent bureau and monopolistic states).**

Source Annual Insights Symposium 2026, National Council on Compensation Insurance, State of the Line Report

Workers Compensation Net Combined Ratios by Component

Private Carriers

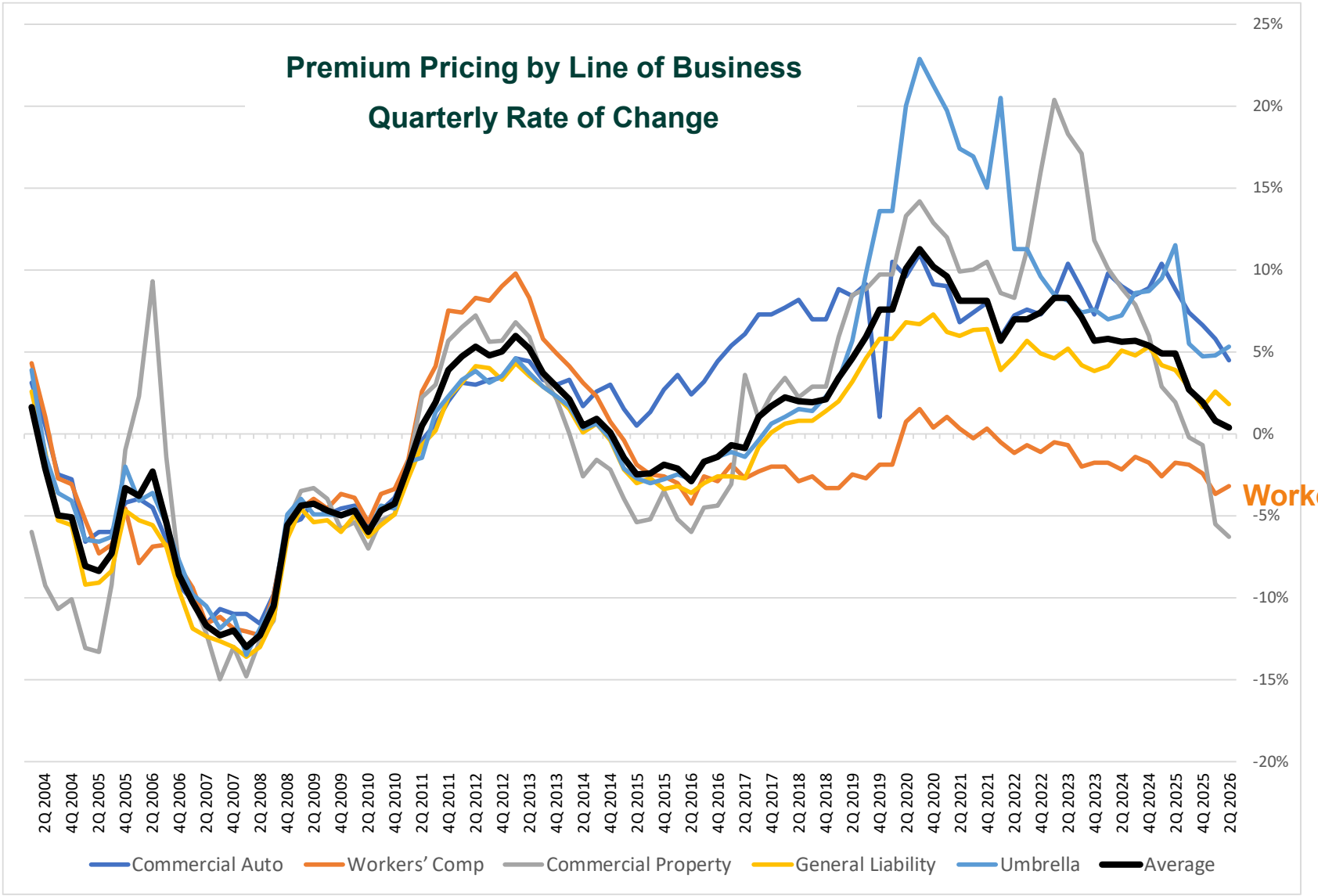


- The combined ratio and underlying components remained relatively stable for 2025 but increased modestly
- Ninth consecutive year with a loss ratio under 50%

Source Annual Insights Symposium 2026, National Council on Compensation Insurance, State of the Line Report

Property & Casualty Premium Pricing Trends

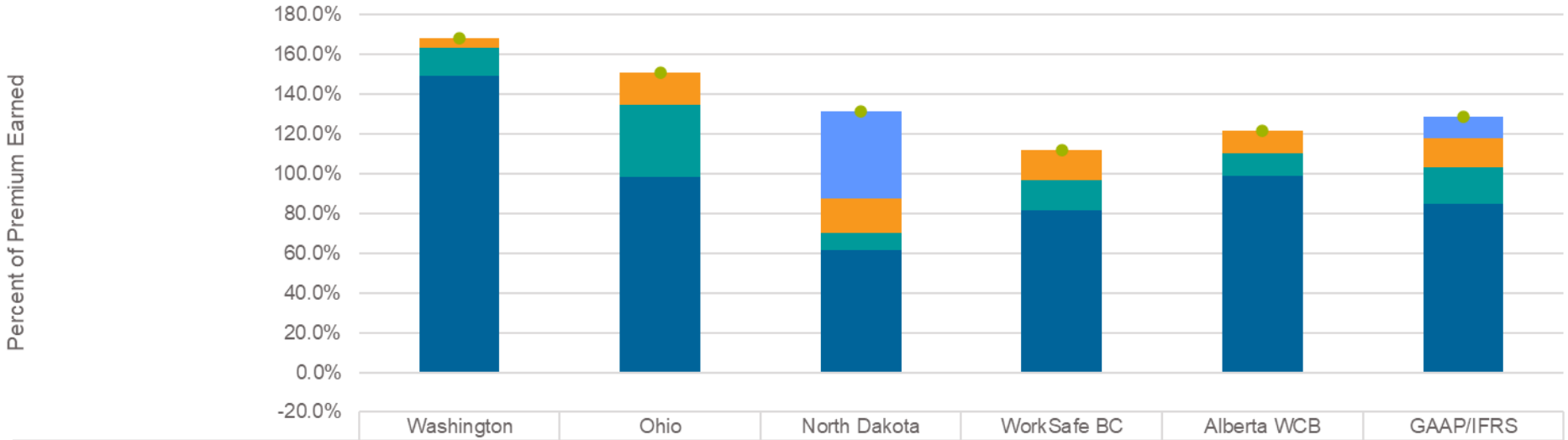
Second Quarter 2026 Rate Changes Ranged From -6.3% to +5.3%



Source: The Council of Insurance Agents & Brokers, Data from 1Q 2004-1Q 2026.

GAAP/IFRS Peer Analysis

Peer Comparison: Combined Ratio Components



	Washington	Ohio	North Dakota	WorkSafe BC	Alberta WCB	GAAP/IFRS
Dividend Ratio	0.0%	0.0%	43.4%	0.0%	0.0%	10.8%
Expense Ratio (incl. non-insurance)	5.0%	16.1%	17.4%	14.8%	11.4%	14.9%
LAE Ratio	14.0%	36.5%	9.1%	15.3%	11.5%	18.1%
Loss Ratio	149.5%	98.2%	61.3%	81.7%	98.8%	85.0%
Total (Combined Ratio)	168.5%	150.8%	131.2%	111.8%	121.6%	128.9%

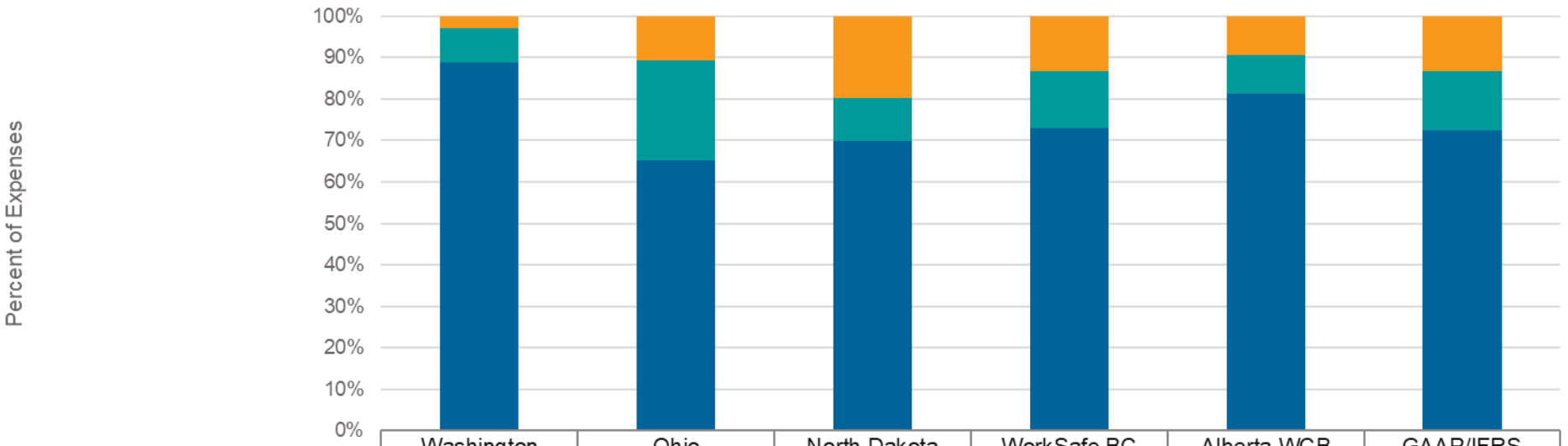
Combined Ratios above 100% could put downward pressure on surplus, absent sufficient investment performance

- Washington had a higher combined ratio than the GAAP/IFRS peer group due to a higher loss ratio
- Washington's Expense Ratio was the lowest among the peers

North Dakota's high dividend may be related to its very high surplus

Source: Callan, respective financial statements. Data represents Fiscal Year 2025, the latest period for which comparable peer financial statements are available.

Peer Comparison: Expenses

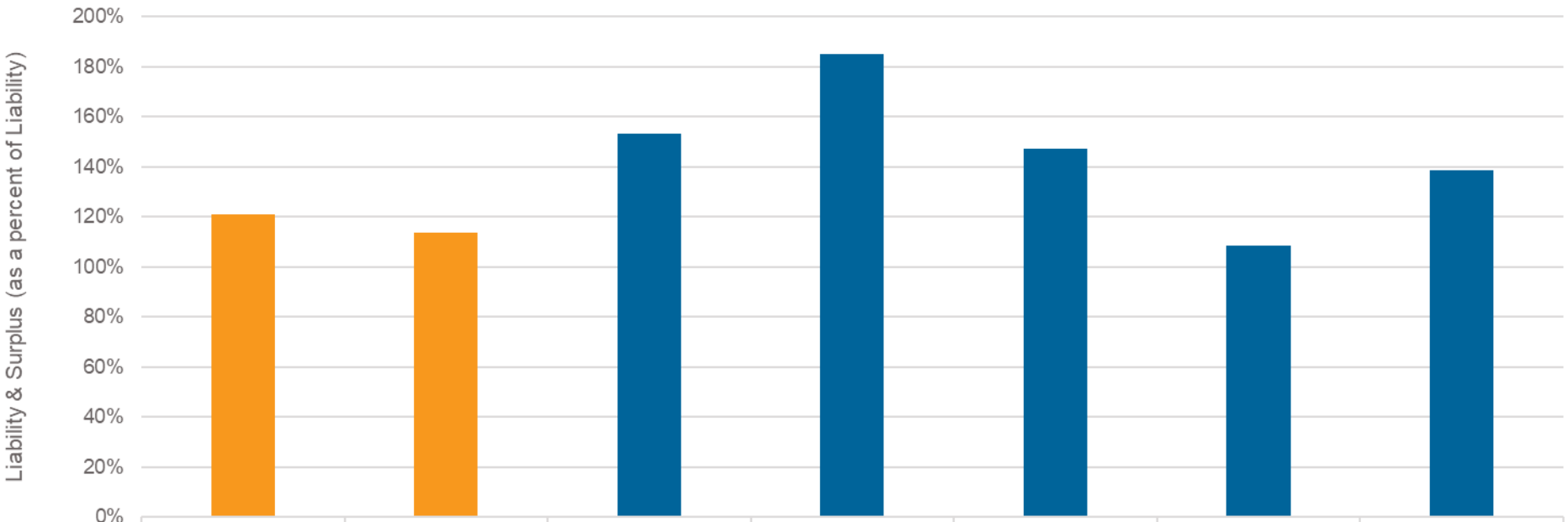


	Washington	Ohio	North Dakota	WorkSafe BC	Alberta WCB	GAAP/IFRS
Underwriting Expense (% of Total)	3%	11%	20%	13%	9%	13%
LAE (% of Total)	8%	24%	10%	14%	9%	14%
Loss (% of Total)	89%	65%	70%	73%	81%	72%

Underwriting expense is a relatively low percentage of total expense for Washington

Source: Callan, respective financial statements. Fiscal Year 2025

Peer Comparison: Funded Ratio



	WA (Book Value)	WA (Fair Value)	Ohio	North Dakota	WorkSafe BC	Alberta WCB	GAAP/IFRS
Funded Ratio	121%	114%	153%	185%	147%	108%	139%

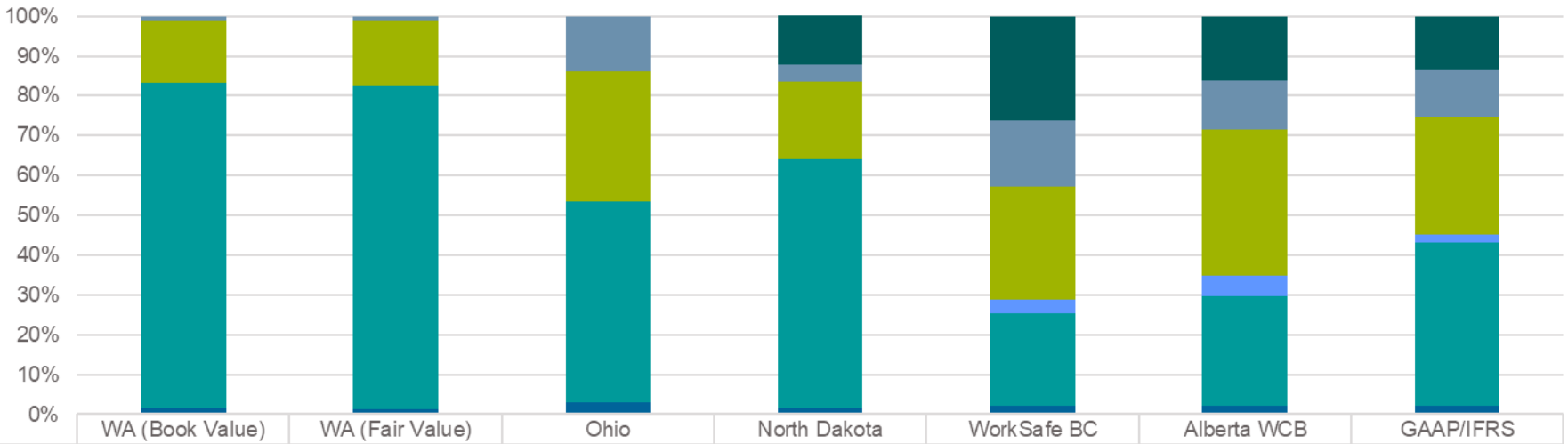
$$Funded\ Ratio = \frac{Liability + Surplus}{Liability}$$

A healthy surplus (funded ratio above 100%) acts as a buffer against potential risks

Alberta and North Dakota are both outliers due to very low and very high surplus levels, respectively

Source: Callan, respective financial statements. Fiscal Year 2025
Contingency Reserve is Surplus

Peer Comparison: Asset Allocation



	WA (Book Value)	WA (Fair Value)	Ohio	North Dakota	WorkSafe BC	Alberta WCB	GAAP/IFRS
Other	0%	0%	0%	12%	26%	16%	14%
Real Estate	1%	1%	14%	4%	17%	12%	12%
Equity	15%	16%	33%	20%	28%	37%	29%
CML	0%	0%	0%	0%	4%	5%	2%
Fixed Income	82%	81%	51%	62%	23%	28%	41%
Cash	2%	1%	3%	2%	2%	2%	2%

Washington's allocation to Real Estate is relatively low

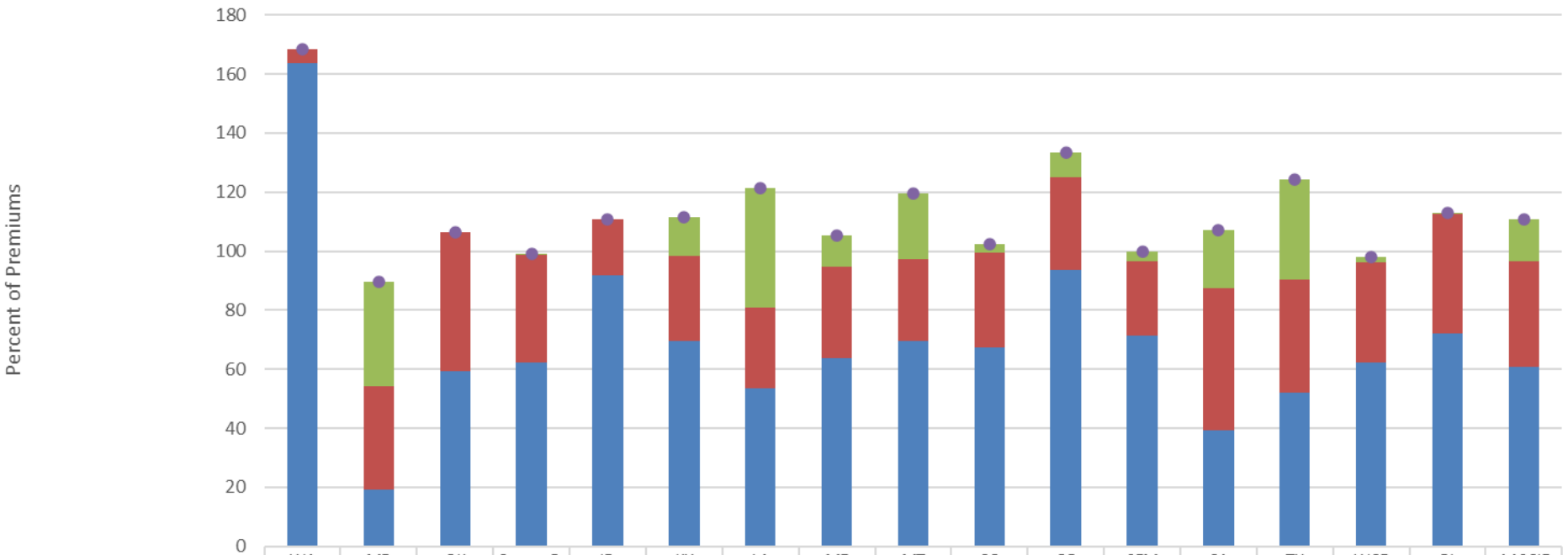
Washington's allocation to Fixed Income is relatively high

- Book Value accounting strongly favors fixed income investments

Source: Callan, respective financial statements. Fiscal Year 2025

AASCIF Peer Analysis

Peer Comparison: Combined Ratio Components



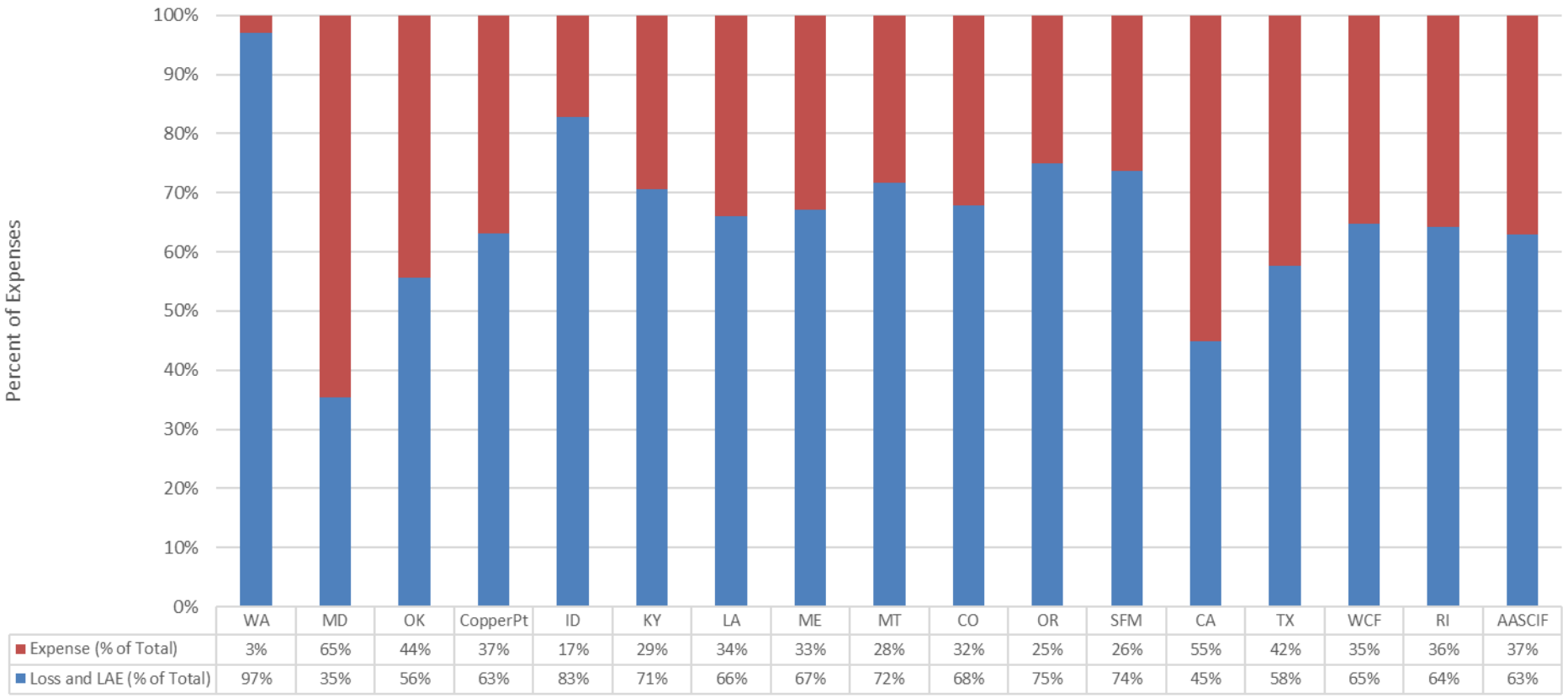
	WA	MD	OK	CopperPt	ID	KY	LA	ME	MT	CO	OR	SFM	CA	TX	WCF	RI	AASCIF
Policyholder Dividend Ratio (%)	0	35	0	0	0	13	40	10	22	3	8	3	20	34	2	1	14
Expense Ratio (%)	5	35	47	36	19	29	27	31	27	32	31	25	48	38	34	40	36
Loss and LAE Ratio (%)	164	19	59	62	92	69	54	64	70	67	94	71	39	52	62	72	61
Total (Combined Ratio, %)	168	89	106	99	111	111	121	105	120	102	133	100	107	124	98	113	111

Combined Ratios above 100% could put downward pressure on surplus, absent sufficient investment performance

- Washington's higher combined ratio was due to relatively higher Loss & Loss Adjustment Expense Ratio
- Washington's Expense Ratio was the lowest among the peers shown above

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers.
Contingency Reserve is Surplus

Peer Comparison: Expense Components



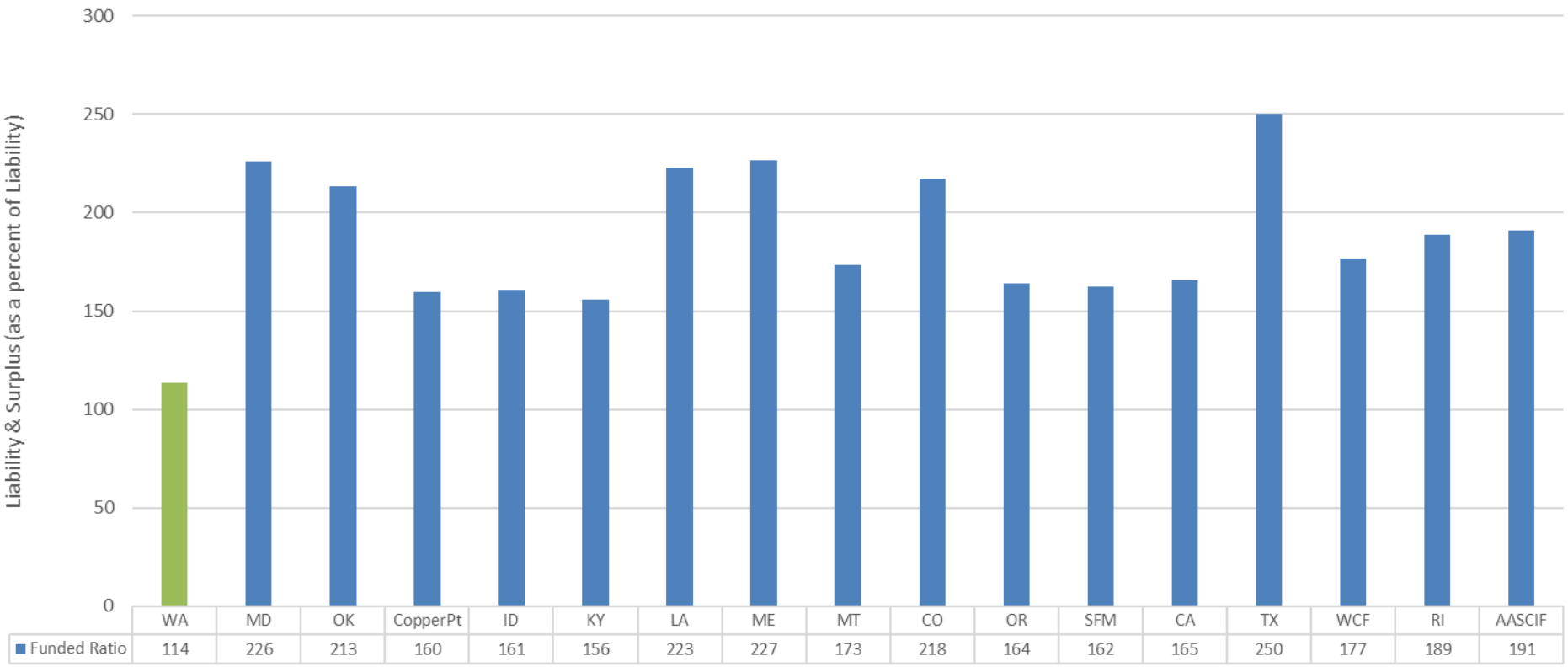
	WA	MD	OK	CopperPt	ID	KY	LA	ME	MT	CO	OR	SFM	CA	TX	WCF	RI	AASCIF
Expense (% of Total)	3%	65%	44%	37%	17%	29%	34%	33%	28%	32%	25%	26%	55%	42%	35%	36%	37%
Loss and LAE (% of Total)	97%	35%	56%	63%	83%	71%	66%	67%	72%	68%	75%	74%	45%	58%	65%	64%	63%

Washington allocates a relatively small portion of expenses to underwriting

- The vast majority of expenses are dedicated to Loss & Loss Adjustment Expense, a higher proportion than any peer shown above

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers.

Peer Comparison: Funded Ratio



	WA	MD	OK	CopperPt	ID	KY	LA	ME	MT	CO	OR	SFM	CA	TX	WCF	RI	AASCIF
Funded Ratio	114	226	213	160	161	156	223	227	173	218	164	162	165	250	177	189	191

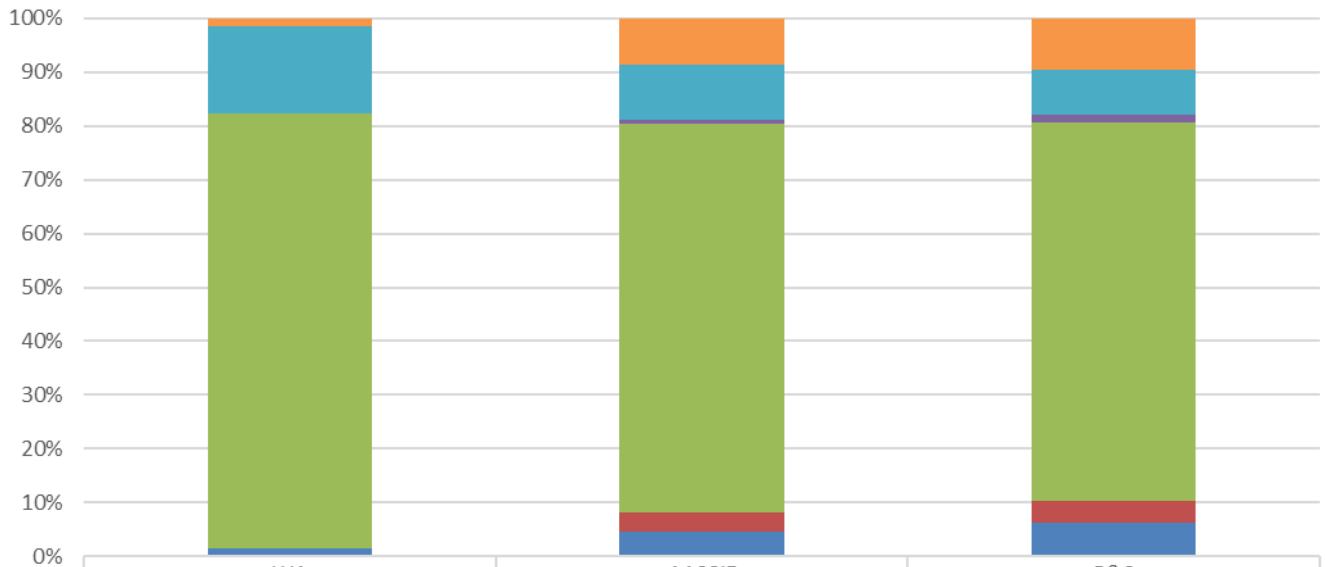
$$Funded\ Ratio = \frac{Liability + Surplus}{Liability}$$

A healthy surplus (funded ratio above 100%) acts as a buffer against potential risks

Washington exhibits a funded ratio lower than the peer group; however, none of the peer group constituents operate under Washington's monopolistic workers' compensation structure

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
Shown on a fair value basis
AASCIF peer group is comprised of 15 peer workers' compensation insurers.
Contingency Reserve is Surplus

Peer Comparison: Asset Allocation



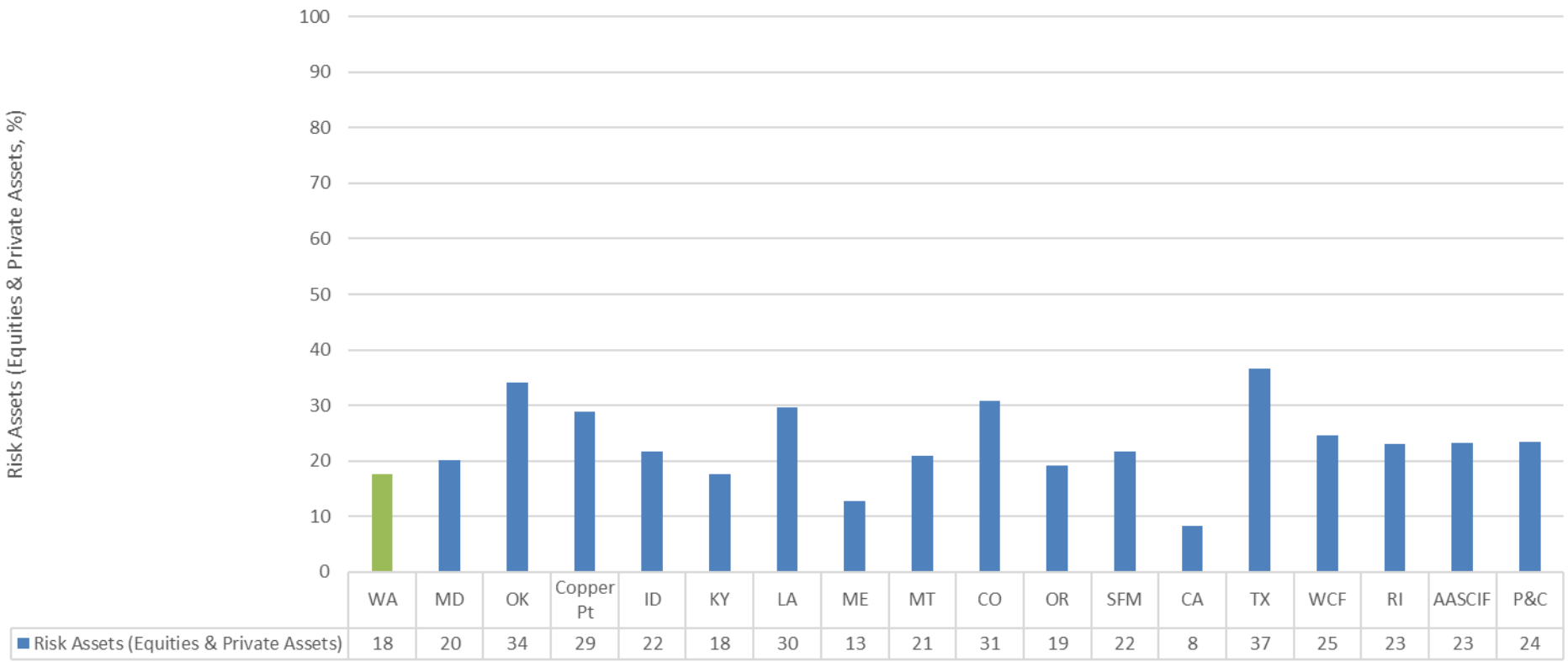
	WA	AASCIF	P&C
Other (incl. RE)	1.3	8.6	9.5
Equities	16.3	10.3	8.3
CML	0.0	0.7	1.6
Public FI	80.9	72.3	70.3
Private FI	0.0	3.6	4.1
Cash	1.4	4.5	6.2

Washington's allocation to Real Estate and alternatives is relatively low

Washington's allocation to Fixed Income and Equities are relatively high

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers. P&C represents the broad Property & Casualty insurance industry.

Peer Comparison: Asset Allocation (Risk Assets)

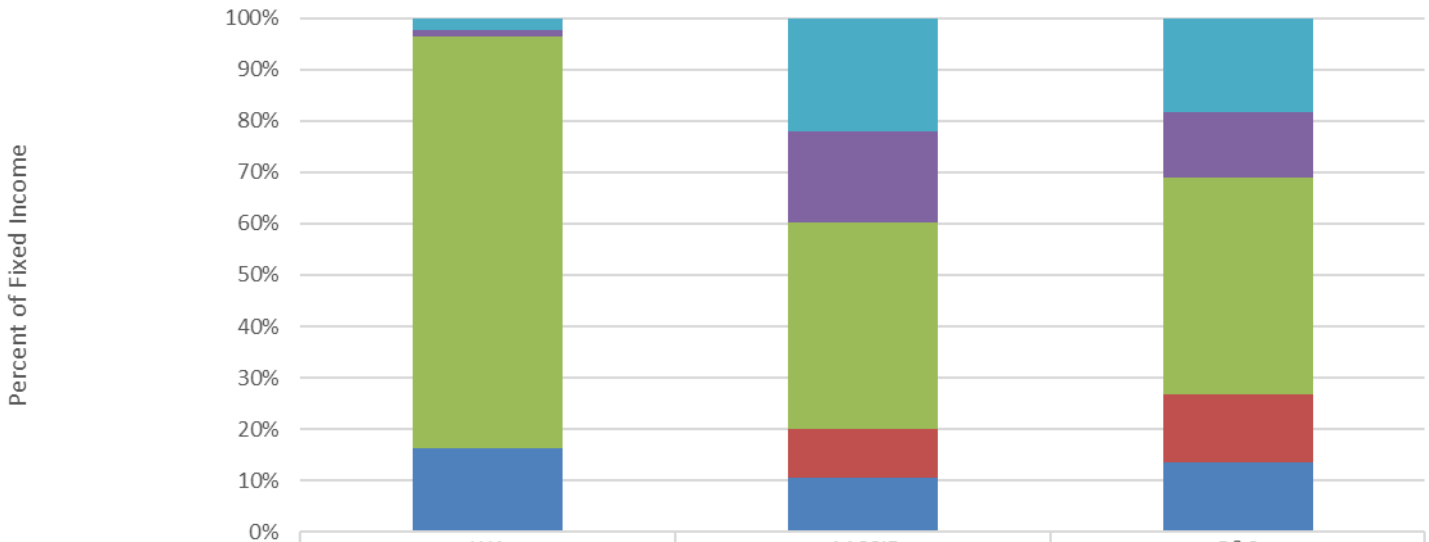


	WA	MD	OK	Copper Pt	ID	KY	LA	ME	MT	CO	OR	SFM	CA	TX	WCF	RI	AASCIF	P&C
Risk Assets (Equities & Private Assets)	18	20	34	29	22	18	30	13	21	31	19	22	8	37	25	23	23	24

Washington's allocation to Risk Assets is in line with peers

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers. P&C represents the broad Property & Casualty insurance industry.

Peer Comparison: Public Fixed Income Sector Allocation



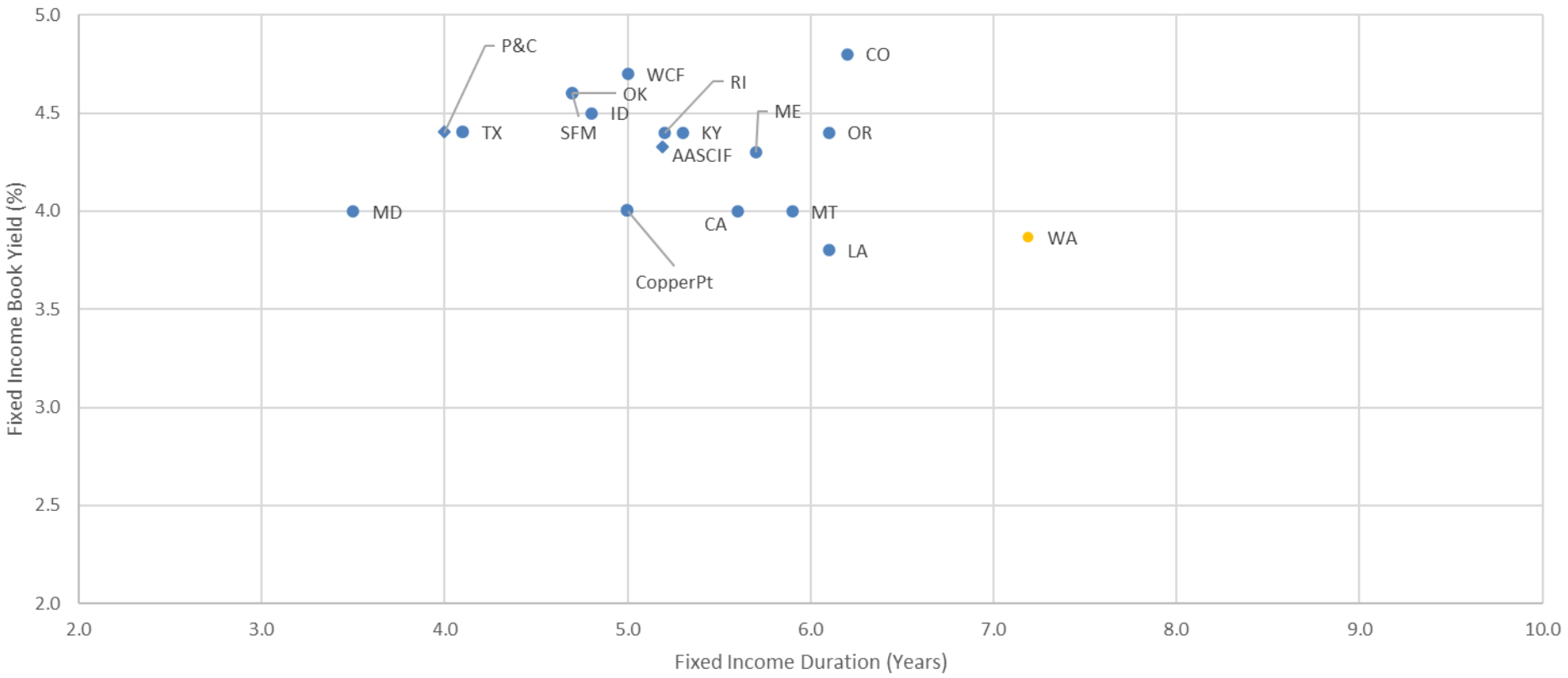
	WA	AASCIF	P&C
Other Securitized	2.3	22.0	18.2
Mortgage Facked Security	1.3	17.9	12.8
Credit & Other	80.1	40.1	42.2
Municipal Bond	0.0	9.5	13.1
US Gov't	16.3	10.5	13.6

Washington's allocation to credit within the fixed income portfolio is relatively high and allocation to securitized products is relatively low

Washington's allocation to US government bonds within the fixed income portfolio is largely in line with peers

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers. P&C represents the broad Property & Casualty insurance industry.

Peer Comparison: Fixed Income Book Yield vs. Duration



Fixed income book yield reflects bond yields at time of purchase (i.e. in the past, primarily in a lower rate environment)

Duration measures the sensitivity of a bond's price to changes in yields

Washington displayed a higher duration than the peer group with a book yield on the low end of the peer group

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers. P&C represents the broad Property & Casualty insurance industry.

Callan

L&I Performance

Callan Periodic Table of Investment Returns

Calendar Year Returns					Cumulative Returns (Period Ending 6/30/26)					
2021	2022	2023	2024	2025	15 Years	10 Years	5 Years	3 Years	1 Year	1 Quarter
NCREIF ODCE Value Wt (Net) 21.02%	NCREIF ODCE Value Wt (Net) 6.55%	MSCI ACWI IMI 21.58%	MSCI ACWI IMI 16.37%	MSCI ACWI IMI 22.06%	MSCI ACWI IMI 10.12%	MSCI ACWI IMI 12.54%	MSCI ACWI IMI 10.57%	MSCI ACWI IMI 19.45%	MSCI ACWI IMI 24.22%	MSCI ACWI IMI 14.93%
MSCI ACWI IMI 18.22%	Bloomberg ABS -4.30%	Bloomberg Credit 8.18%	Bloomberg ABS 5.02%	Bloomberg MBS 8.58%	NCREIF ODCE Value Wt (Net) 6.30%	NCREIF ODCE Value Wt (Net) 3.72%	Bloomberg ABS 2.47%	Bloomberg CMBS IG 5.91%	Bloomberg MBS 5.21%	Bloomberg Credit 1.33%
Bloomberg ABS -0.34%	Bloomberg CMBS IG -10.94%	Bloomberg ABS 5.54%	Bloomberg CMBS IG 4.96%	Bloomberg Credit 7.83%	Bloomberg Credit 3.38%	Bloomberg Credit 2.49%	NCREIF ODCE Value Wt (Net) 1.86%	Bloomberg ABS 5.26%	Bloomberg Credit 4.34%	NCREIF ODCE Value Wt (Net) 1.28%
Bloomberg CMBS IG -0.90%	Bloomberg MBS -11.81%	Bloomberg CMBS IG 5.29%	Bloomberg Credit 2.03%	Bloomberg CMBS IG 7.76%	Bloomberg CMBS IG 3.11%	Bloomberg ABS 2.43%	Bloomberg CMBS IG 1.21%	Bloomberg Credit 5.19%	Bloomberg ABS 4.01%	Bloomberg ABS 0.75%
Bloomberg MBS -1.04%	Bloomberg Government -12.32%	Bloomberg MBS 5.05%	Bloomberg MBS 1.20%	Bloomberg Government 6.31%	Bloomberg ABS 2.40%	Bloomberg CMBS IG 2.35%	Bloomberg MBS 0.50%	Bloomberg MBS 4.60%	Bloomberg CMBS IG 3.97%	Bloomberg MBS 0.58%
Bloomberg Credit -1.08%	Bloomberg Credit -15.26%	Bloomberg Government 4.09%	Bloomberg Government 0.62%	Bloomberg ABS 5.93%	Bloomberg MBS 1.92%	Bloomberg MBS 1.38%	Bloomberg Credit 0.38%	Bloomberg Government 3.20%	NCREIF ODCE Value Wt (Net) 3.59%	Bloomberg CMBS IG 0.48%
Bloomberg Government -2.28%	MSCI ACWI IMI -18.40%	NCREIF ODCE Value Wt (Net) -12.73%	NCREIF ODCE Value Wt (Net) -2.27%	NCREIF ODCE Value Wt (Net) 2.92%	Bloomberg Government 1.72%	Bloomberg Government 0.90%	Bloomberg Government -0.38%	NCREIF ODCE Value Wt (Net) -1.44%	Bloomberg Government 2.72%	Bloomberg Government 0.32%

Bond Portfolio Index Composition

	Accident Fund 608	Medical Aid Fund 609	Pension Reserve Fund 610	Self Insured Reserve Fund 596
Bloomberg Credit	50.0%	50.0%	50.0%	50.0%
Bloomberg Intermediate Government	37.5%	46.0%	25.0%	25.0%
Bloomberg Long Government	10.0%	1.5%	22.5%	22.5%
Bloomberg Securitized	2.5%	2.5%	2.5%	2.5%
Total Bond Benchmark	**100.0%**	**100.0%**	**100.0%**	**100.0%**

- Bond indices differ across the four programs, though each have 47.5% allocated to government debt, 50% to credit, and 2.5% to Securitized
- The fixed income component of each program's custom index reflects the duration and maturity structures of each applicable program

Prepared by Callan, LLC, based upon data provided by WSIB as of 6/30/2026.

Comparison of Fixed Income Portfolios to Fixed Income Indices

Second Quarter 2026

Comparison of Funds to Benchmarks as of June 30, 2026

	Sector Allocation				Duration			
Portfolios	***Accident***	***Medical***	***Pension***	***Self Ins.***	***Accident***	***Medical***	***Pension***	***Self Ins.***
Cash	0.6%	0.2%	0.1%	3.6%	0.0	0.0	0.0	0.0
Govt	16.8%	18.4%	17.3%	18.9%	7.7	6.7	12.8	11.3
Credit	79.3%	77.6%	79.9%	75.1%	6.8	6.0	7.8	7.9
MBS	0.8%	3.1%	1.7%	1.5%	3.9	4.2	4.0	4.2
CMBS	2.4%	0.6%	0.9%	0.8%	2.0	0.9	0.8	0.7
ABS	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0
Total	*100%*	*100%*	*100%*	*100%*	*6.8*	*6.0*	*8.6*	*8.2*
Benchmarks	***Accident***	***Medical***	***Pension***	***Self Ins.***	***Accident***	***Medical***	***Pension***	***Self Ins.***
Govt	47.5%	47.5%	47.5%	47.5%	5.8	3.9	8.6	8.6
Credit	50.0%	50.0%	50.0%	50.0%	6.6	6.6	6.6	6.6
Securitized	2.5%	2.5%	2.5%	2.5%	5.3	5.3	5.3	5.3
Total	*100%*	*100%*	*100%*	*100%*	*6.2*	*5.3*	*7.5*	*7.5*
Difference	***Accident***	***Medical***	***Pension***	***Self Ins.***	***Accident***	***Medical***	***Pension***	***Self Ins.***
Cash	-0.6%	-0.2%	-0.1%	-3.6%	0.0	0.0	0.0	0.0
Govt/MBS	+29.8%	+26.0%	+28.5%	+27.1%	-1.7	-2.5	-3.4	-2.2
Credit	-29.3%	-27.6%	-29.9%	-25.1%	-0.2	0.7	-1.2	-1.3
CMBS	+0.1%	+1.9%	+1.6%	+1.7%	3.3	4.4	4.5	4.5
ABS	+0.0%	+0.0%	+0.0%	+0.0%	0.0	0.0	0.0	0.0
Total	*0%*	*0%*	*0%*	*0%*	*0.6*	*0.7*	*1.0*	*0.6*

	Maturity Breakdown							
	Accident		Medical Aid		Pen. Reserve		Self Ins.	
	Port	***Index***	***Port***	***Index***	***Port***	***Index***	***Port***	***Index***
0-5 yrs	32%	48%	40%	54%	27%	39%	31%	39%
5-10 yrs	44%	27%	42%	29%	26%	23%	24%	23%
10-20 yrs	10%	11%	8%	7%	18%	17%	17%	17%
20+ yrs	14%	14%	10%	10%	29%	21%	28%	21%
	100%	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*
% Credit	79%	50%	78%	50%	80%	50%	75%	50%
Duration	6.82	6.19	6.00	5.28	8.56	7.52	8.16	7.52

Portfolio Long Bonds				
	Accident	***Medical***	***Pension***	***Self Ins.***
10-20 yrs	10%	8%	18%	17%
20+ yrs	14%	10%	29%	21%
	24%	18%	47%	38%

Benchmark Sector Allocations vs L&I Portfolio						
	Accident	***Medical***	***Pension***	***Self Ins.***	**BM Av**	**L&I**
Cash						**1%**
Govt	48%	48%	48%	48%	**48%**	**18%**
Credit	50%	50%	50%	50%	**50%**	**77%**
Securitized	3%	3%	3%	3%	**3%**	**3%**
	100%	100%	100%	100%	**100%**	**100%**

Prepared by Callan, LLC, based upon data provided by WSIB as of 6/30/2026. Benchmark data obtained from Bloomberg and MSCI.

Portfolio Composition as of June 30, 2026

Ending Balances	608	609	610	596	881	Total	Total
Fixed Income Portfolio	**$7,029,272,017**	**$6,548,881,756**	**$4,350,911,193**	**$683,659,504**	**$315,048,938**	**$18,927,773,409**	**81.5%**
Cash	$41,883,262	$16,324,710	$5,496,071	$24,671,567	$88,146,684	$176,522,294	0.8%
Government	$1,183,135,738	$1,205,801,655	$754,533,878	$129,154,960	$224,909,797	$3,497,536,027	15.1%
Credit	$5,576,735,677	$5,085,155,168	$3,477,013,858	$513,747,739	$1,992,457	$14,654,644,901	63.1%
Securitized	$227,517,340	$241,600,223	$113,867,386	$16,085,238	$0	$599,070,187	2.6%
Equity Portfolio	**$1,525,490,693**	**$1,671,744,918**	**$584,310,627**	**$96,714,783**	**$0**	**$3,878,261,021**	**16.7%**
Real Estate	**$153,370,302**	**$152,903,896**	**$97,380,451**	**$14,570,772**	**$0**	**$418,225,421**	**1.8%**
Total Portfolio	**$8,708,133,012**	**$8,373,530,570**	**$5,032,602,272**	**$794,945,059**	**$315,048,938**	**$23,224,259,851**	**100.0%**
Target Equity Allocation	*15.0%*	*20.0%*	*10.0%*	*10.0%*	*0.0%*		

- Data above reflects portfolio composition as of the most recent quarter-end

Prepared by Callan, LLC, based upon data provided by WSIB as of 6/30/2026

Quarterly Performance of Custom Index Components

Second Quarter 2026

Bloomberg Benchmarks	April	May	June	2Q2026	Duration (yrs)
Bloomberg Credit	0.45%	0.67%	0.20%	**1.33%**	6.61
Bloomberg Intermediate Government	0.09%	0.01%	0.09%	**0.18%**	3.54
Bloomberg Long Government	-0.68%	0.51%	1.03%	**0.85%**	14.20
Bloomberg Securitized	0.08%	0.29%	0.21%	**0.58%**	5.27

MSCI Equity Index Returns	April	May	June	2Q2026
MSCI ACW IMI Net w/ US Gross	10.13%	5.02%	-0.59%	**14.99%**

- Each sub-component of the Bond benchmarks consists of the respective Bloomberg index
- Equity benchmark is the Morgan Stanley All-Country World Investable Market Index (ACW IMI) Net with US Gross

Prepared by Callan, LLC, based upon data provided by WSIB as of 6/30/2026. Benchmark performance obtained from Bloomberg and MSCI.

Total Portfolio Performance

L&I Total Investment Portfolio Performance as of June 30, 2026

			Annualized Returns					
	1 Quarter	YTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception
Fund 608	3.35%	2.52%	7.40%	7.09%	2.36%	4.03%	5.20%	5.85%
Total Benchmark	2.94%	2.41%	6.71%	7.00%	2.08%	3.76%	4.87%	
difference (bps)	*+41*	*+12*	*+68*	*+9*	*+28*	*+27*	*+33*	
Fund 609	4.08%	3.22%	8.51%	8.06%	3.20%	4.60%	5.23%	5.95%
Total Benchmark	3.59%	2.96%	7.70%	7.97%	3.00%	4.37%	4.91%	
difference (bps)	*+49*	*+26*	*+80*	*+9*	*+20*	*+23*	*+32*	
Fund 610	2.91%	2.11%	6.57%	5.68%	0.50%	3.26%	4.81%	5.98%
Total Benchmark	2.32%	1.86%	5.74%	5.91%	0.45%	3.02%	4.49%	
difference (bps)	*+59*	*+25*	*+83*	*-23*	*+4*	*+24*	*+32*	
Fund 596	2.84%	2.06%	6.40%					6.40%
Total Benchmark	2.32%	1.86%	5.73%					
difference (bps)	*+52*	*+20*	*+66*					

Please refer to the accompanying performance disclosures

Prepared by Callan, LLC, based upon data provided by WSIB as of 6/30/2026.

Fixed Income Portfolio Performance

L&I Fixed Income Portfolio Performance as of June 30, 2026

	1 Quarter	YTD	Annualized Returns					
			1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception
Fund 608	1.23%	0.70%	4.34%	4.85%	0.76%	2.44%	4.48%	5.37%
Bond Benchmark	0.83%	0.59%	3.60%	4.61%	0.33%	2.08%	4.07%	
difference (bps)	*+40*	*+12*	*+74*	*+24*	*+43*	*+36*	*+40*	
Fund 609	1.12%	0.73%	4.27%	5.05%	1.13%	2.49%	4.34%	4.97%
Bond Benchmark	0.78%	0.57%	3.58%	4.86%	0.79%	2.15%	3.90%	
difference (bps)	*+34*	*+16*	*+69*	*+18*	*+34*	*+34*	*+44*	
Fund 610	1.45%	0.85%	4.43%	4.07%	-0.75%	2.04%	4.28%	5.35%
Bond Benchmark	0.92%	0.62%	3.64%	4.24%	-0.83%	1.79%	3.92%	
difference (bps)	*+53*	*+23*	*+78*	*-18*	*+9*	*+25*	*+36*	
Fund 596	1.41%	0.84%	4.38%					4.38%
Bond Benchmark	0.92%	0.62%	3.64%					
difference (bps)	*+49*	*+22*	*+74*	*+0*	*+0*	*+0*	*+0*	

Please refer to the accompanying performance disclosures

Prepared by Callan, LLC, based upon data provided by WSIB as of 6/30/2026.

Appendix: Washington L&I Financial Statement Adjustments & Peer Analysis

L&I Financial Adjustments

	2022 BV	2023 BV	2024 BV	WA (Book Value)
Net Premiums Earned	1,854,763	2,053,238	2,053,238	2,340,832
Self-insured 2nd injury pension reserve assessment	48,673	18,921	24,577	39,108
Self-insured cash funded & bonded pension reimb	34,994	28,689	46,119	50,526
Adj. Net Premium Earned	***1,938,430***	***2,100,848***	***2,123,934***	***2,430,466***
Net Investment Income Earned	456,375	504,416	592,620	685,656
Benefits Incurred	1,820,267	2,230,686	2,063,714	3,634,109
Claims Administration Expenses Incurred	208,173	210,420	231,836	339,749
Premium admin expense incurred	46,436	47,942	51,351	47,263
General insurance admin expense incurred	24,156	28,612	28,799	33,067
Other agency expense incurred	23,738	24,808	24,629	26,695
Unadjusted Underwriting expense	***94,330***	***101,362***	***104,779***	***107,025***
Self-insured admin expense incurred	35,556	37,714	37,803	39,974
Underwriting expenses before other income	***129,886***	***139,076***	***142,582***	***146,999***
Self-insured admin expense assessments	39,213	37,883	41,959	45,755
Fines, penalties, interest	35,858	41,976	44,956	75,296
Other income	9,688	10,790	9,982	10,788
Total other income (expense offset)	***-84,759***	***-90,649***	***-96,897***	***-131,839***
Adj. Insurance admin expense incurred	45,127	48,427	45,685	15,160
Non-insurance admin expense incurred	87,947	112,839	106,464	106,108
Adj. underwriting expense incurred	***133,074***	***161,266***	***152,149***	***121,268***
Adj. Total Expenses	*2,161,514*	*2,602,372*	*2,447,699*	*4,095,126*
Memo: Statutory Total Expenses	2,246,273	2,693,021	2,544,596	4,226,965
Net Investment Realized Gains (losses)	141,858	139,573	16,179	268,965
Adj. Net Income	375,149	142,465	285,034	-710,039
Memo: Statutory Net Income	376,936	39,743	350,518	-660,979

At L&I's request, adjust premiums and underwriting expenses
Source: L&I statutory financial statements (thousands of dollars)
Latest year shown on right side

L&I Adjusted Ratios

	2022 BV	2023 BV	2024 BV	WA (Book Value)
Adjusted Ratios				
Loss Ratio	93.9%	106.2%	97.2%	149.5%
LAE Ratio	10.7%	10.0%	10.9%	14.0%
Loss and LAE Ratio	104.6%	116.2%	108.1%	163.5%
Expense Ratio (incl. non-insurance)	6.9%	7.7%	7.2%	5.0%
Combined Ratio (pre-dividend)	111.5%	123.9%	115.2%	168.5%
Investment Income Ratio	23.5%	24.0%	27.9%	28.2%
Operating Ratio	88.0%	99.9%	87.3%	140.3%
Adj. Investment Income Ratio	-11.3%	41.2%	53.0%	37.2%
Adj. Operating Ratio	122.8%	82.7%	62.3%	131.3%

Source: L&I statutory financial statements
Latest year shown on right side

Peer Group Composition

GAAP/IFRS peer group consists of four plans and a simple average is shown for representation

	WA (Book Value)	WA (Fair Value)	Ohio	North Dakota	WorkSafe BC	Alberta WCB	GAAP/IFRS
Adj. Net Premium Earned	***2,430,466***	***2,430,466***	***1,149,782***	***176,756***	***2,441,060***	***1,696,318***	***1,365,979***
Net Investment Income Earned	685,656	685,656	1,734,895	189,047	1,916,309	1,696,318	
Benefits Incurred	3,634,109	3,634,109	1,129,572	108,338	1,993,955	1,675,742	1,226,902
Claims Administration Expenses Incurred	339,749	339,749	419,934	16,113	374,489	194,395	251,233
Adj. underwriting expense incurred	***121,268***	***121,268***	***184,950***	***30,770***	***360,346***	***192,900***	***192,242***
Dividend	0	0	-33	76,693	0	0	
Cash & Investments	22,557,809	21,156,700	22,490,051	2,136,946	27,406,077	15,215,732	16,812,201
Surplus	4,926,074	3,391,594	9,333,275	1,179,170	9,705,780	1,329,654	5,386,970

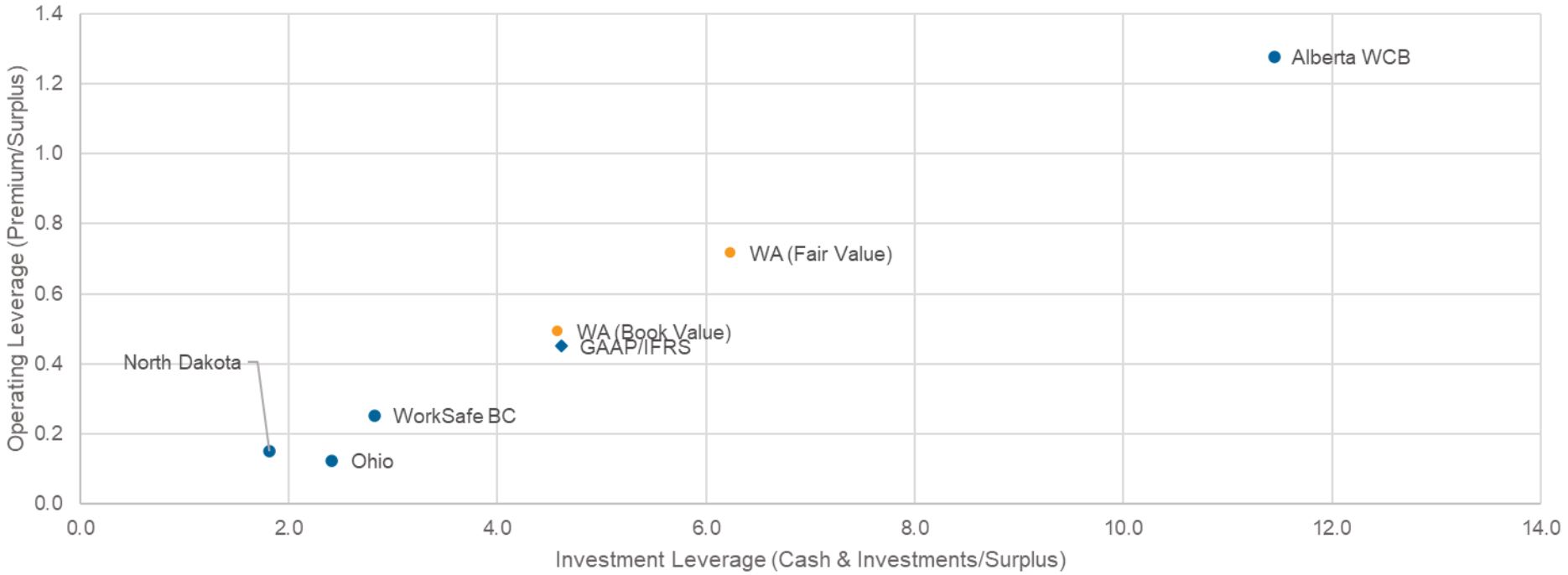
Washington is shown on both a Book Value basis and a Fair Value basis

- Fair Value is lower than Book Value because interest rates have increased over time, causing bond prices to decline on a Fair Value basis.

Most constituents of the GAAP/IFRS peer group are smaller than Washington, as measured by premiums

Source: Callan, respective financial statements. Fiscal Year 2025
For Washington, difference in Book Value and Fair Value of Admitted Assets disclosed on page 85 of statutory accounting financial statements
Contingency Reserve is Surplus

Peer Comparison: Operating Leverage vs. Investment Leverage



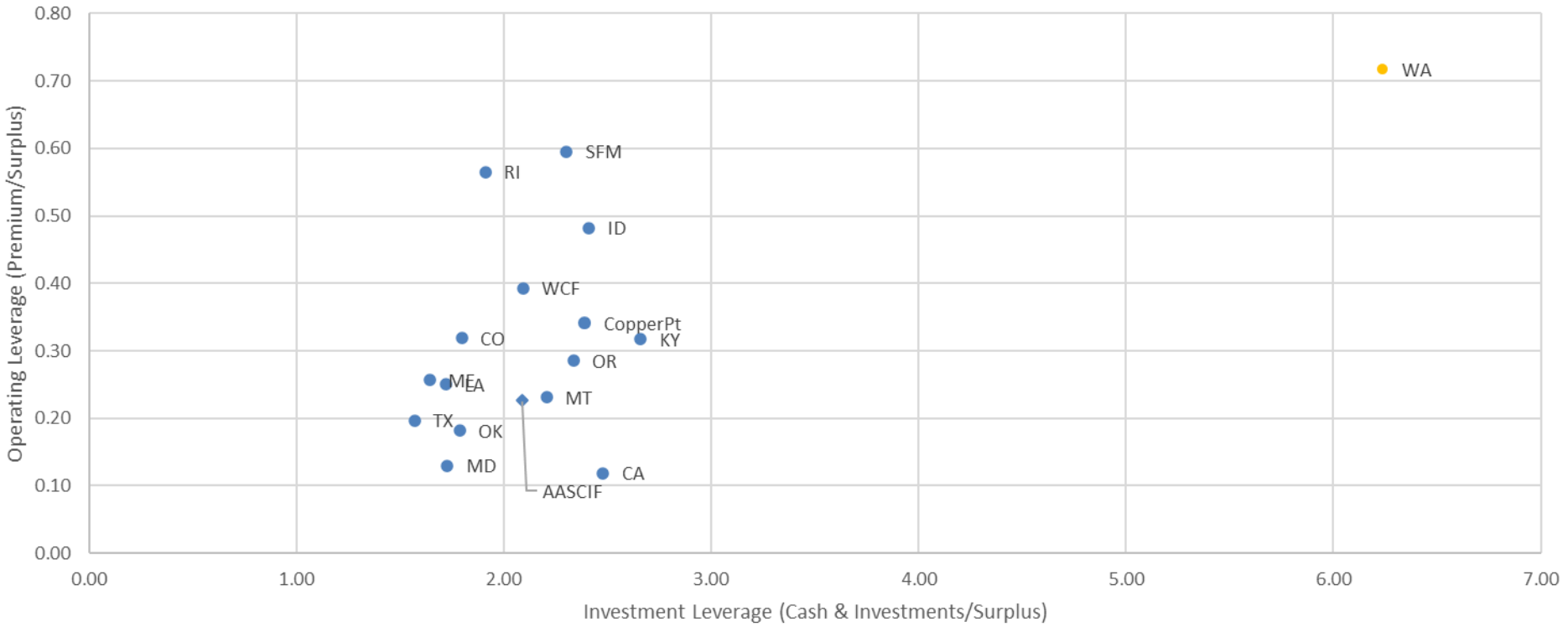
Operating leverage is an indicator of the sensitivity of surplus to risks associated with underwriting

Investment Leverage is an indicator for the sensitivity of surplus to risks associated with investing

Alberta and North Dakota are both outliers due to very low and very high surplus levels, respectively

Source: Callan, respective financial statements. Fiscal Year 2025
Contingency Reserve is Surplus

Peer Comparison: Operating Leverage vs. Investment Leverage



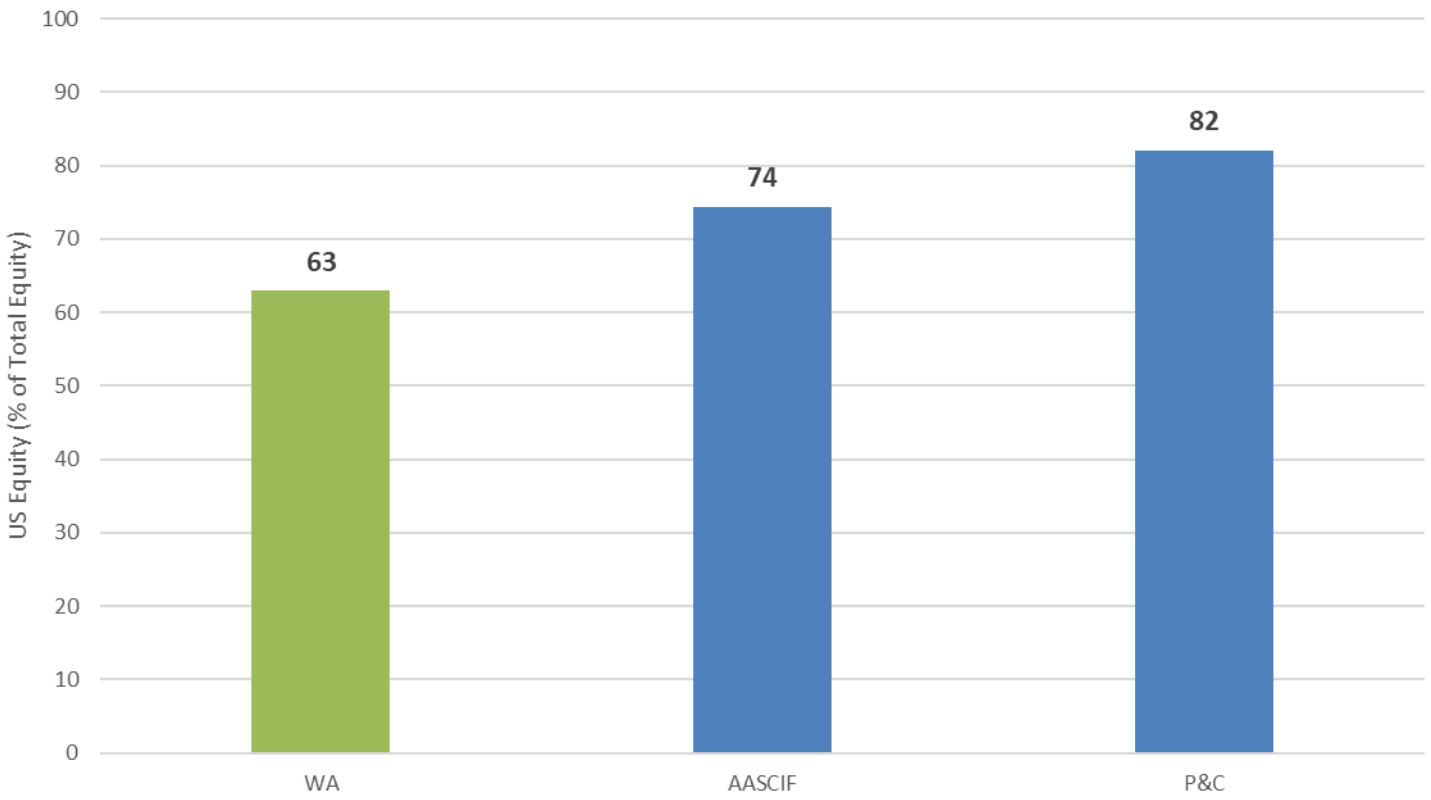
Operating leverage is an indicator for the sensitivity of surplus to risks associated with underwriting

Investment Leverage is an indicator for the sensitivity of surplus to risks associated with investing

AASCIF peers tended to exhibit lower operating leverage and investment leverage than Washington

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers. P&C represents the broad Property & Casualty insurance industry.
Contingency Reserve is Surplus

Peer Comparison: Domestic Equity Allocation



While the peer group exhibits a home country bias, Washington does not

Source: Callan, BlackRock, S&P Capital IQ. Fiscal Year 2025.
AASCIF peer group is comprised of 15 peer workers' compensation insurers. P&C represents the broad Property & Casualty insurance industry.

Callan

Appendix: Disclosures and Investment Policy

Investment Policy

Washington State Investment Board — **BOARD ADOPTED POLICY**

POLICY NUMBER: 2.20.100 **EFFECTIVE DATE:** 9/19/24

TITLE: Labor and Industries' Insurance Funds **SUPERSEDES:** 6/17/19

BOARD ADOPTION: 9/19/24 **APPROVED:**

PURPOSE

This document is the investment policy for the Department of Labor and Industries' (L&I) Insurance Funds managed by the Washington State Investment Board (WSIB) and supersedes any prior Board-adopted policies. The policy allows for sufficient flexibility in the management process to capture investment opportunities, while providing parameters that will ensure prudence and care in the execution of the investment program.

The investment responsibility for the L&I Insurance Funds managed by the WSIB is granted to the WSIB in Revised Code of Washington (RCW) 51.44.100.

POLICY

Standard of Care

Under RCW 43.33A.030, trusteeship of the funds under the authority of the WSIB is vested in the voting members of the Board. The Legislature has established a standard of care for investment of all WSIB funds in RCW 43.33A.140. Additionally, the Board and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the investment objectives listed below.

Strategic Investment Objectives

All funds in the portfolio are managed in accordance RCW 43.33A.110 to achieve a maximum return at a prudent level of risk. However, in accordance with RCW 43.33A.110, the accident, medical aid, and reserve funds are managed to limit fluctuations in the industrial insurance premiums, and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives shall be:

1. Maintain the solvency of the funds.
2. Maintain premium rate stability.
3. Ensure sufficient assets are available to fund the expected liability payments.
4. Subject to those above, achieve a maximum return at a prudent level of risk.

The Supplemental Pension Fund is managed to achieve a maximum return at a prudent level of risk, consistent with the high liquidity needs of the portfolio.

Investment Performance Objectives

The investment performance objectives are intended to provide the WSIB and L&I with a way to measure the success of this investment policy, the overall asset allocation strategy, and the implementation of that strategy over time. First and foremost, the performance of the investment portfolios shall be evaluated relative to the Strategic Investment Objectives. With the first three criteria met, the actual rates of return of the portfolios will be compared to their custom benchmarks. The funds' custom benchmarks are a combination of each asset class's benchmark in the percentage allocations that represent the funds' target allocations.

Fixed Income Portfolios

The benchmarks for the four main fixed income portfolios are a weighted blend of the fixed income indices as shown in the table below.

	Accident Fund	Pension Reserve Fund	Self-Insurance Reserve Fund	Medical Aid Fund
Bloomberg U.S. Credit Index	50.00%	50.00%	50.00%	50.00%
Bloomberg U.S. Government: Intermediate Bond Index	37.50%	25.00%	25.00%	46.00%
Bloomberg U.S. Government: Long Bond Index	10.00%	22.50%	22.50%	1.50%
Bloomberg U.S. Securitized: MBS/ABS/CMBS Index	2.50%	2.50%	2.50%	2.50%

Equity Portfolios

The benchmark for the equity portfolios is the MSCI All Country World Investable Market Index (MSCI ACWI IMI) Net with U.S. Gross.

Real Estate Portfolios

The benchmark for the real estate portfolios is a total net return of 6 percent measured over a rolling 10-year period. Due to lack of a relevant shorter-term benchmark, an annualized 6 percent return for all reporting periods will be used for comparative purposes.

Risk Constraints

1. The L&I funds are to be managed to attempt to limit fluctuations in the industrial insurance premiums and, subject to that purpose, maximize return at a prudent level of risk (RCW 43.33A.110).
2. No corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time (RCW 43.33A.140).
3. Total market value of below investment grade credit bonds (as defined by Bloomberg U.S. Global Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the fund's fixed income portfolio.
4. Below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased. If investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities are downgraded to below investment grade, the securities may continue to be held, but their total market value shall not exceed 5 percent of the total market value of the fund's fixed income portfolio.

Investment Policy

5. If, in the judgment of the Fixed Income Senior Investment Officer and the Chief Investment Officer (CIO), liquidity in the public markets is impaired, the fixed income sector and duration ranges described in this policy will be suspended. The suspension will allow for the sale of Treasuries and reduce the likelihood of forced sales of non-Treasury securities at impaired prices. The suspension of target ranges will take effect upon written notice from the CIO to the Chief Executive Officer (CEO). If suspended, the ranges will be reinstated as soon as feasible upon return of liquidity.
6. No more than 15 percent of long-term target allocation for real estate will be invested in the equity position for a single property at the time of acquisition.

Asset Allocation

Target and Ranges

	Fixed Income	Equity	Real Estate*
Accident Fund	80% ±6	15% ±4	5% ±2
Pension Reserve Fund	85% ±5	10% ±3	5% ±2
Self-Insurance Reserve Fund	85% ±5	10% ±3	5% ±2
Medical Aid Fund	75% ±7	20% ±5	5% ±2
Supplemental Pension Fund	100%	0%	0%

*If real estate, due to timing or illiquidity, is above or below its target, fixed income will be used to offset the balance.

The Board has elected to take a gradual implementation approach to reach the strategic asset allocation target for real estate given the liquidity constraints of the asset class. When the real estate allocation is below its target, the amount of the under allocation will be invested in fixed income.

The following tables set forth the projected allocations during the implementation period. For asset allocation monitoring purposes, the initial calendar year-end implementation targets become effective upon Board adoption, and subsequent year-end implementation targets become effective at the beginning of the specified calendar year.

Implementation Target – Calendar Year-End 2024

	Fixed Income	Equity	Real Estate
Accident Fund	83.50%	15.00%	1.50%
Pension Reserve Fund	88.50%	10.00%	1.50%
Medical Aid Fund	78.50%	20.00%	1.50%
Supplemental Pension Fund	100.00%	0.00%	0.00%

Implementation Target – Calendar Year-End 2025

	Fixed Income	Equity	Real Estate
Accident Fund	82.25%	15.00%	2.75%
Pension Reserve Fund	87.25%	10.00%	2.75%
Self-Insurance Reserve Fund	87.25%	10.00%	2.75%

Medical Aid Fund	77.25%	20.00%	2.75%
Supplemental Pension Fund	100.00%	0.00%	0.00%

Implementation Target – Calendar Year-End 2026

	Fixed Income	Equity	Real Estate
Accident Fund	81.00%	15.00%	4.00%
Pension Reserve Fund	86.00%	10.00%	4.00%
Self-Insurance Reserve Fund	86.00%	10.00%	4.00%
Medical Aid Fund	76.00%	20.00%	4.00%
Supplemental Pension Fund	100.00%	0.00%	0.00%

Asset allocation will be reviewed every 4 years, or sooner if there are significant changes in funding levels or the liability durations.

Market conditions, funding status, and liability assumptions are dynamic; therefore, WSIB staff will meet quarterly with L&I staff to review the investment portfolios.

The Board has delegated to the CEO the authority to rebalance the asset allocation within the procedures established by the WSIB. Assets will be rebalanced across asset classes when market values of the assets fall outside the policy ranges. Rebalancings will be based on market opportunities, cash flows, and the consideration of transaction costs and, therefore, need not occur immediately.

Asset Class Structure

Asset class structure is established by the Board with guidelines for staff to move assets in order to achieve the funds' overall objectives.

Equity

The equity portfolios are 100 percent passively managed in one or more commingled index funds. The commingled fund(s) may use futures for hedging or establishing a long position.

Fixed Income

The fixed income portfolios are 100 percent actively managed. The duration of each of the four main fixed income portfolios funds are managed within plus or minus 25 percent of the duration of each fund's custom fixed income benchmark. The duration of the Supplemental Pension Fund will be kept short.

Permissible Fixed Income Investments

Any and all fixed income securities are permissible unless specifically prohibited, including, but not limited to, the following:

1. U.S. Treasuries and Government Agencies.
2. Credit Bonds.
3. Investment Grade Mortgage-Backed Securities as defined by Bloomberg U.S. Global Family of Fixed Income Indices.
4. Investment Grade Asset-Backed Securities as defined by Bloomberg U.S. Global Family of Fixed Income Indices.
5. Investment Grade Commercial Mortgage-Backed Securities as defined by Bloomberg U.S. Global Family of Fixed Income Indices.
6. Investment Grade Non-U.S. Dollar Bonds.

Fixed Income Sector Allocations
Fixed income sector allocations for funds other than the Supplemental Pension Fund are managed within the ranges presented below. These targets are long-term in nature. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as practical.

Target Allocations for Fixed Income Sectors:	Range
U.S. Treasuries and Government Agencies	5 – 75%
Credit Bonds	20 – 80%
Asset-Backed Securities	0 – 10%
Commercial Mortgage-Backed Securities	0 – 10%
Mortgage-Backed Securities	0 – 25%
Total Market Value	100%

The Supplemental Pension Fund is managed in a manner that recognizes the high liquidity needs of the portfolio.

Market Changes and Portfolio Rebalancing
There are three instances when normal policy constraints can place unintended burdens on the portfolios through no action of the fixed income portfolio manager: changes in market interest rates, portfolio rebalancing, and rating downgrades. It is not the intent of this policy to force sales or purchases of fixed income securities that harm the portfolio or are not in the best interest of stakeholders. If any of the following cases occur, the CIO must be notified in writing.

1. If a fixed income portfolio falls outside of guidelines for sector allocations, duration, or limits on below investment grade credits, or any combination of the three, due to changes in the market interest rates and not actions by the portfolio managers, the portfolio can remain outside the guidelines until it can be rectified without harming the portfolio.
2. If a fixed income portfolio falls outside of guidelines for sector allocations, duration, or limits on below investment grade credits, or any combination of the three, due to total portfolio rebalancing, the portfolio can remain outside the guidelines until it can be rectified without harming the portfolio.
3. Credit rating downgrades by applicable rating agencies that cause the constraint regarding the limit on total below investment grade holdings to be violated do not require securities to be sold. However, additional below investment grade securities may not be purchased where the constraint has been violated.

Real Estate
The CEO has delegated the authority to make portfolio construction and investment decisions for the L&I real estate portfolio to the dedicated L&I real estate portfolio manager, consistent with policies and directives adopted by the Board.

The objectives and characteristics of the real estate portfolio are as follows:

1. The real estate portfolio will seek to generate a 6 percent annual investment return over a rolling 10-year period.
2. The majority of the return will be generated by current income, and the portfolio will intentionally be constructed with a focus on yield rather than total return.
3. The focus will generally be on making smaller investments at the asset level in order to provide maximum diversification across geography and property type.
4. The WSIB's real estate staff will primarily utilize an asset-based approach to building the L&I portfolio. While not specifically disallowed, corporate ownership will be neither anticipated nor sought.
5. The portfolio may invest through a variety of ownership structures (e.g., joint ventures, separate accounts, open-end funds, and co-investments) depending on opportunities available.
6. Property management and leasing for most real estate will be externally managed by third-party professional firms.

Real Estate Diversification
Diversification will be achieved through a combination of factors, including property type, geography, place in the capital structure, and number of properties.

The portfolio will be geographically diversified as staff will evaluate potential investments based on anticipated after-tax yield. A given country's tax regime will be a key point of consideration when evaluating potential investments.

No more than 15 percent of the long-term target allocation for real estate will be invested in the equity position for a single property at the time of acquisition. This guideline is meant to be long term and may not be possible during the build-out period.

Reporting
Performance is measured by the custodian bank and reported quarterly by WSIB staff to the Board and L&I.

WSIB staff will report internally to the CIO or designee on the fixed income implementation of this policy. This report will be prepared monthly and will include, but not be limited to, the following:

1. Current market values and allocations, by sector, compared to the policy ranges.
2. Aggregate and individual portfolio characteristics compared to guidelines.

Delinquencies and defaults will be reported to the CIO immediately.

RESPONSIBILITIES
Washington State Investment Board
The Board is responsible for approving the investment policy and setting the investment objectives, risk standards, and asset allocation of the portfolios as well as reviewing the structure, strategy, and performance of the portfolios. The Board is also responsible for the approval of recommendations made by the Public Markets Committee regarding public market components of the portfolios, including public equity investment managers, and by the Private Markets Committee regarding the private market components of the portfolios.

Investment Policy

Public Markets Committee
The Public Markets Committee is responsible for reviewing the structure and strategy of the public market components of the portfolios and recommending any revisions to the Board. The Public Markets Committee is also responsible for recommending public equity investment managers for hire or termination, except as provided for by the Delegation of Authority Policy 1.05.100.

Private Markets Committee
The Private Markets Committee is responsible for reviewing the structure and strategy of the private market components of the portfolios and recommending any revisions to the Board.

Staff
Staff is responsible for recommending strategic asset allocation to the Board and enhancements and changes to the asset class related components of the investment policy to the Public Markets and Private Markets Committees, as appropriate. Staff is also responsible for implementing the policy, managing the assets, rebalancing the asset allocation, and reporting performance to the Board and L&I.

POLICY REVIEW
The Board shall review this policy at least once every four (4) years to ensure it remains relevant and appropriate.

Original Policy Adopted 10/20/92
Revised 6/16/94
Revised 9/21/95
Revised 10/17/96
Revised 2/19/98
Revised 8/20/98
Revised 10/25/01
Revised 4/18/02
Revised 11/21/02
Revised 5/20/04
Revised 7/21/05
Revised 9/20/07
Revised 02/21/08
Revised 10/31/08
Revised 12/17/09
Revised 12/15/11
Revised 11/15/12
Revised 1/16/14
Revised 6/15/17
Revised 12/17/20
Revised 6/17/21
Revised 9/19/24

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MEKETA

WA Cares Fund

Prepared for the Washington State Investment Board

September 17, 2026

2026 WA Cares Fund Strategic Asset Allocation Study

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1. Executive Summary
2. Background & Program Characteristics
3. Key Risks & Considerations
4. Asset Allocation Primer
5. Analysis & Recommendation
6. Appendix

Executive Summary

Background

- The WA Cares Fund - the first state-run long-term care insurance program in the U.S.
- Currently in accumulation phase with assets of $4.1B*; long-term care benefits began July 2026.

Key Risks & Considerations

- Cash flow uncertainty - Future benefit payments and premiums remain highly uncertain given limited program experience.
- Relatively smaller reward for taking equity risk - Equity is expected to outperform bonds by the smallest margin compared to the last 25 years of expectations.

Analysis

- Meketa tested 0-100% equity against the actuarial Base Scenario from the 2024 actuarial valuation report.
- Higher equity allocations improve median funded status but introduce a higher probability of long-term program stress
- Sensitivity scenarios show a heavy reliance on the current actuarial assumptions.

Recommendation - **50% equity / 50% fixed income / 0% cash**

→ Incorporate equity exposure to increase expected return while preserving benefit adequacy and long-term solvency.

* As of June 30, 2026

Background and Program Characteristics

WA Cares Fund Background & Program Characteristics

Program Overview

- Washington State's public long-term care insurance program, established under the Long-Term Services and Supports (LTSS) Trust Act (2019)
- **First state-run long-term care program of its kind in the U.S.**
- Funded through a payroll premium assessed on W-2 workers in Washington State ($0.58 per $100 of wages)
- Premium collection began July 2023
- **Voters approved a constitutional amendment (SJR 8201) in November 2025 permitting equity investment of Fund assets**
- **Benefits became available beginning July 2026**

Benefit Structure & Fund Status

- Eligible beneficiaries may receive up to $36,500 lifetime benefit (indexed to inflation)
- Benefits are portable and may be used for a range of LTSS in other states
- For most workers, vesting requires 10 years of premium contributions
- **Benefit payments expected to ramp up meaningfully over the next decade** as eligible population grows
- Long-term funded status dependent on actuarial assumptions regarding benefit utilization, wage growth, and investment returns
- **Fund currently in accumulation phase (Total market value 6/30/2026 $4.1B)**

WA Cares Risk Management Framework

Funding Goal

Provide secure and meaningful benefits at the lowest expected cost for beneficiaries now and in the future

Risk Management Approach – Three Phases

1 Monitor & Assess

Now → 2030

- Collect credible premium & benefit data
- Compare actual vs. assumed experience
- Update actuarial projections regularly
- Phase 1 expected to last until at least 2030

2 Achieve Actuarial Balance

Post Phase 1

- Develop plan if actuarial balance is negative
- Implement adjustments to reach positive balance
- Continue ongoing monitoring
- Policy actions calibrated to emerging experience

3 Build Margin

Post Phase 2

- Set target actuarial balance
- Create cushion for adverse events
- Achieve & maintain target balance
- Margin protects against investment/claim shocks

Reporting & Metrics

Actuarial Reporting: Program projections, actuarial balance calculations & sensitivity analysis

Benefits Meaningfulness: Lifetime max vs. median costs of nursing facility, assisted living, home health aide, adult day care

Data Collection: ESD (premiums), DSHS (beneficiary data and utilization), WSIB (investment experience)

Frequency: Biennial actuarial valuations; more frequent emerging experience reports

Response Strategies

Expenditures: Restructure or adjust the program benefit size

Benefit Provisions: Actions to the vesting, eligibility, portability, etc., calibrated using emerging experience data

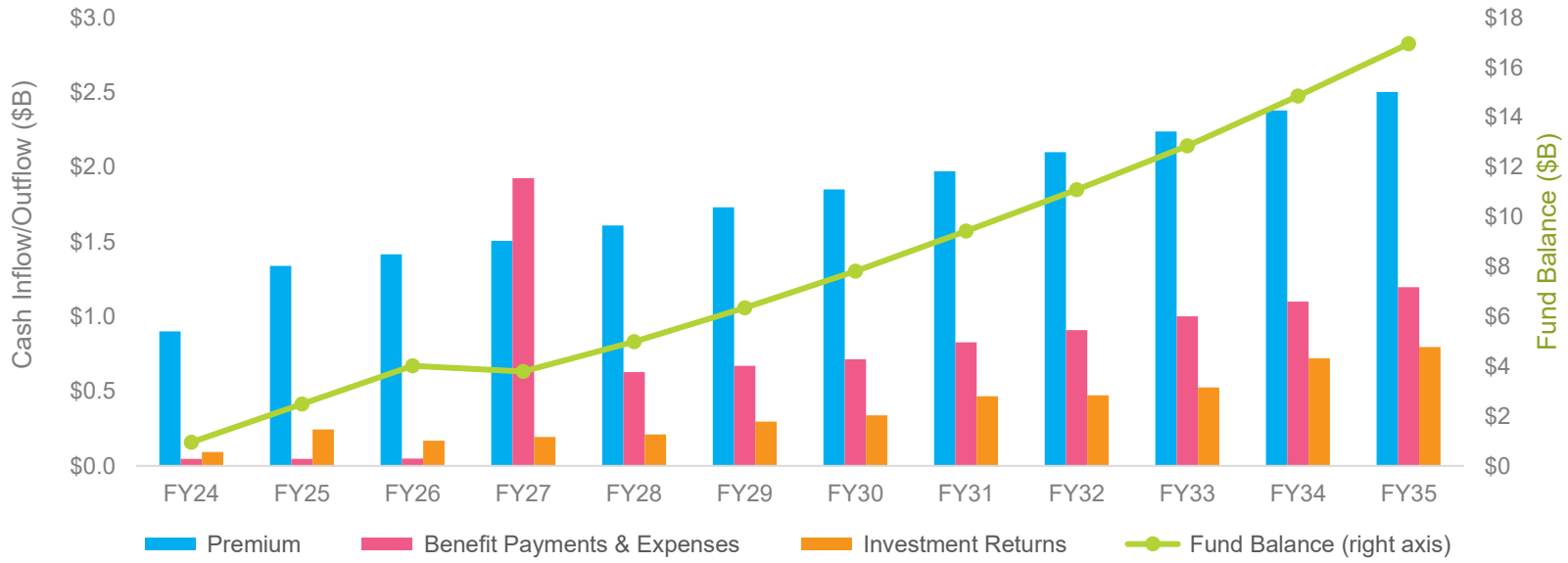
Premiums: Adjust the percent of payroll wage deduction (currently $0.58 per $100 of wages).

Investment Policy: Changes to the target asset allocation, adding exposure to asset classes that can provide diversification

Source: LTSS Trust Commission Risk Management Framework, October 2025, first approved in 2021

Projected Cash Flow Milestones

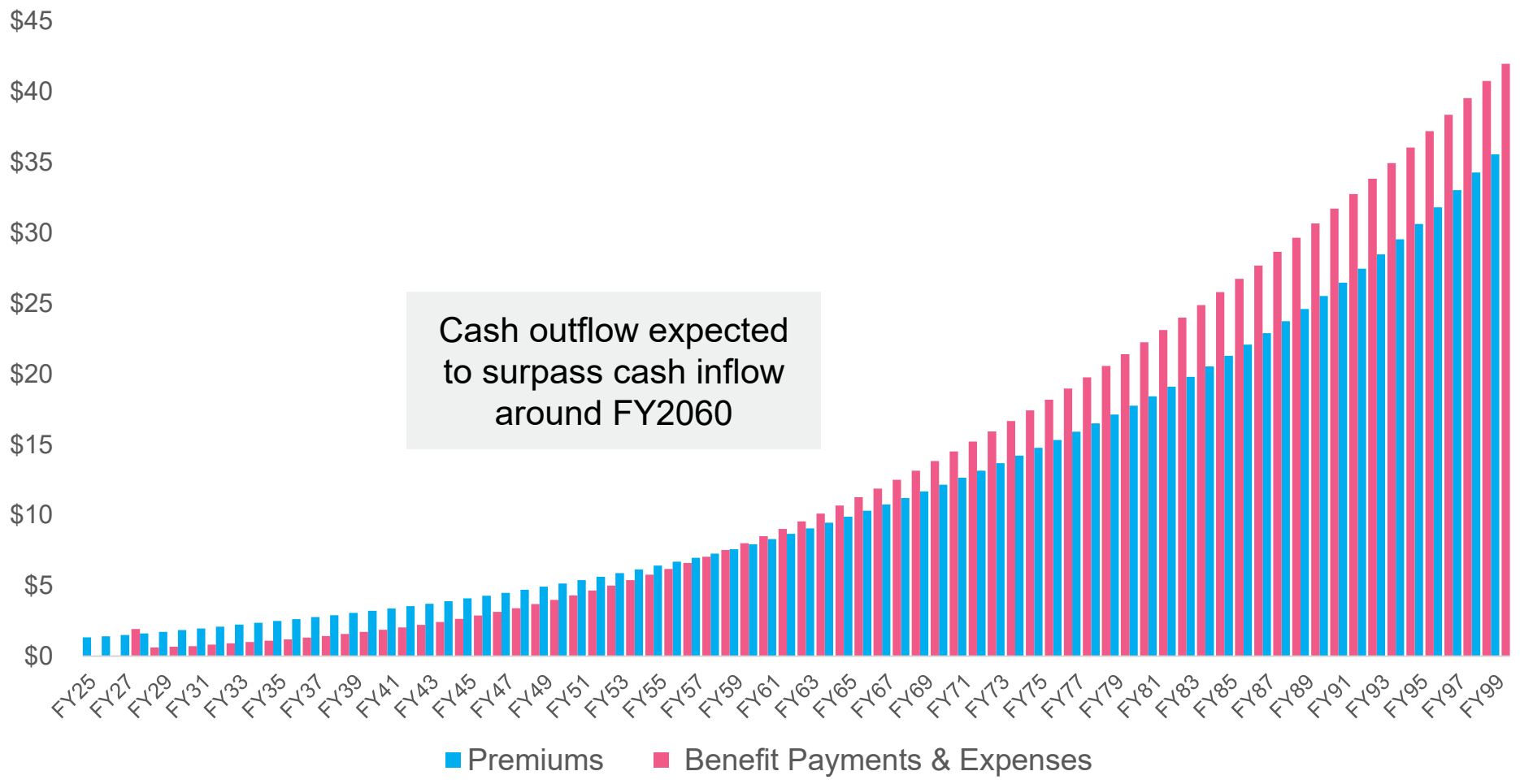
Premium vs benefit payments & expenses vs returns vs fund balance (Base Scenario; $B)



Period	Milestone	Cash Flow Significance
FY2023-26	Initial accumulation phase	~$1.3-1.4B/yr in premiums; fund grows to ~$4.1B by June 2026 before first payments
FY2027	Benefits begin (July 2026) - first-year spike	$1.8B in benefit payments projected in first year as initial eligible claims are processed; net cash flow briefly turns negative (-$0.4B)
FY2028-30	Benefits normalize; fund resumes growth	Benefits stabilize ~$550-650M/yr; premiums ~$1.6-1.9B/yr; net cash flow solidly positive; fund surpasses $7.8B by FY2030
FY2030+	Portable benefits begin; utilization ramps	Benefit payments grow steadily as vested population ages; fund continues compounding as cash flow positive (projected ~$17B by FY2035 under Base Scenario)
FY2035+	Investment income becomes a major driver	Investment income (~$1-$1.5B/yr) offsets 60-70% of the cash outflow

Source: WA Cares Fund Actuarial Valuation as of June 30, 2024, using cash flows from the Base Scenario. Investment returns reflect the Board-adopted 2025 capital market assumptions provided by WSIB, with assets allocated 100% to fixed income.

Projected Cash Flows - 75 years ($M)



Source: WA Cares Fund Actuarial Valuation as of June 30, 2024, using cash flows from the Base Scenario..

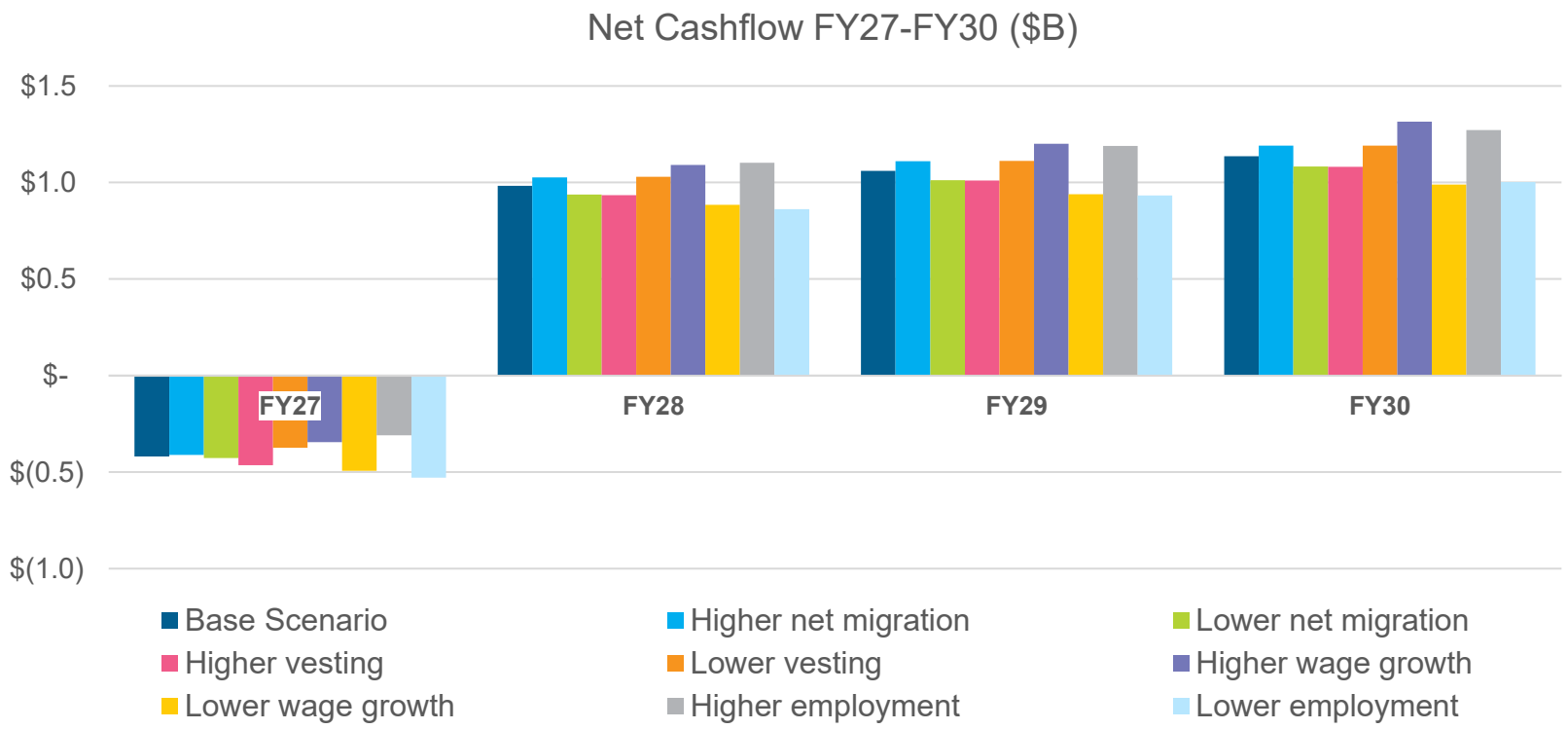
Key Risks & Considerations

Key Risk - Data Limitations

→ With only a few years of premium and administrative expense experience and limited benefit payments to date, **actual program experience and projected cash flows remain highly uncertain**.

→ While Milliman provides extensive sensitivity analysis, these scenarios are **not probability-weighted** – examples below.

→ Program uncertainty is **best managed through conservative investment risk positioning** until additional experience emerges.

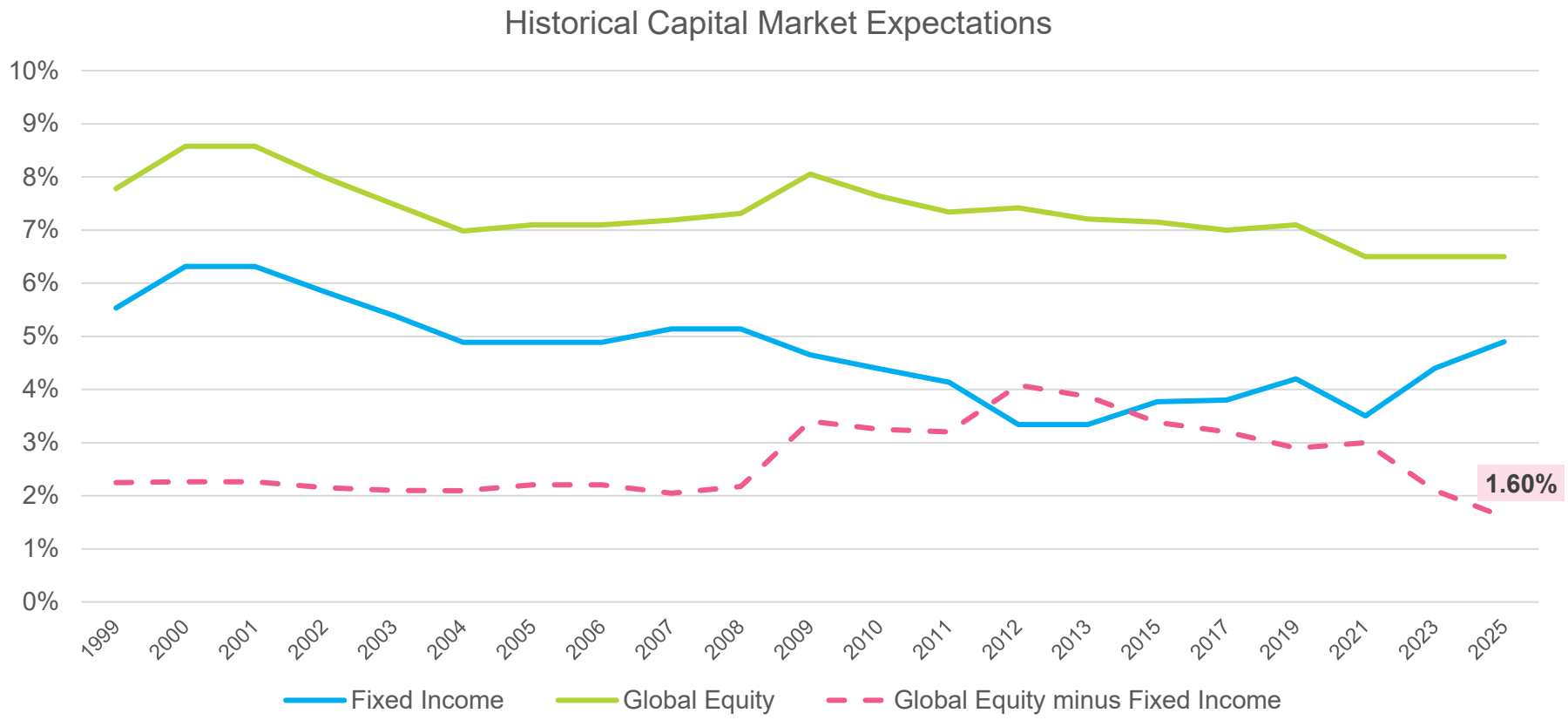


Source: Cash flows provided by Milliman which summarized the analysis from the WA Cares Fund actuarial valuation as of June 30, 2024

Consideration – Equity Risk Premium

→ The graph below displays the WSIB historical capital market assumptions for fixed income and global equity.

→ The difference between global equity returns and fixed income returns (dotted line) is **currently at a 25-year low**, resulting in a relatively smaller expected return benefit by increasing the equity allocation.



Source: Board-adopted capital market expectations from 1999 to 2025 provided by WSIB. Assumptions for global equity as an asset class were first created in 2008. For purposes of this study, prior to 2008, Meketa is assuming the global equity assumptions are an average of US Equity and Non-US Equity.

Additional Risks and Considerations

→ **Political & Public Scrutiny**

- High legislative and public visibility of fund balance volatility may constrain tolerance for short-term investment losses.

→ **Growth vs. Stability Tension**

- Natural conflict between growing the investment pool to support long-term actuarial balance and maintaining a stable corpus.

→ **Liquidity Risk**

- Differences in the timing of premium collections, benefit payments, and investment cash flows can create short-term liquidity challenges, even when the fund is well capitalized in aggregate.

→ **No Peer Benchmarks**

- As the first state-run long-term care insurance program of its kind, there are no comparable public peer funds to benchmark asset allocation, benefit size, premium level, benefit utilization, or funding trajectories against.

Asset Allocation Primer

Risk/Return Tradeoff of Asset Classes



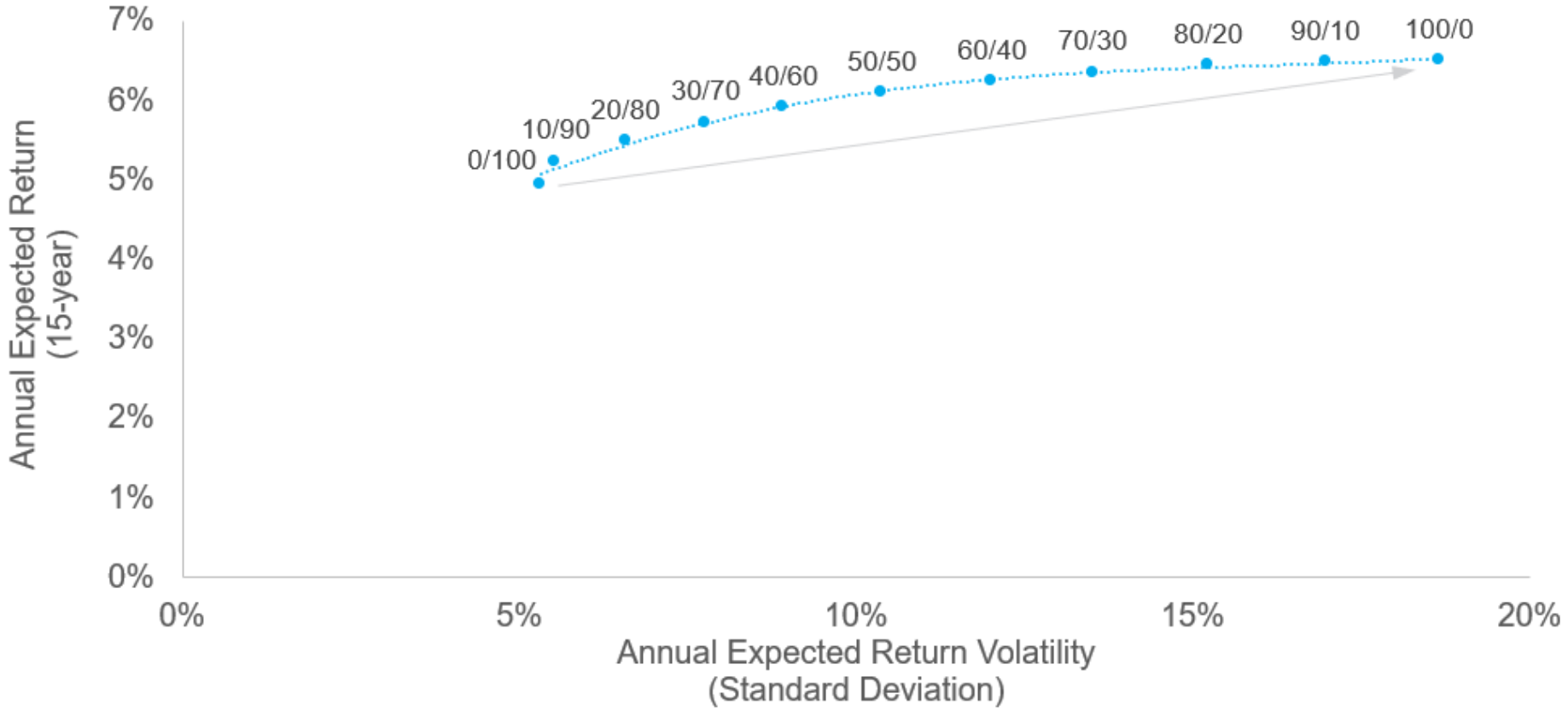
→ To capture higher returns, it is necessary to invest in asset classes with a higher volatility.

→ If assets are highly correlated, changing the asset allocation mix would move along a straight line from lower return to higher return expectations (see arrow in chart).

Source: Board-adopted 2025 capital market assumptions provided by WSIB

Efficient Frontier

(Equity & Fixed Income allocation splits, example: 40 / 60 = 40% global equity / 60% fixed income)



→ Combining low-correlated assets can result in lower risk or higher returning portfolios compared to a straight line.

→ The efficient frontier finds portfolios that maximize expected return for given levels of risk.

Source: Board-adopted 2025 capital market assumptions provided by WSIB

Aligning Asset Allocation with Strategic Objectives

→ There is no single "right" asset allocation — the appropriate mix is the one best aligned with the Fund's objectives.

→ WSIB investment policy defines a strict priority order among four objectives, each considered only after those ranked above it are satisfied.

PRIORITY

1 Maintain Benefit Adequacy
Ensure promised long-term care benefits are meaningful

2 Maintain Fund Solvency & Sustainability
Preserve the Fund's ability to meet obligations long-term

3 Limit Fluctuations in Premium Rates
Keep contribution rates stable for workers

4 Maximize Return at Prudent Risk
Pursued only after objectives 1–3 are satisfied

Source: Strategic Investment Objectives adopted by the Board in the Long-Term Services and Supports Trust Account Policy 2.35.600, effective 12/18/2025, in accordance with RCW 43.33A.110.

Analysis & Recommendation

Analysis - Approach

Modeled global equity allocations from 0% to 100% against a variety of cash flows from the actuarial valuation.

GOAL – WHAT EQUITY TARGET?

Identify the allocation that provides the most prudent balance across risk and return measures.

WHAT MEKETA ANALYZED?

- Asset-only measures — expected return, return volatility, and probability of achieving the actuarial return assumption
- Asset-liability outcomes — projected FYE2060 fund balance percentiles and probability of 75-year solvency
- Variety of stress testing (contained in the Appendix)

Base Scenario Analysis – Portfolio Summary

(Boxed denotes recommendation; bold values denote optimal data point in each row)

→ More equity raises the expected (median) FYE2060 fund balance but also raises the volatility and lowers the probability of 75-year solvency.

→ The 50/50 allocation balances these – near-peak solvency probability (96%) while increasing the return (6.1%) and funded balance expectations ($136B).

Fixed Income Allocation	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Equity Allocation	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Expected Return (15-year)	4.9%	5.2%	5.5%	5.7%	5.9%	6.1%	6.2%	6.4%	6.4%	6.5%	**6.5%**
Return Volatility*	**5.3%**	5.5%	6.6%	7.8%	8.9%	10.4%	12.0%	13.5%	15.2%	17.0%	18.7%
Milestones - Probability of Achieving:											
… 4.4% over 15 years**	64%	70%	74%	**75%**	75%	74%	73%	72%	70%	69%	67%
… 75-year solvency	96%	98%	**98%**	98%	97%	96%	95%	94%	92%	89%	87%
Estimated FYE2060 Fund Balance ($B) Percentiles											
Median	$104	$111	$117	$124	$130	$136	$141	$145	$149	$152	**$155**
85th Percentile	$79	$84	$87	**$88**	$88	$87	$84	$81	$76	$72	$67
95th Percentile	$60	$64	**$65**	$63	$60	$54	$50	$44	$38	$34	$29

* The return volatility is the standard deviation of expected annual returns

** The actuarial valuation report assumes a return of 4.4% for 15 years, declining to 4% thereafter.

Source: WA Cares Fund Actuarial Valuation as of June 30, 2024, using cash flows from the Base Scenario. Capital market assumptions are the Board-adopted 2025 assumptions provided by WSIB, applied across fixed income/global equity allocations ranging from 0% to 100%.

Sensitivity Analysis – High Inflation

(Bold values denote optimal data point in each row)

→ This analysis compares key measures from the Base Scenario cash flows to the Higher Inflation cash flows - $36,500 long-term care benefit is increased annually at 0.5% higher rate than Base Scenario.

→ **Observation:**

1. The analysis highlights the **sensitivity of optimal outcomes to assumptions** – the equity allocation that maximizes 75-year solvency probability shifts from 20% to 90%.
2. All else equal, the benefit limit increasing faster than projected will **materially increase the stress on the system (optimal solvency drops from 98% to 50%)**, potentially resulting in a higher need for investment returns or other system changes.

Fixed Income Allocation	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Equity Allocation	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Median Estimated FYE 2060 Fund Balance ($B) Percentiles											
Base Scenario	$104	$111	$117	$124	$130	$136	$141	$145	$149	$152	**$155**
High Inflation	$81	$88	$94	$100	$105	$110	$115	$119	$122	$125	**$127**
Probability of Achieving 75-year Solvency											
Base Scenario	96%	98%	**98%**	98%	97%	96%	95%	94%	92%	89%	87%
High Inflation	3%	8%	16%	26%	34%	40%	45%	47%	49%	**50%**	49%

Source: Board-adopted 2025 capital market assumptions provided by WSIB. Cash flows provided by Milliman summarized from the WA Cares Fund actuarial valuation as of June 30, 2024. The inflation assumption begins at 2.75% and grades down to 2.4% beginning in 2030.

Recommendation

50% equity allocation, 50% fixed income allocation, 0% cash allocation

Subject to Washington State Investment Board approval

Why this recommendation?

Outcome raises expected return while maintaining a high probability of benefit adequacy and 75-year solvency.

What are the key ongoing risks?

1. Annual volatility expected to be higher than a no-equity allocation, which may attract scrutiny;
2. Analysis is highly dependent on the assumptions.

Key Stats

6.1%
Growth Measure
(15-yr Expected Return)

10.4%
Volatility Measure
(Standard Deviation)

Increased expected return (+1.2% vs 4.9% current, +1.7% vs 4.4% assumption) while increasing expected volatility (+5.1% vs 5.3% current).

96%
Solvency Measure
(75-year Probability)

$136B
Accumulation Measure
(2060 Exp. Fund Balance)

Maintained solvency measure vs current while anticipating a larger asset accumulation (+$32B).

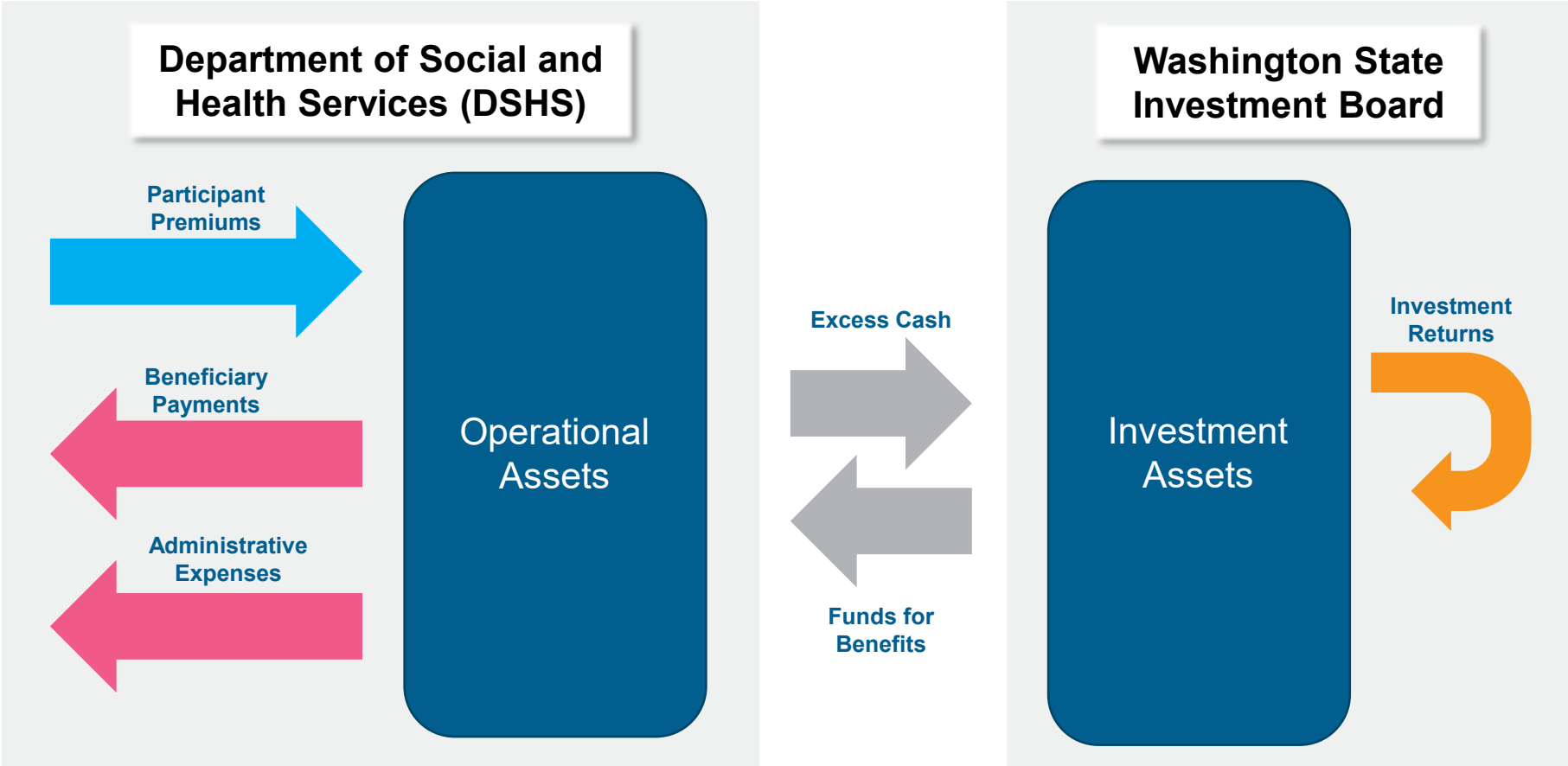
Source: Board-adopted 2025 capital market assumptions provided by WSIB.

Appendix

WA Cares Fund Schematic

→ The asset allocation analysis applies solely to the Fund's assets managed by WSIB and excludes operational cash balances administered by DSHS.

→ The operational cash balances administered by DSHS are invested by the Office of the State Treasurer and are the primary source of liquidity for benefit payments and expenses.



Sensitivity Analysis – High Inflation

(Boxed denotes recommendation; bold values denote optimal data point in each row)

→ This analysis compares key measures from the Base Scenario cash flows to the Higher Inflation cash flows - $36,500 long-term care benefit is increased annually at 0.5% higher rate than Base Scenario.

→ **Observation:** The comparison highlights how sensitive the optimal outcomes are to assumptions – optimal probability of 75-year solvency shifts from 20/80 (under Base Scenario) to 90/10.

Fixed Income Allocation	**100%**	**90%**	**80%**	**70%**	**60%**	**50%**	**40%**	**30%**	**20%**	**10%**	**0%**
Equity Allocation	**0%**	**10%**	**20%**	**30%**	**40%**	**50%**	**60%**	**70%**	**80%**	**90%**	**100%**
Expected Return (15-year)	4.9%	5.2%	5.5%	5.7%	5.9%	6.1%	6.2%	6.4%	6.4%	6.5%	**6.5%**
Return Volatility*	**5.3%**	5.5%	6.6%	7.8%	8.9%	10.4%	12.0%	13.5%	15.2%	17.0%	18.7%
Milestones - Probability of Achieving:											
… 4.4% over 15 years**	64%	70%	74%	**75%**	75%	74%	73%	72%	70%	69%	67%
… 75-year solvency	3%	8%	16%	26%	34%	40%	45%	47%	49%	**50%**	49%
Estimated FYE 2060 Fund Balance ($B) Percentiles											
Median	$81	$88	$94	$100	$105	$110	$115	$119	$122	$125	**$127**
85th Percentile	$59	$64	$67	**$68**	$67	$66	$63	$60	$56	$52	$48
95th Percentile	$43	$46	**$46**	$45	$42	$37	$33	$28	$24	$19	$15

* The return volatility is the standard deviation of expected annual returns

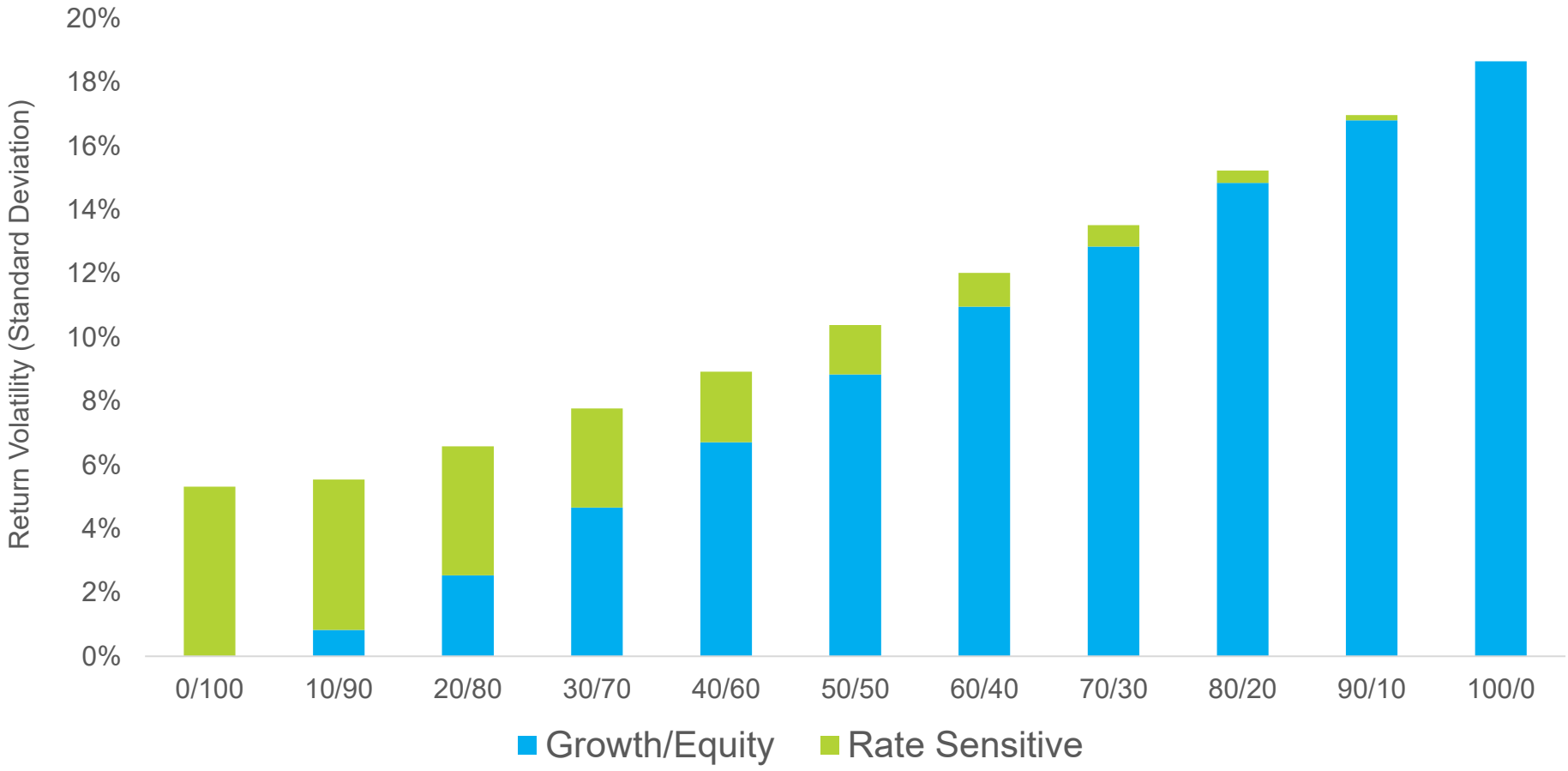
** The actuarial valuation report assumes a return of 4.4% for 15 years, declining to 4% thereafter.

Source: Board-adopted 2025 capital market assumptions provided by WSIB. Cash flows provided by Milliman summarized from WA Cares Fund actuarial valuation as of June 30, 2024

Risk Decomposition

→ The graphs below show how risk factors contribute to the return volatility of the asset allocation

→ Once the equity allocation reaches 30% and higher, the asset volatility becomes primarily attributable to growth/equity market beta.



Source: Board-adopted 2025 capital market assumptions provided by WSIB.

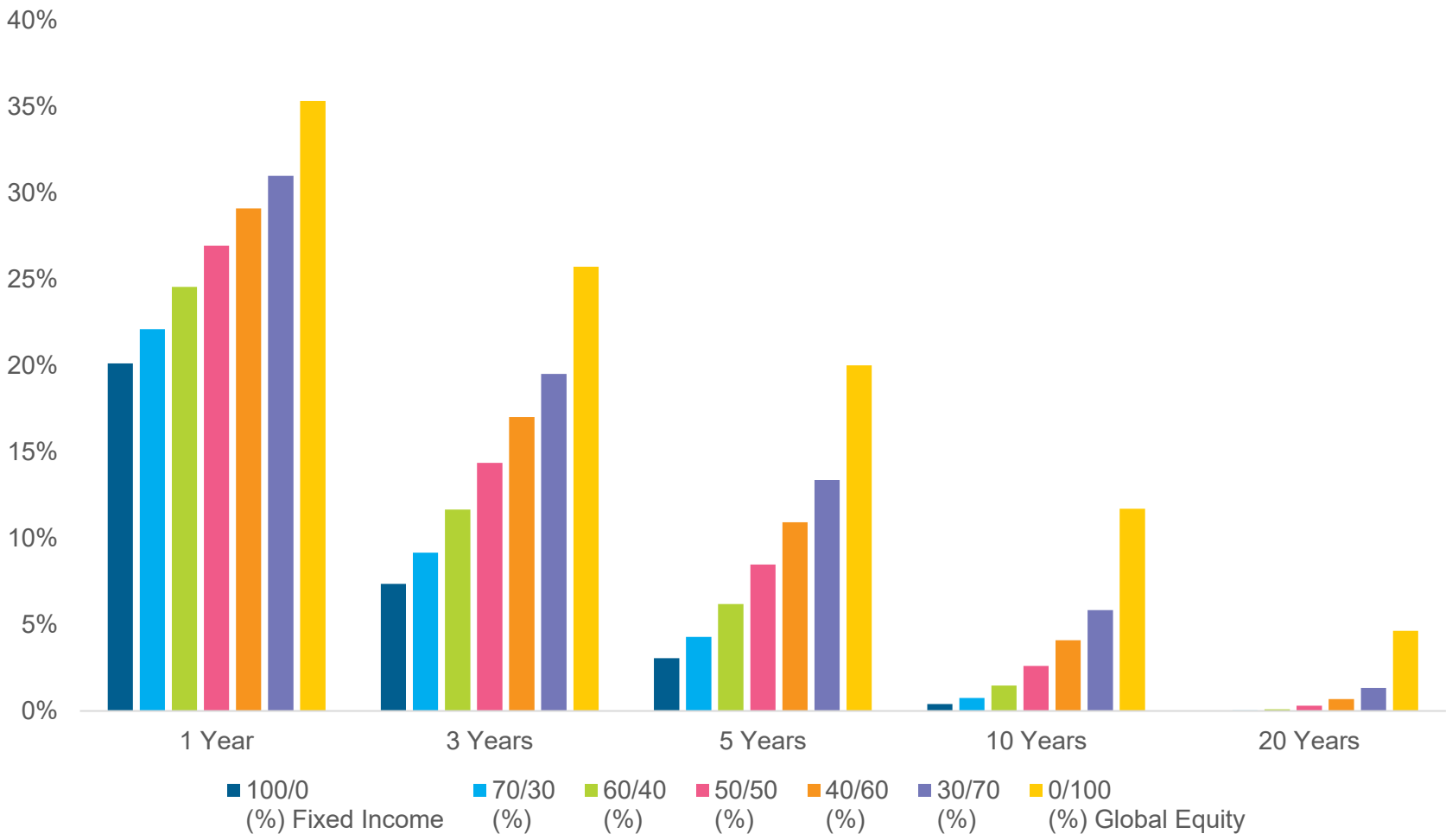
Extremely Poor Return Scenario

(99.7th percentile return; annualized returns)



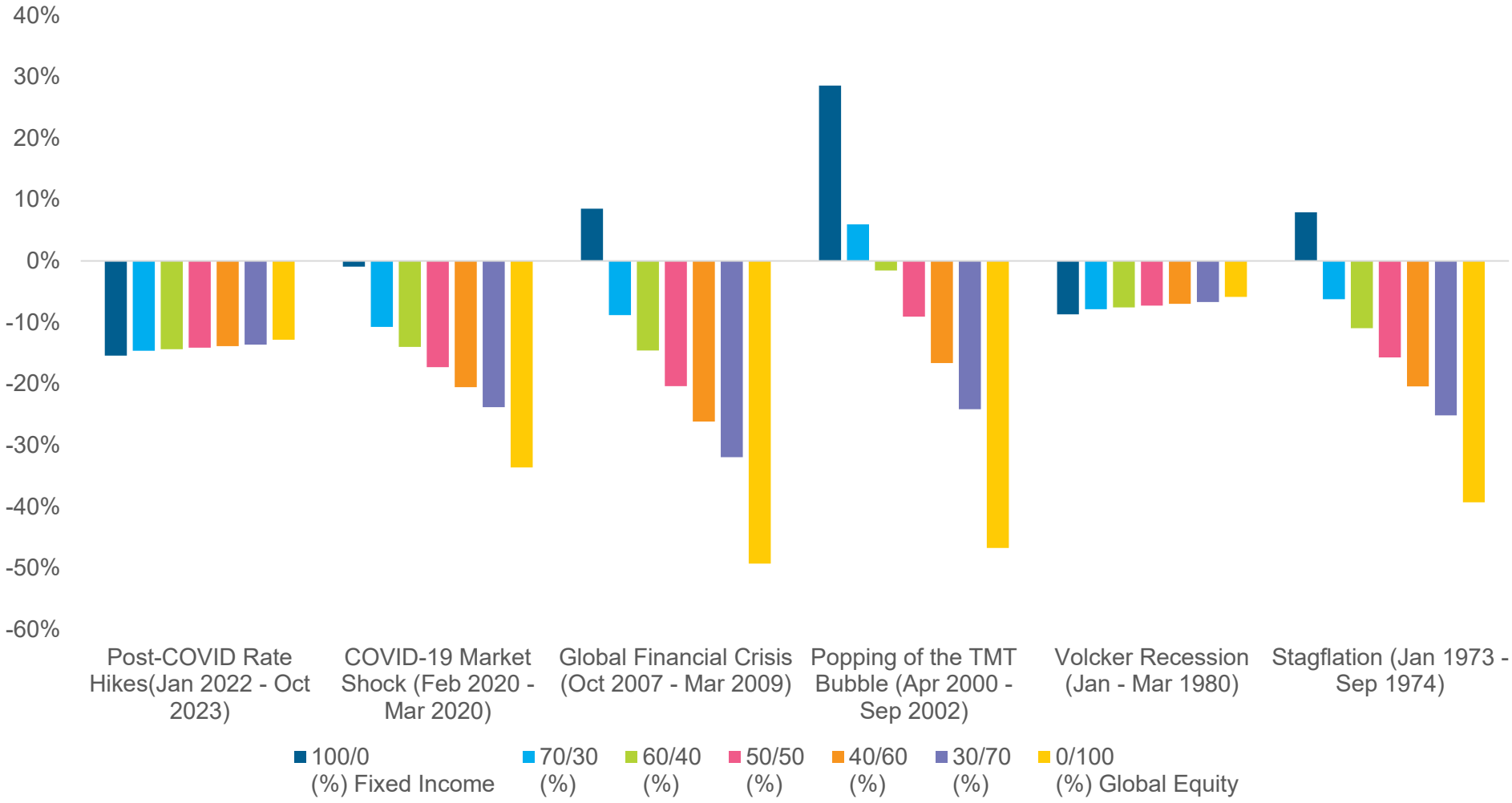
Source: Board-adopted 2025 capital market assumptions provided by WSIB. Portfolio allocations shown (e.g., 70/30, 60/40) represent fixed income / global equity mixes and are rebalanced at the start of each scenario.

Probability of Experiencing Negative Returns



Source: Board-adopted 2025 capital market assumptions provided by WSIB. Portfolio allocations shown (e.g., 70/30, 60/40) represent fixed income / global equity mixes and are rebalanced at the start of each scenario.

Historical Negative Scenario Analysis (Cumulative Return)



In periods where the ideal benchmark was not yet available, Meketa used the next closest benchmark(s) as a proxy. Portfolio allocations shown (e.g., 70/30, 60/40) represent fixed income / global equity mixes and are rebalanced at the start of each scenario.

Modeling Assumptions and Methods

→ Capital Market Assumptions: Board-adopted assumptions, provided by WSIB, detailed in April 2025 Board presentation

Asset Class	Arithmetic Return (%)	Standard Deviation (%)	Geometric Return (%)
Cash	3.0%	2.1%	3.0%
Fixed Income	5.1%	6.0%	4.9%
Global Equity	8.0%	18.0%	6.5%

→ Rebalancing Assumption: Annual

→ The analysis relies on cash flows provided by Milliman which summarized the analysis from the WA Cares Fund actuarial valuation as of June 30, 2024

MEKETA

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Washington State Investment Board

QUARTERLY PERFORMANCE AS OF JUNE 30, 2026







Chris Hanak

Chief Investment Officer

TOTAL FUND MARKET VALUE AND NET PERFORMANCE

COMMINGLED TRUST FUND (CTF)

		Qtr.	1 Year	3 Year	5 Year	10 Year	20 Year
Total Fund:	**$194,497,003,442**	**4.29%**	**10.67%**	**9.40%**	**7.75%**	**10.14%**	**8.14%**
Passive Benchmark		**10.56%**	**18.01%**	**15.01%**	**7.68%**	**9.56%**	**7.31%**
Implementation Value Added Benchmark		**4.16%**	**15.39%**	**12.35%**	**7.99%**	**9.66%**	**8.03%**
TUCS Public Fund >$1B Median		**7.26%**	**13.85%**	**11.89%**	**7.26%**	**9.24%**	
TUCS Public/Corporate Fund >$1B Median		**6.39%**	**12.79%**	**10.70%**	**6.69%**	**8.92%**	

NET PERFORMANCE
COMMINGLED TRUST FUND (CTF)

	Qtr.	1 Year	3 Year	5 Year	10 Year	20 Year
Fixed Income	1.34%	4.64%	5.50%	1.37%	2.90%	4.33%
Bloomberg Universal	0.92%	4.15%	4.70%	0.44%	1.95%	3.61%
Tangible Assets	1.58%	7.08%	8.15%	8.57%	8.10%	N/A
CPI (Lagged One Quarter) + 400 bps	2.31%	7.29%	7.05%	8.51%	7.33%	N/A
Real Estate	1.23%	3.99%	1.58%	9.22%	10.07%	8.77%
8% Return Over Rolling 10 Years					8.00%	
NCREIF (Lagged One Quarter)	1.19%	4.82%	-0.01%	3.69%	4.74%	6.17%
Public Equity	14.38%	23.79%	19.43%	10.84%	12.80%	8.70%
Custom Benchmark	14.99%	24.50%	19.75%	10.86%	12.85%	8.72%
Private Equity	-0.59%	7.60%	8.53%	8.31%	13.47%	11.20%
Custom Benchmark	-1.97%	23.93%	19.53%	12.32%	14.42%	10.48%
Innovation	-0.29%	5.31%	7.31%	8.46%	0.60%	N/A
Custom Benchmark	0.20%	14.05%	13.65%	8.89%	9.86%	N/A

Public Equity benchmark: MSCI ACWI IMI w/U.S. Gross and a custom historical blend
Private Equity benchmark: MSCI ACWI IMI w/U.S. Gross (Lagged One Quarter) + 300 bps and a custom historical blend
Innovation benchmark: The weighted average of the underlying benchmarks for each asset/idea within the portfolio

NET PERFORMANCE
LABOR & INDUSTRIES' FUNDS

	Qtr.	1 Year	3 Year	5 Year	10 Year
Accident	3.35%	7.40%	7.09%	2.36%	4.03%
Custom Benchmark	2.94%	6.71%	7.00%	2.08%	3.76%
Medical Aid	4.08%	8.50%	8.06%	3.20%	4.60%
Custom Benchmark	3.59%	7.71%	7.97%	3.00%	4.37%
Pension Reserve	2.91%	6.57%	5.68%	0.50%	3.26%
Custom Benchmark	2.32%	5.74%	5.91%	0.45%	3.02%
Self-Insurance Reserve	2.84%	6.39%	N/A	N/A	N/A
Custom Benchmark	2.32%	5.74%	N/A	N/A	N/A

Washington State Investment Board

WSIB PROXY VOTING ACTIVITY
FISCAL YEAR 2026







SEPTEMBER 17, 2026

Bridget Murphy
Asset Stewardship Officer

Julian Hamud
Corporate Governance Officer

AGENDA



Review Fiscal Year (FY) 2026

- Summary results
- Review of FY 2026 proxy voting and results
  - Election of Directors (EoD)
  - Executive compensation
  - Shareholder proposals (SHPs)
  - Reincorporations

Looking Forward

- Evolving market dynamics
- Future priorities

SUMMARY RESULTS – DIRECTOR ELECTIONS ACCOUNT FOR TWO-THIRDS OF ALL VOTES

Total Meetings

2,958	3,030
FY 2026	FY 2025

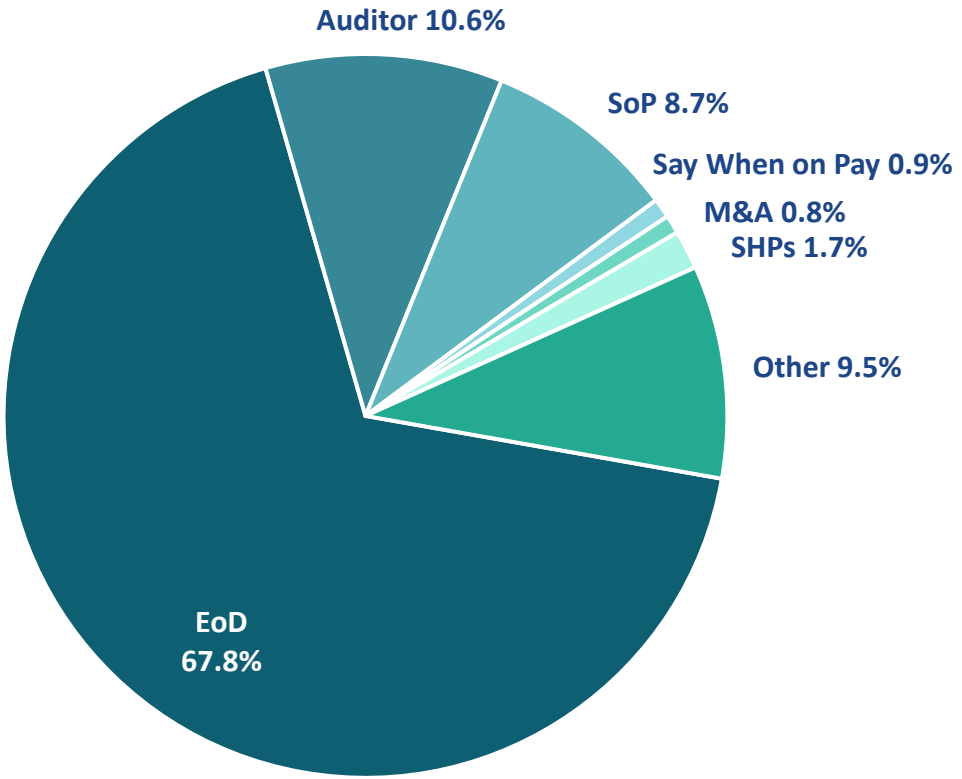
Proxy Voting Proposals

27,106	28,025
FY 2026	FY 2025

Including:

- Election of Directors (EoD)
- Ratification of Auditor
- Say on Pay (SoP)
- SoP Frequency (Say When on Pay)
- Mergers and acquisitions (M&A)
- Shareholder Proposals (SHPs)

FY 2026 Voting Activity



Totals may not add up due to rounding.

SUMMARY RESULTS – GROWING SUPPORT FOR HIGH-QUALITY SHAREHOLDER PROPOSALS

Selected FY 2026 WSIB Support Rates

	All Management Proposals	EoD	SoP	M&A	SHPs
FY 2026	88.2%	88.9%	83.8%	95.5%	61.8%
FY 2025	89.2%	90.6%	82.7%	96.3%	54.7%
Change (% Points)	-1.0%	-1.7%	+1.1%	-0.8%	+7.1%

- EoD support declined among pullbacks in disclosures, curtailments of shareholder rights, and executive compensation issues

- Fewer proposals overall
- Fewer novel proposals

ELECTION OF DIRECTORS – MOST BOARDS MEET OUR STANDARDS, MOST OF THE TIME

High support levels for directors reflects the fact that most boards follow well-understood best practices for U.S. market

Most common drivers of votes against directors:

Board Gender Diversity and Related Disclosure	Structural Governance Features	Board Actions During the Past Year
▪ Insufficient disclosure of board diversity and/or related policies	▪ No lead director or independent chair ▪ Multi-class share structures	▪ Actions limiting shareholder rights ▪ Compensation decisions

Continued focus on companies for which emissions and/or climate-related impacts represent material risk

67 directors opposed based on climate-related concerns and/or insufficient oversight of environmental and social risks (FY 2025: 42 directors)

EXECUTIVE COMPENSATION – LACK OF PAY CEILINGS CREATES MORE ISSUES

Trends to Note

- Favorable market performance improved the results of quantitative pay-versus-performance analysis
- Growth industries continue to use large special awards, which often drive our votes against pay and ratchet up pay benchmarks for other companies

Director-Level Escalation

- Advisory SoP votes provide feedback to companies, but director-level votes are more significant
- Compensation decisions should be traceable to a responsible committee or the full board

	FY 2026	FY 2025
Total SoP Votes	2,357	2,383
Percent Supported	83.8%	82.7%
Directors Opposed Based on Pay Issues	124	84

COMPENSATION CASE STUDIES – WHEN PAY AFFECTS BOARD VOTING

Company	Summary	WSIB Vote
Real Estate Company	■ Company granted a handful of executives over $1 billion in special front-loaded equity awards, which included multiple problematic design features	Against the SoP Against the approving body (in this case, the full board)
Consumer Discretionary Company	■ Company announced a multimillion-dollar settlement related to allegations of false claims regarding executive compensation in excess of COVID-era limitations ■ The current pay program was not remarkable	For the SoP Against long-tenured compensation committee members

SHAREHOLDER PROPOSALS – REGULATORY CHANGES DISRUPT A FAMILIAR SYSTEM

Background

- Continued changes to the rules governing SHPs left investors and companies in uncertain waters
- The Securities and Exchange Commission's (SEC) decision to step back from its role as a referee in the SHP exclusion process contributed to a decrease in the number of SHPs on ballots

Outcomes, First Half 2026[1]

Non-Voting

- 53 percent decrease in SHP exclusion requests to SEC
  - 10 companies received letters enabling a proposal's exclusion, but went on to include the proposal anyways
- 15 percent reduction in documented SHP submissions
- Six lawsuits against companies over excluded proposals
- Many proposals were excluded on reasonable grounds, but we identified multiple examples of less convincing exclusions

Voting

- Continued strong market support for many governance proposals
- Zero SHPs on environmental and social topics received majority support
- WSIB voting for excluding proposals escalated to EoD votes in multiple cases

[1]Brad Goldberg, Beth Sasfai, and Michael Mencher, Cooley LLP, "2026 Shareholder Proposal Season Early Review and Look Ahead to 2027" Harvard Law School Forum on Corporate Governance, June 25, 2026. https://corpgov.law.harvard.edu/2026/06/25/2026-shareholder-proposal-season-early-review-and-look-ahead-to-2027/.

SHAREHOLDER PROPOSALS – FEWER PROPOSALS, NARROWER TOPICS, MORE SKEPTICS

WSIB SHAREHOLDER PROPOSAL VOTE ACTIVITY

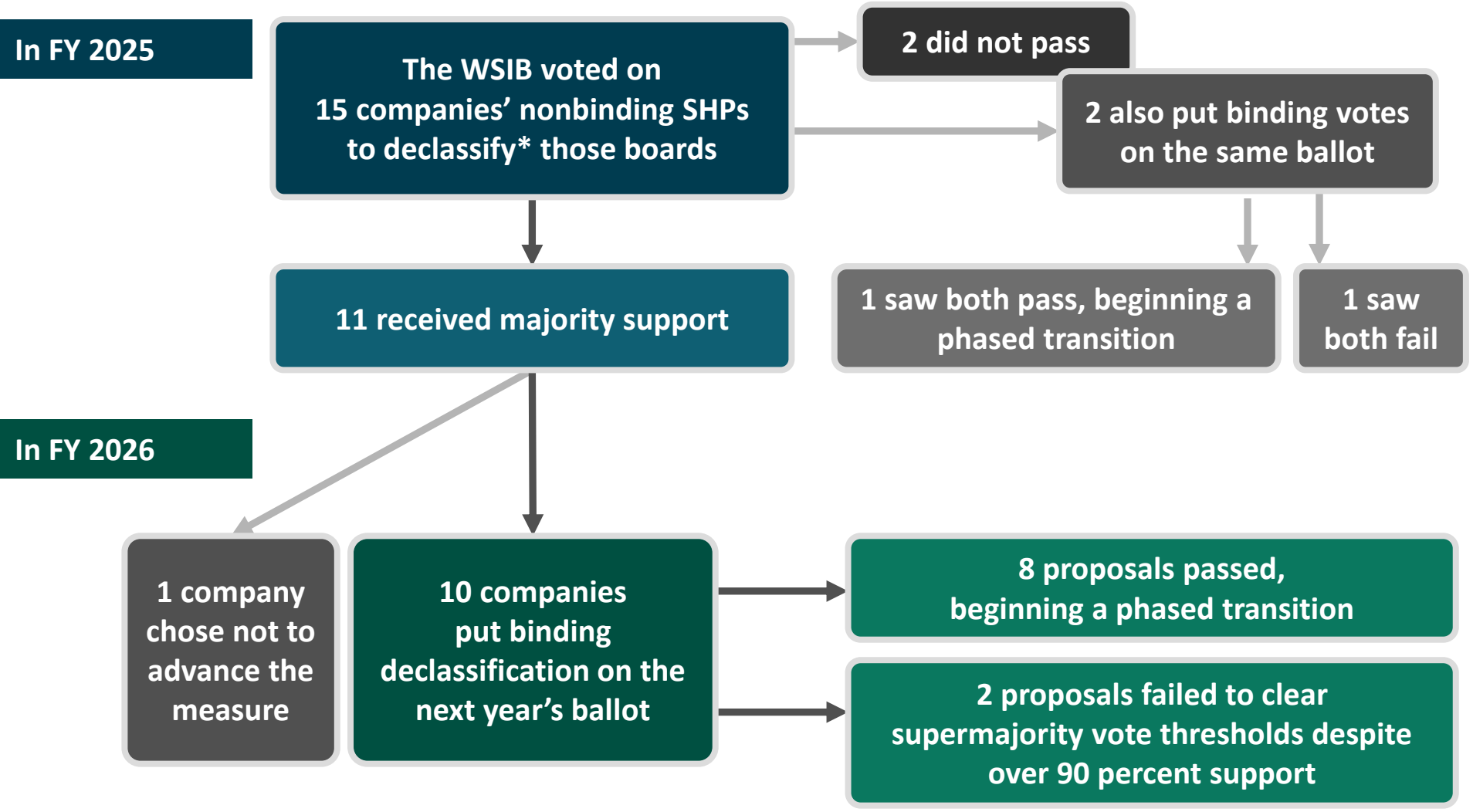
		Number of Proposals		WSIB Suport Rate*		Change in Support
		2026	2025	2026	2025	(% Points)
All SHPs		469	563	61.8%	54.7%	+7.1%
Environmental		65	87	38.5%	41.4%	-2.9%
Social		109	162	43.1%	41.4%	+1.7%
Governance	Traditional Proposals	252	189	80.6%	86.2%	-5.6%
	Proxy Contests	19	51	52.6%	49.0%	+3.6%
Compensation		18	56	27.8%	25.0%	+2.8%
Miscellaneous		6	18	0.0%	16.7%	-16.7%

*Includes proposals that are supportive of and skeptical of environmental, social, or governance (ESG) issues' materiality to companies. WSIB support rates for supportive proposals has been consistently higher.

CASE STUDIES – APPLYING OUR GUIDELINES TO EVOLVING ISSUES

Company	Summary	WSIB Vote	Outcome
Real Estate Company with Data Center Exposure	▪ Metrics on water risk: the company provides country-level water metrics but operates in many regions with high water stress	For: more information is warranted	22.3 percent support
Consumer Discretionary Company	▪ Report on child labor in supply chain: key materials are often sourced from high-risk countries	Against: the company already performs third-party and internal auditing	7.6 percent support
Insurance Company	▪ Report on environmental risk mitigation: the company's relevant disclosures lag peers while industry catastrophe losses are increasing	For: more information is warranted; issue also affected EoD voting	23.5 percent support

SHP CASE STUDIES – CHANGE TAKES TIME EVEN WITH SHAREHOLDER SUPPORT



*A declassified board elects all board members annually for one-year terms. A classified (or staggered) board elects some directors every year for overlapping, multiyear terms.

SHPS – ESG-SKEPTIC PROPOSALS CONTINUE TO GATHER LITTLE SUPPORT

Recent proposals question the benefits, fairness, and legality of corporate actions linked to ESG, primarily focusing on climate and diversity

The number of ESG-skeptic proposals was roughly flat versus FY 2025, but they increased as a proportion of the total number of SHPs

- 27.7 percent of SHPs on environmental topics (up from 16.1 percent in FY 2025)
- 41.5 percent of SHPs on social issues (up from 28.4 percent in FY 2025)

WSIB support rate for these proposals remains very low

- Average market support for "Anti-ESG" proposals in 2026 was 5.3 percent (vs. 24.6 percent for all SHPs)[1]

Selected WSIB SHP Support Rates FY 2026		
	Environmental	Social
All SHPs in Category	38.5%	43.1%
Excluding ESG-Skeptic SHPs[2]	55.8%	72.7%

[1] Brad Goldberg, Beth Sasfai, and Michael Mencher, Cooley LLP, "2026 Shareholder Proposal Season Early Review and Look Ahead to 2027" Harvard Law School Forum on Corporate Governance, June 25, 2026. https://corpgov.law.harvard.edu/2026/06/25/2026-shareholder-proposal-season-early-review-and-look-ahead-to-2027/. [2] "ESG-Skeptic" data is based on WSIB staff's characterization of the contents of individual proposals.

SHPS CASE STUDY – CLASHING PROPOSALS ON THE SAME BALLOT

Case Study

A Consumer Discretionary company received and included two proposals on plastic packaging which took opposite positions and with diverging requests

Proposal A

Seeking data on the costs of recycling and the benefits of virgin plastics

WSIB Vote	Outcome
Against	0.9 percent support

Proposal B

Seeking data on plastic usage and the viability of peers' recycling commitments

WSIB Vote	Outcome
For	17.2 percent support

M&A CASE STUDY – A BOARD TAKEOVER IS NO SUBSTITUTE FOR ROBUST NEGOTIATION

Company	Summary	WSIB Vote	Outcome
Industrials Company	▪ Concurrent with a hostile takeover bid, a competitor attempted to replace all board members with its preferred personnel (later reduced to one-third of the board seats) via the proxy vote, arguing that the current board was inappropriately resisting a proposed transaction	Against dissident: the board took reasonable actions to consider the offers, including receiving opinions from two separate financial advisers that deemed the bid inadequate	No dissident nominee was elected to the board Hostile takeover activity remains ongoing

REINCORPORATIONS – FOUNDERS TAKING FLIGHT?

Background

Delaware has been the "gold standard" for shareholder rights for decades and has historically been seen as more investor-friendly

Texas and Nevada recently approved updated corporate codes that are friendlier to corporate boards and insiders, including:[1]

- **Specialized business courts modeled after Delaware, Maryland**
- **Limits on books and records requests**
- **The ability for companies to limit standing in derivative lawsuits and the ability to file SHPs**

[1]Glass Lewis, U.S. Market Snapshot 2025: Board, Governance & Disclosure. See also: James Crowe, 2026 Comparison of Key Corporate Governance Features in the Cayman Islands, Delaware, Nevada, and Texas. Harvard Law School Forum on Corporate Governance, https://corpgov.law.harvard.edu/2026/05/14/2026-comparison-of-key-corporate-governance-features-in-the-cayman-islands-delaware-nevada-and-texas/.

REINCORPORATIONS – WELL-PLACED SKEPTICISM BUT INSIDERS FORGE AHEAD

WSIB Voting

In FY 2026, the WSIB consistently opposed moves that would weaken shareholder rights, considering both state-level laws and the company-level bylaws

- Companies design their bylaws which are constrained by state-level laws
  - State laws can allow for serious limitations of rights, but companies do not always include them

	2026: 18 Proposals in Total		2025: 20 (Including 1 Withdrawn)	
To Delaware: 2	For: 2	(11.1 percent)	For: 5	(25.0 percent)
Out of Delaware: 14	Against: 16	(88.9 percent)	Against: 15	(75.0 percent)

Outcomes

Despite significant shareholder opposition, all but one proposed reincorporation was successful in FY 2026

- 10 out of the 14 proposals to leave Delaware that the WSIB voted on occurred at companies where insiders maintain large stakes

Note: Percentage is of the total.

CASE STUDIES – FOCUSING ON OUR SHAREHOLDER RIGHTS

Company	Summary	WSIB Vote	Outcome
IT Company	■ Company proposed redomestication from Delaware to Texas ■ The new bylaws include 3 percent ownership minimums for the ability to file SHPs or shareholder derivative lawsuits ■ The company's founder/Chief Executive Officer (CEO) controls significant voting power over the company and lives in Texas	Against: given the limitations of shareholder rights	96.9 percent support
Industrials Company	■ Company proposed reincorporation from New Jersey to Delaware, citing comprehensive corporate laws along with greater predictability and flexibility for potential transactions ■ The company's CEO controls a majority of voting shares	For: in light of comparable or stronger protections	99.9 percent support

LOOKING FORWARD – MORE CHALLENGING MARKET DYNAMICS

Regulations

- SEC has signaled potential further changes to SHP process
- Potential recission of climate disclosure rules
- Potential recission of Equal Employment Opportunity Commission required reporting (e.g., EEO-1 data)
- Proposed reductions in pay disclosure requirements
- Ability for companies to provide semi-annual (rather than quarterly) financial disclosures

Litigation

- SHP omission lawsuits
- Challenges to recent legislation and regulatory changes

Legislation

- Proxy advisors targeted by multiple government bodies at state and federal levels
- State-level artificial intelligence oversight laws
- False Claims Act enforcement via Civil Rights Fraud Initiative

Activism

- New business courts and reconfigured plaintiffs' bars
- Retail shareholder voting programs

FUTURE PRIORITIES – ALIGN AND ENGAGE

Stewardship Priorities

Proxy Voting

- Further alignment between proxy voting practices and WSIB Climate Blueprint and Diversity, Equity, and Inclusion (DEI) Blueprint
- Ongoing evaluation of voting rules and policies as the regulatory environment continues to change

Engagement

- Advance public company engagement program, with a focus on core shareholder rights and corporate governance principles
- Uptick in regulatory-related advocacy, with a focus on continued access to comparable and investor-useful disclosures and data

2026 Proxy Policy Updates

- None proposed

GLASS LEWIS

2026 Glass Lewis Updates

WSIB

September 17, 2026

Agenda

- Speaker
  - **Brianna Castro**, Vice President, North American Research
- Agenda
  - 2026 Season U.S. Meetings and Proposals
    - Meetings, Proposals, and Vote Outcomes
    - SHP Exclusion Process
  - 2026 Review of Key Governance Trends
    - Election of Directors
    - Board Composition and Oversight
    - Compensation
    - ESG and Shareholder Proposals
  - Regulatory Updates
    - US Regulatory Developments
    - Congressional Activity
    - State Proxy Advisor Bills
    - State AG Investigations and Litigation
  - Q&A

Note: all data included reflects the period from January 1 to June 30, 2026

2026 Season Review
U.S. Meetings and Proposals

2026 Season Glass Lewis Proposals and Vote Outcomes

2026	Number of Proposals (vs. 2025)	Average Shareholder % Support (vs. 2025)	Average GL % Support (vs. 2025)
Director Proposals	**25,639** (+13%)	**94.5%** (vs. 94.7%)	**85.7%** (vs. 85.4%)
Say on Pay Proposals	**2,640** (0.0%)	**91.1%** (vs. 89.7%)	**84.5%** (vs. 84.2%)
Shareholder Proposals	**396** (-11%)	**23.6%** (vs. 22.9%)	**54.5%** (vs.48%)

Meetings Covered

- 3,926 AGMs (vs. 3,748 in 2025)
- 346 Special Meetings (vs. 333 in 2025)

Director Proposals

- Top drivers of majority opposition*:*
  - Gender Diversity Concerns
  - Failed Director Remaining on Board

Say on Pay Proposals

- Support levels remain consistent
  - Top drivers of majority opposition were pay and performance misalignment and insufficient response to shareholder dissent

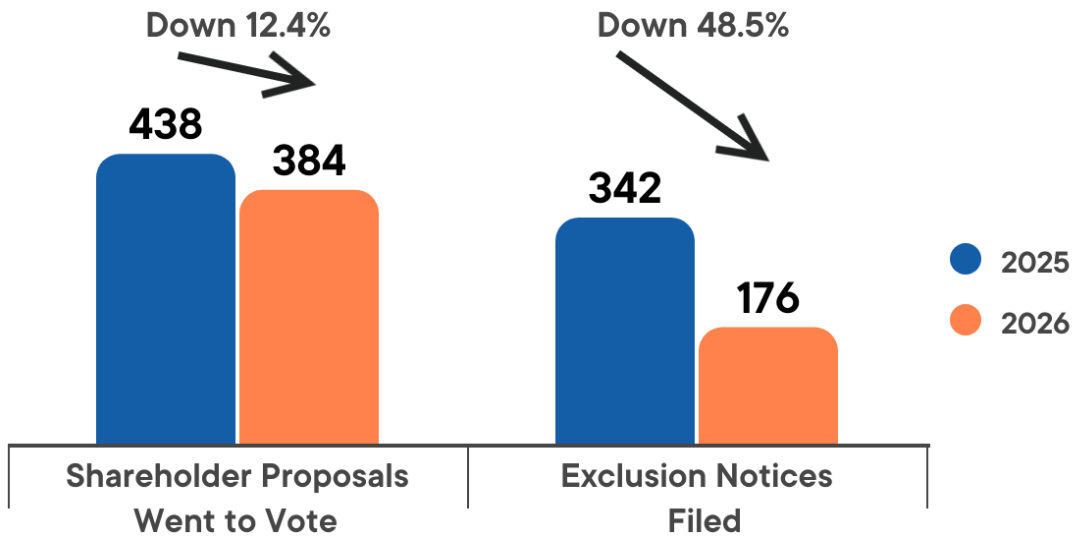
Shareholder Proposals

- 28 Proposals approved by shareholders (vs. 49 in 2025)
  - No majority supported resolutions were on E&S (vs. 5 in 2025)

SHP Exclusion Process

SEC No Longer Provides Responses to Most No Action Requests

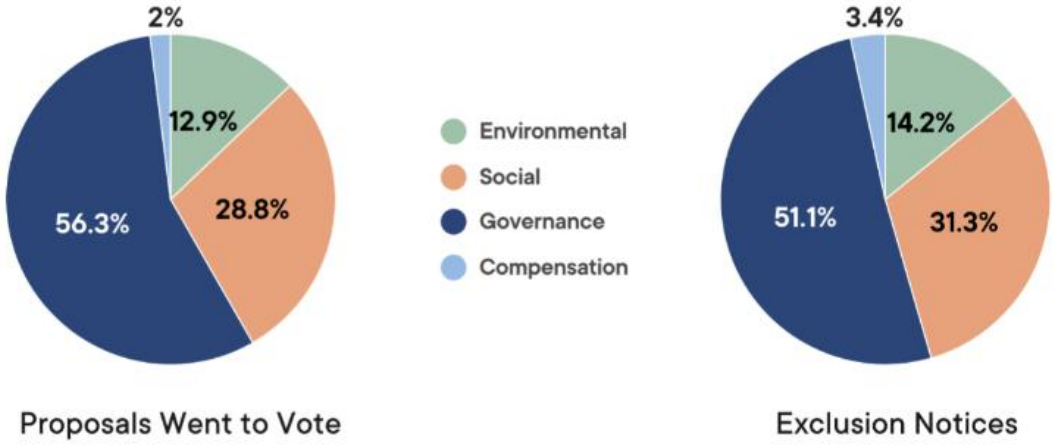
- In November 2025, the SEC announced it would no longer provide responses to most no-action requests to exclude shareholder proposals
- Except for requests based on the “improper under state law” exclusion, companies would instead receive a No Objection response upon representing that they had a reasonable basis for exclusion, without review of the merits, which traditionally the SEC undertook
- Amid a multi-year declined in the number of proposals, the SEC’s decision to step away from the no-action process buoyed the number of proposals going to a vote as companies were less likely to exclude shareholder proposals



SHP Exclusion Process

Variety of responses

- Within the most popular category, governance, roughly as many proposals on supermajority vote requirements, board declassification, and majority voting standards for director elections attracted exclusion notices as went to a vote. By contrast, companies were less likely to attempt to exclude proposals on topics related to multiclass share structures, cumulative voting and shareholders' right to call a special meeting
- The absence of the SEC involvement has created a more complex landscape for engagement and negotiation, while leaving boards (and the SEC itself) exposed to litigation
- 6 lawsuits filed over excluded proposals, which had varying degrees of success
- On August 14, 2026 the SEC announced it would indefinitely suspend its role as arbitrator of the No-Action Process



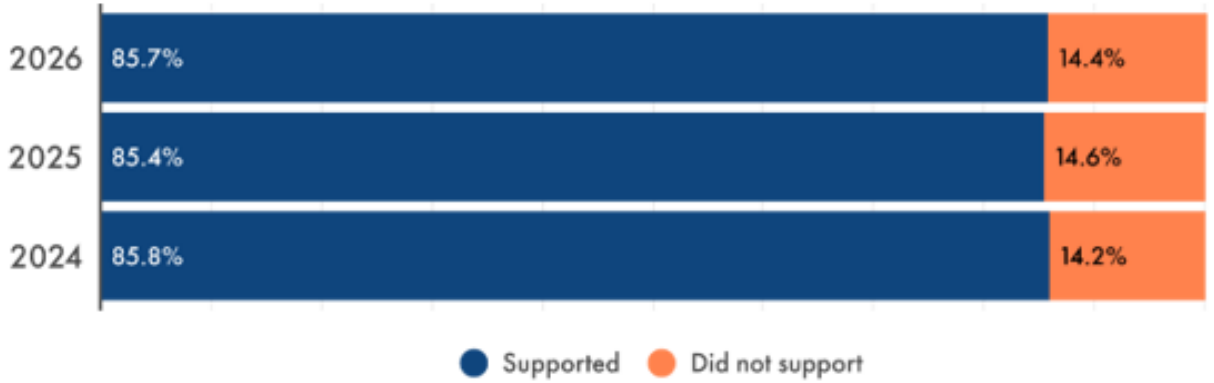
2026 Review of Key Governance Trends

Election of Directors

Shareholder Voting Activity

- Glass Lewis Benchmark Policy support rate for directors was approx. 85.7%
  - On par with last year (85.4%)
  - 90% support at Russell 3000 companies
  - 94% support at S&P 500 companies
- On average, directors received 94.5% support from shareholders
  - Consistent with 94.7% last year
- 63 failed directors in total U.S. coverage, down from 72 last year
  - slight decrease in the number of failed directors in the Russell 3000 index as well (28 in 2026 compared to 33 in 2025).

U.S. Director Recommendations



Board Composition

Spotlight on Diversity and Related Disclosure Continues

- **Gender Diversity:** Russell 3000 companies averaged 29% gender diversity during 2026 (2025: 30.6%). Gender diversity in U.S. board leadership positions continued to marginally increase year over year. Gender diverse directors represent more than 30% of all key committee chair positions
- **Racial/Ethnic Diversity**: Average racial/ethnic diversity was 26.1% for S&P 500 boards and 25.2% for Russell 1000 boards in 2026, among companies that disclosed such information (2025: 26.3% and 24.8%, respectively)
- While U.S. board diversity reporting remains widespread, the proportion of Russell 1000 companies that disclosed the racial/ethnic diversity of directors on either an aggregate or individual level declined for the second year, to 61% (from 70% in 2025 and 94% in 2024)

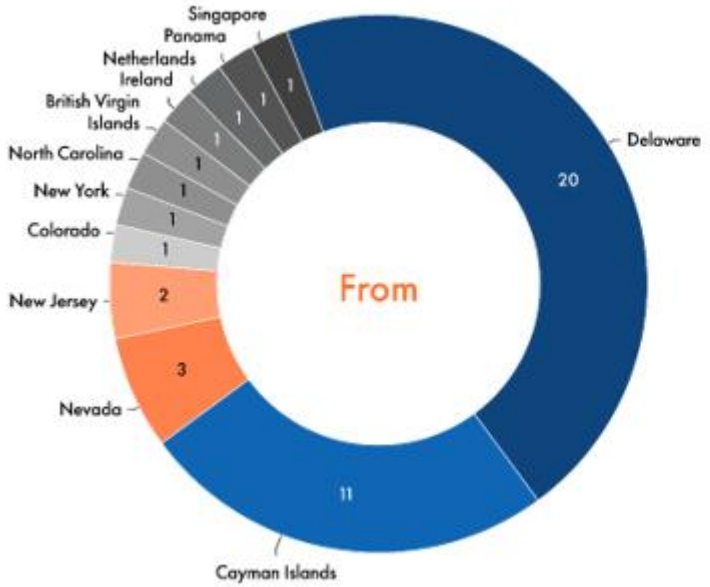
Proxy Paper Enhancement – Diversity Alerts

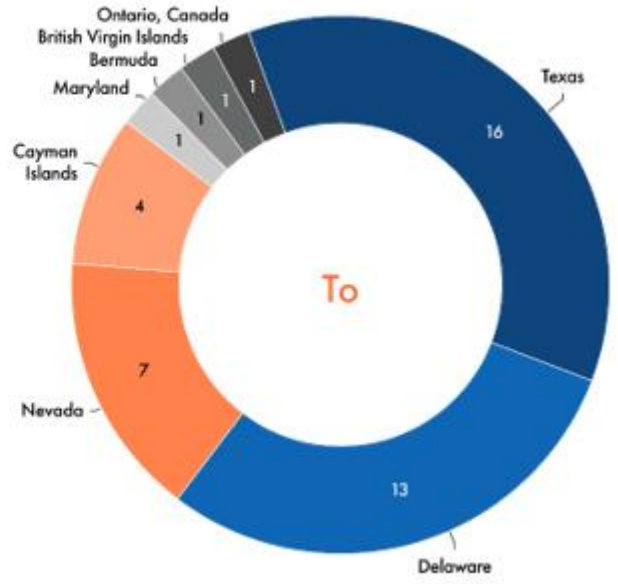
- In 2025, we issued a Supplemental Statement on our approach to diversity-related issues.
  - Flagging all director election and shareholder proposals at U.S. companies in which our recommendation is based on considerations of gender or underrepresented community ("UC") diversity.
  - Offering 2 sets of recommendations: one that applies our Benchmark Policy approach, and one that does not consider gender or UC diversity as part of the recommendation.

Reincorporation Proposals

Increase in Reincorporation Activity

- Some U.S. states have recently amended their corporate laws to attract or retain companies incorporating in their states, driving interest in reincorporation proposals
  - While such proposals reached a three-year high with 44 in 2026, compared to 29 in 2025, these proposals remain relatively uncommon among amendments to governing documents appearing on ballots this proxy season.
  - Texas was the most common state for reincorporation, with 16 companies requesting a move to Texas
  - Delaware was the most common state for companies to leave, with 20 companies requesting a move from Delaware





Say-On-Pay Proposals

- Shareholder support for executive pay practices largely consistent with prior year
- Glass Lewis supported 84.5% of say-on-pay proposals compared to 89.7% in 2025
- Five failed proposals from S&P 500 constituents
  - Concerns over excessive or problematic one-off award granting for Welltower Inc., Aon plc, Skyworks Solutions, Thermo Fisher Scientific, and Warner Bros. Discovery

US: 91.1% average shareholder support (89.7% in 2025).

190 proposals with weak majority support

30 proposals failed to receive majority support

Drivers for Against Recommendations	
P4P Disconnect	**39.8%**
Insufficient Response to Shareholder Dissent	**27.8%**
Concerning/Poorly Justified OTAs	**19.3%**
Excessive Compensation/Granting Practices	**15.9%**
Concerning Pay Practices (Other)	**12.4%**

Note: Multiple reasons may be flagged for one company.

U.S. Shareholder Proposals (“SHPs”)

- The number of shareholder proposals going to a vote at US companies declined moderately in 2026, while the number of majority-supported shareholder proposals decreased substantially
  - There was an approximately 11% drop in the number of proposals in 2026 (445 vs. 396)
  - Average shareholder support for all proposals was 23.6% in 2026 (22.9% in 2024 and 2025)
- The proportion of governance proposals surged, while E&S proposals continued to decline
  - Although fewer shareholder proposals went to a vote overall, the number of governance-related proposals increased considerably in 2026 (+29.7%).
  - The number of E&S proposals declined by 31.3% year-over-year (from 211 to 145).
- In addition to the decrease in the number of proposals going to a vote, there was a decrease in majority supported proposals
  - There were 28 shareholder proposals that received over 50% shareholder support (49 in 2025)
    - No environmental/social proposals received majority support in 2026, versus five in 2025

Regulatory Updates

US Regulatory Developments

Executive Order (December 2025)

- Directives to the SEC, FTC and DOL



Agency	Actions – Current and Potential	Key Takeaways

SEC (Securities and Exchange Commission)	• EO calls for SEC to –
	  • Review all rules and guidance on proxy advice
	  • Consider revising all rules and guidance on shareholder proposals
	  • Enforce anti-fraud provisions for material misstatements in proxy advice
	  • Assess whether to require PAs to register as IAs
	  • Consider requiring PAs to increase transparency, especially on ESG and DEI
	  • Analyze whether PAs serve as a vehicle for 13D groups
	  • Examine whether RIAs engaging PAs to advise on "non-pecuniary" factors is inconsistent with their fiduciary duties
		• Previous SEC rulemaking on PAs voided by the court decision
		• Pivot to IA approach? Glass Lewis has announced that it will voluntarily register
		• SEC likely to propose changes to its Shareholder Proposal Rule (Rule 14a-8) in 2026, as well as pursuing other initiatives on such proposals
		• Other rulemaking initiatives? Guidance and speeches?
		• SEC 2019 Guidance for Investment Advisers on using a PA still in effect

FTC (Federal Trade Commission)	• EO called for FTC Chair to review state investigations and open an FTC investigation • FTC has opened investigations of Glass Lewis and ISS for trade practice and competition issues	• Investigation underway

DOL (Department of Labor)	• EO calls for DOL to strengthen fiduciary standards of ERISA plans and enhance transparency around use of PAs, especially as it relates to DEI and ESG
	• DOL plans to revise Biden-era ESG and proxy voting rules for private retirement plans (ERISA)
		• DOL Guidance on when Proxy Advisors are ERISA fiduciaries (April 2026)
		• New rules expected to be proposed any time now
		  • Possible revival of "safe harbor" rules encouraging plans not to vote
		  • Changes could affect how private retirement plan fiduciaries use PAs

Congressional Activity

- House Financial Services
  - Hearing on April 29, 2025, “Exposing the Proxy Advisory Cartel”;
  - Hearing on September 10, 2025, “Proxy Power and Proposal Abuse: Reforming Rule 14a-8 to Protect Shareholder Value.”
  - Draft bills in circulation include ideas like requiring registration, banning consulting work, and adding certifications; IA reporting and standards
- House Judiciary
  - Inquiry focused on ISS and Glass Lewis
  - June 25, 2025, hearing on “Anticompetitive Conduct”
- House Education and Workforce
  - H.R.2988 - Protecting Prudent Investment of Retirement Savings Act (broadly similar to DOL 2020 Rules)
  - Passed by House on January 15, 2026
- Senate Banking
  - Working group led by Sen. Hagerty;
  - Letters to proxy advisors
  - Sens Reed/Tillis Bill on Regulation of Proxy Advice



Takeaways

- Congressional interest has been high
- Hearings and letters likely to keep the issue in the spotlight for the remainder of 2026
- Midterm elections in November 2026 will affect climate and prospects of action going forward

State Proxy Advisor Bills

Texas SB 2337

- First-of-its-kind law that would have required, effective September 1, 2025, proxy advice to include misleading "warning notices" when discussing companies incorporated in Texas, with headquarters in Texas, or that propose to move to Texas
- Glass Lewis filed suit in 2025. Law now enjoined as to Glass Lewis



Texas Offspring

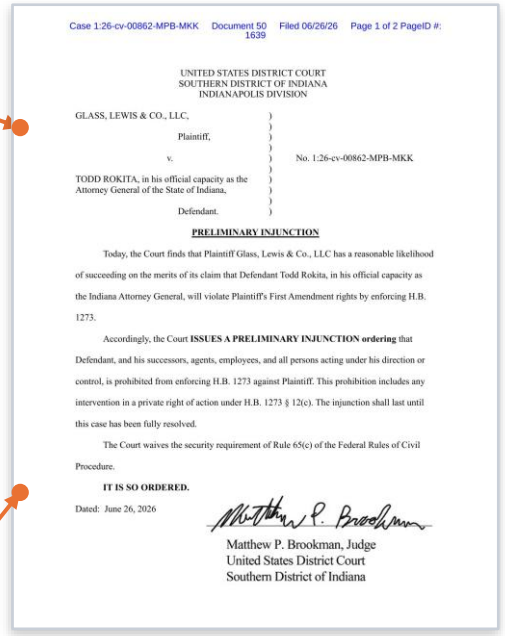
- Group called "Consumers Defense" promoting model legislation calling for "warning notices" to proxy advisor clients and companies when proxy advice recommends against management about whether the advice is based on "written financial analysis," under a unique definition of that term.
- Introduced in 13 States and Passed in Kansas, Indiana, Kentucky and Oklahoma
- Glass Lewis has filed suit in Kansas, Indiana and Kentucky so far.
  - As of June 30, 2026, federal courts in Indiana and Kansas have enjoined these laws on First Amendment grounds; our motion in Kentucky is pending
  - Indiana has appealed the preliminary injunction to the Seventh Circuit Court of Appeals; no appeal in Texas or Kansas



What the Courts Are Saying — Indiana & Kansas Injunctions

"And some issues, like deciding who should serve on the board of directors, are not readily susceptible to a 'written financial analysis.' In that event, Plaintiffs can only comply with the statute by disclosing that their recommendation was not based on written financial analysis, which Plaintiffs argue 'misleadingly suggests such an analysis is possible[.]' (Id. at ECF p. 22; see GL Docket No. 24 at ECF p. 18). H.B. 1273 forces Plaintiffs into a lose-lose situation. Plaintiffs can issue a 'written financial analysis' that they would not otherwise make. Or they can adorn their policy with a scarlet letter, disclosing to their clients, company management, and anyone visiting their website that their recommendations against management are not based on a written financial analysis, which assumes such an analysis would be possible in the first place."

"[H.B. 1273] runs afoul of the First Amendment because it places a thumb on the scale in favor of management's recommendation on all issues by burdening the opposite viewpoint. H.B. 1273 impermissibly burdens the view that management is wrong or that it is in a client's best interest (as identified by the client's chosen plan) to vote against management."



Case 1:26-cv-00862-MPB-MKK Document 50 Filed 06/26/26 Page 1 of 2 PageID #: 1639

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

GLASS, LEWIS & CO., LLC,
Plaintiff,
v.
TODD ROKITA, in his official capacity as the Attorney General of the State of Indiana,
Defendant.
No. 1:26-cv-00862-MPB-MKK

PRELIMINARY INJUNCTION

Today, the Court finds that Plaintiff Glass, Lewis & Co., LLC has a reasonable likelihood of succeeding on the merits of its claim that Defendant Todd Rokita, in his official capacity as the Indiana Attorney General, will violate Plaintiff's First Amendment rights by enforcing H.B. 1273.

Accordingly, the Court **ISSUES A PRELIMINARY INJUNCTION ordering** that Defendant, and his successors, agents, employees, and all persons acting under his direction or control, is prohibited from enforcing H.B. 1273 against Plaintiff. This prohibition includes any intervention in a private right of action under H.B. 1273 § 12(c). The injunction shall last until this case has been fully resolved.

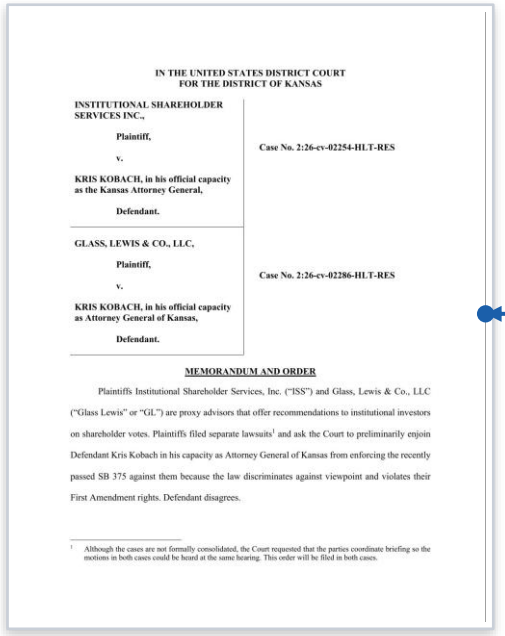
The Court waives the security requirement of Rule 65(c) of the Federal Rules of Civil Procedure.

IT IS SO ORDERED.

Dated: June 26, 2026

Matthew P. Brookman, Judge
United States District Court
Southern District of Indiana

Indiana — HB 1273
Prelim. injunction · S.D. Ind. · June 26, 2026



IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

INSTITUTIONAL SHAREHOLDER SERVICES INC.,
Plaintiff,
v.
KRIS KOBACH, in his official capacity as the Kansas Attorney General,
Defendant.
Case No. 2:26-cv-02254-HLT-RES

GLASS, LEWIS & CO., LLC,
Plaintiff,
v.
KRIS KOBACH, in his official capacity as Attorney General of Kansas,
Defendant.
Case No. 2:26-cv-02286-HLT-RES

MEMORANDUM AND ORDER

Plaintiffs Institutional Shareholder Services, Inc. ("ISS") and Glass, Lewis & Co., LLC ("Glass Lewis" or "GL") are proxy advisors that offer recommendations to institutional investors on shareholder votes. Plaintiffs filed separate lawsuits[1] and ask the Court to preliminarily enjoin Defendant Kris Kobach in his capacity as Attorney General of Kansas from enforcing the recently passed SB 375 against them because the law discriminates against viewpoint and violates their First Amendment rights. Defendant disagrees.

[1] Although the cases are not formally consolidated, the Court requested that the parties coordinate briefing so the motions in both cases could be heard at the same hearing. This order will be filed in both cases.

Kansas — SB 375
Mem. & Order · D. Kan. · June 24, 2026

"The Court agrees with Plaintiffs. SB 375 discriminates on viewpoint because it imposes burdens when Plaintiffs' speech disagrees with the view of company management but imposes no burdens when Plaintiffs' speech agrees with the view of company management. Viewpoint discrimination is deeply antithetical to the First Amendment and, at a minimum, laws that discriminate based on viewpoint must pass strict scrutiny. Defendant does not argue that SB 375 can satisfy this demanding standard should it apply. Plaintiffs have therefore shown a likelihood of success on the merits of their First Amendment claim, and the other preliminary-injunction factors weigh in favor of an injunction. The Court grants the motions and enjoins Defendant from enforcing SB 375 against Plaintiffs."

Sources: Glass, Lewis & Co. v. Rokita, No. 1:26-cv-00862 (S.D. Ind. June 26, 2026); ISS & Glass, Lewis & Co. v. Kobach, Nos. 2:26-cv-02254 & -02286 (D. Kan. June 24, 2026).

State Proxy-Advisor Bills — Status Overview

State	Bill	Passed?	Bill Effective Date	Glass Lewis Suit	Preliminary Injunction
Texas	SB 2337	Yes	Sept 1, 2025	Filed Jul 24, 2025	Granted Aug 29, 2025
Indiana	HB 1273	Yes	Jul 1, 2026	Filed Apr 30, 2026	Granted Jun 26, 2026
Kansas	SB 375	Yes	Jul 1, 2026	Filed May 14, 2026	Granted Jun 24, 2026
Kentucky	SB 183	Yes	Jul 15, 2026	Filed Jun 12, 2026	Motion pending
Oklahoma	HB 4429	Yes	Nov 1, 2026	—	—
Nebraska	LB 728	No	—	—	—
West Virginia	SB 417	No	—	—	—
Wisconsin	SB 879	No	—	—	—
South Carolina	H 4985	No	—	—	—
Mississippi	SB 2676	No	—	—	—
Wyoming	HB 175	No	—	—	—
Iowa	HF 2196	No	—	—	—

As of June 30, 2026.
Injunction status reflects orders against enforcement as to Glass Lewis.

State AG Investigations and Litigation

Defensive Litigation

- **Florida –** Filed November 2025
  - Civil action against Glass Lewis and ISS in Florida state court alleging one count of a violation of the Florida Antitrust Act and two counts of violations of the Florida Deceptive and Unfair Trade Practices Act.
  - Case was removed to federal court and then, after Florida dropped its antitrust claim, remanded to state court
  - Status: Glass Lewis plans to move to dismiss the case
- **Texas** – Filed July 2026
  - Civil action against Glass Lewis in the District Court of Collin County, Texas against Glass Lewis alleging two counts of violations of the Texas Deceptive Trade Practices Act
  - Status: Glass Lewis has moved to dismiss the action based on a lack of personal jurisdiction.



Other Former or Current Investigations

- Tennessee
- Mississippi
- Missouri
- Nebraska

Q&A

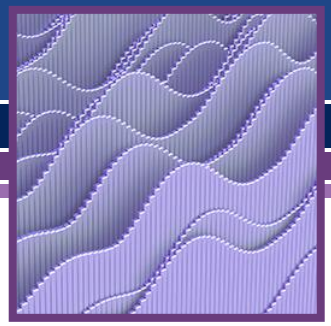
Contact Us:
bcastro@glasslewis.com

Appendix

Washington State Investment Board

QUALITATIVE ASSESSMENT OF THE COMMINGLED TRUST FUND'S (CTF) ARTIFICIAL INTELLIGENCE (AI)-RELATED EXPOSURES







SEPTEMBER 17, 2026

Chris Hanak

Chief Investment Officer

AGENDA



- Artificial intelligence market overview
- Identifying and measuring the CTF's exposure to AI
- Scenario analysis of AI exposures
- Summary and concluding thoughts

AI CAPABILITIES HAVE EXPANDED RAPIDLY OVER THE PAST DECADE



Large-language models (LLMs) and AI "agents" have become useful tools

- Faster software development and testing
- Can summarize large numbers of documents, allowing users to extract insights by asking simple questions
- Generative AI can create media based on a description of the desired output
- Makes expert or technical knowledge accessible to non-specialists

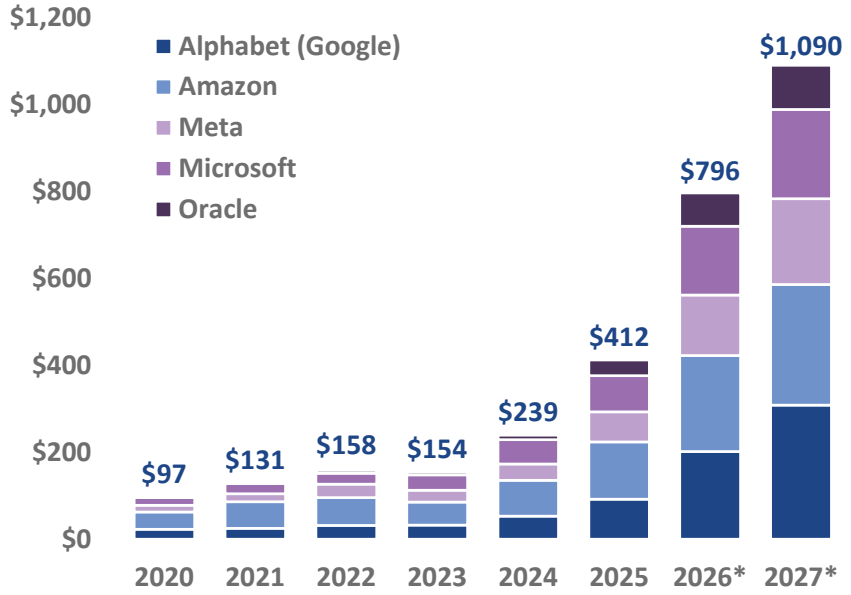
People and companies are exploring how AI can make them more productive

- According to a recent McKinsey survey, 88 percent of the responding organizations indicated they were using AI in at least one business function (though most are still in the early stages)[1]
- An HSBC analysis of U.S. company earnings calls in 1Q26 found over 65 percent discussed implementing AI[2]
- As of May, OpenAI's ChatGPT had over 1 billion monthly average users[3]

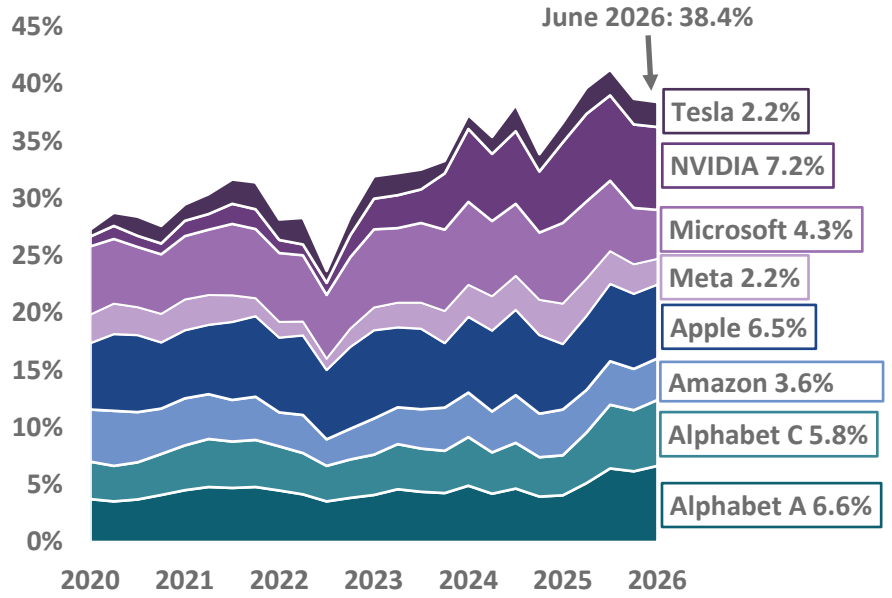
[1] McKinsey & Co, "The State of AI in 2025 Agents, Innovation, and Transformation." November 2025. [2] HSBC, "Rally Amid Volatility." May 11, 2026.
[3] Reuters, "ChatGPT app hits 1 billion monthly active users in record time, data shows." June 2, 2026.

ENTHUSIASM ABOUT AI HAS RAISED CONCERNS

Hyperscaler capex (USD $ Billions)



Magnificent 7 Weight in the S&P 500

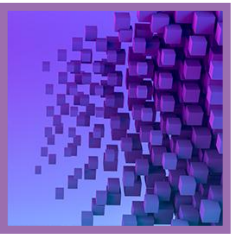


- Spending (capital expenditure or "capex") on AI by a small number of firms has been rising rapidly; will the returns on these investments justify the levels of spending?
- Valuations of AI-related firms have increased and now dominate major public equity indices
  - AI is also becoming a major theme in other asset classes
- AI, if successful, might reshape the global workforce and economy
- In some areas of the U.S. voters are increasingly opposed to data centers in their community

Sources: (Left) Bloomberg. *Figures for 2026 and 2027 represent consensus estimates from industry analysts and company reporting as of this writing. (Right) Bloomberg; staff calculations; both share classes of Alphabet are included in staff's calculations.

UNDERSTANDING HOW AI MIGHT IMPACT THE CTF

NAVIGATING A MAJOR TECHNOLOGICAL SHIFT



Staff is working to understand the CTF's risk exposure, applying two broad scenarios

- **AI Bust: AI does interesting things but does not live up to market expectations and ultimately, the returns on AI technology do not justify the amounts invested**
- **AI Boom/Success: AI's capabilities lead to widespread adoption with some companies successfully adopting and benefiting from AI while others experience lower profits or lose market share**

To support this risk analysis, a cross-asset class team has developed a framework to identify AI-exposed companies in the CTF

- **Further informed by AI-focused discussions with the Washington State Investment Board's (WSIB) managers and partners**

Given the uncertainty in AI's prospects the risk analysis is qualitative

- **Classifying assets is dependent on available data; all results should be viewed as estimates**
- **The framework and analysis can be updated as needed**

AI EXPOSURE IS EMBEDDED ACROSS THE CTF

MANY INVESTMENTS WILL HAVE AT LEAST SOME CONNECTION TO AI



Staff identified two broad categories of AI-related investments

- **AI providers – Companies that mainly produce or support AI technologies**
- **Broad AI-supporting infrastructure – Companies that support AI development and use but also have more diversified business lines**

The CTF has direct exposure to the future of AI through these investments, but the level of exposure does not necessarily correlate with the level of risk

Other CTF assets may have indirect exposure to AI to some degree

- **Staff has categorized these as "Moderate Exposure to AI" or "Low Exposure to AI"**

ABOUT 14 PERCENT OF THE CTF FALLS INTO THE "DIRECT AI EXPOSURE" CATEGORIES (USD $ MILLIONS)

Direct AI Exposure	Fixed Income	Public Equity	Private Equity	Real Estate	Tangible Assets	Innovation	CTF Total
AI Provider	569	6,808	3,168				10,545
Broad Supporting Infrastructure							
Chip Design and Manufacture	418	7,209	98				7,725
Utilities (including infrastructure)	1,815	1,448	57		2,138	196	5,654
Data Center Infrastructure	136	3,469	374		691	140	4,810
Data Center Operators	20	153	242	1	469	1	886
Consultants and Services		74	11				85
AI Platforms and Software		31	36				66
Investor		59					59
Subtotal	2,390	12,442	816	1	3,298	338	19,285
Total Direct AI Exposure	2,959	19,250	3,984	1	3,298	338	29,830
Percent of CTF	1%	9%	2%	0.001%	2%	0.2%	14%

- About 12 percent of the CTF is categorized as "Moderate Exposure to AI", and the remaining 74 percent is classified as "Low Exposure to AI"
- In general, staff included software, with the exception of AI-specific software, in the "Moderate Exposure to AI" category
  - Software is everywhere, and software companies can live outside the obvious industry sectors
  - Staff estimates CTF total software exposure is between 8 and 10 percent

Totals may not sum due to rounding. Categorization is performed at the asset level. Holdings as of June 30, 2026, for public assets; private assets are lagged 1-2 quarters.

OTHER PERSPECTIVES ON AI EXPOSURE

Staff also reviewed AI exposure frameworks from other investment managers and index providers

- Generally, these frameworks are focused exclusively on public assets
- Broad agreement that model developers, hyperscalers, and model training infrastructure assets represent direct AI exposure
- Many frameworks agree that hardware, data center operators, and data center infrastructure assets are directly exposed to AI
- Some include selected utilities and software companies

Results from the pension industry

- Equable Institute reviewed the 25 largest U.S. pension plans and estimated 8-10 percent of aggregate assets are invested in AI companies (per Equable's definition)
- Los Angeles County Employees Retirement Association (LACERA) estimated their exposure as 8-19 percent as of March 2026 using MSCI's framework
- Using a broad approach developed by Goldman Sachs, University of Texas Investment Management Co (UTIMCO) estimated about 45 percent of their portfolio is invested in AI-related assets

Sources: Equable State of Pensions 2026; LACERA, "Estimated Artificial Intelligence Exposures Total Fund and OPEB Master Trust." July 8, 2026; Top 1000 Funds, "UTIMCO Flags AI Overweight; Tweaks Equity as U.S. Exceptionalism Wanes." March 12, 2026

SUMMARY OF SCENARIO RESULTS

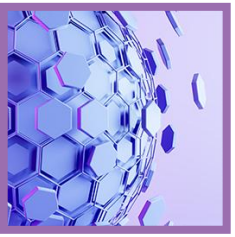
Risk: Low or Positive | Low to Moderate | Moderate to High

Category	CTF Weight	AI Bust	AI Boom
AI Provider	5.0%	Moderate to High	Low or Positive
Broad Supporting Infrastructure	9.2%	Moderate to High	Low or Positive
Moderate Exposure to AI			
Software and Services	6.5%	Low or Positive	Moderate to High
Media and Entertainment	2.2%	Low or Positive	Moderate to High
Telecommunication Services	1.1%	Low to Moderate	Low to Moderate
Technology Hardware and Equipment	0.8%	Low to Moderate	Low to Moderate
Financial Services	0.6%	Low or Positive	Moderate to High
Real Estate - Office	0.2%	Low or Positive	Low to Moderate
Health Care Equipment and Services	0.1%	Low or Positive	Low to Moderate
Commercial and Professional Services	0.1%	Low or Positive	Moderate to High
All Others	0.5%	Low or Positive	Low to Moderate
Low Exposure to AI			
Real Estate - Non-Office	16.7%	Low or Positive	Low or Positive
Energy	2.7%	Low to Moderate	Low or Positive
Metals and Mining	1.4%	Low to Moderate	Low or Positive
All Others	53.0%	Low or Positive	Low or Positive

Note: to conserve space, not all categories are shown. Categorization is performed at the asset level.

THE CTF'S BROADLY DIVERSIFIED PORTFOLIO COULD HELP MITIGATE AI RISKS

The CTF's risk from AI is mitigated by diversification across managers



Staff expects to see wide dispersion in company outcomes within a sector based on how well companies can harness AI and defend against newcomers

The speed of technological change poses the risk of obsolescence

HOW ARE THE ASSET CLASS TEAMS THINKING ABOUT AI?

Fixed Income

- The team assesses each company's business model, strategy, and resilience to political, technological, and socioeconomic changes
- Software, hardware, and IT services have the highest exposure to AI-related risks
- Mitigate risk by investing in high quality industry leaders with solid core businesses and strong cash flow

Public Equity

- Large absolute exposures to AI given the portfolio's passive exposure and the benchmark's AI exposure, but underweight AI relative to the benchmark
- Active managers have a wide range of views on AI

Private Equity

- Invested in foundational layers of the AI value chain, including startups building AI-powered applications
- Expects dispersion in investment returns based on how well companies can take advantage of AI
- At the investment partner level, AI can improve monitoring, analysis, and deal underwriting

HOW ARE THE ASSET CLASS TEAMS THINKING ABOUT AI?

Real Estate

- Very little direct exposure to AI or data centers
- Indirect exposure to AI via tenants, competition for land and utilities from data centers, and labor market impacts
- Partners are exploring AI solutions to improve operational efficiency

Tangible Assets

- Mainly exposed to AI through investments in data centers, connectivity (fiber/towers), and electricity generation and transmission
- The success of AI would also be positive for investments in energy and certain critical metals and minerals
- Primary risks are overinvestment, permitting/regulatory delays, cost inflation, and uncertainty over AI demand

Innovation and Private Credit

- Holds some small investments in digital infrastructure and other things supporting AI development
- Private credit managers will assess whether AI-related disruptions could materially affect borrower cash flow durability, margins, capital needs, collateral value, or refinancing outcomes

SUMMARY AND CONCLUDING THOUGHTS



AI exposure is embedded across the CTF, and many investments will have at least some connection to AI

- **Staff have developed a framework that captures the primary AI exposures of the CTF**

Given the rapidly evolving landscape, AI exposures represent both opportunities and risks, and long-term winners and losers may differ markedly from today's leaders and laggards

Diversification across asset classes, managers, and funds generally protects the CTF from being overly exposed to any one risk, and diversification across lines of business can protect specific companies with some exposure to AI