



**Thursday, November 7, 2024
Private Markets Committee**

9:00 A.M.

Virtual Meeting

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

OR

Members of the public may view the virtual meeting in person at the Washington State Investment Board Olympia Office located at 2100 Evergreen Park Drive SW, Olympia, WA, 98502
Main Governing Board

1. Call To Order / Roll Call (9:00a)

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

A. Adoption of the June 6, 2024, minutes.

3. 2025 Private Markets Committee Meeting Schedule (9:05-9:10)

A. 2025 Private Markets Committee Meeting Schedule

4. Real Estate Consultant Recommendation (9:10-9:30)

A. Real Estate Consultant Recommendation

5. Private Equity Investment Recommendation (9:30-11:00)

A. GTCR Strategic Growth Fund II, L.P. (9:30-10:15)

B. GTCR Capital Solutions Fund, L.P. (10:15-11:00)

6. Break (11:00-11:10)

7. Executive Session (11:10-11:40)

A. 2025 Real Estate Proposed Reinvestment Opportunities

8. Closing Log (11:40-11:45)

A. Closing Log

9. Other Items (11:45-11:50)

10. Adjourn (11:50)

WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
November 7, 2024

The Private Markets Committee met in open public session via Microsoft Teams video conferencing available to participants and members of the public at <https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>, Meeting ID: 243 785 931 489#, Passcode: HfvjPd, Dial-In Number: 1-360-726-3322, Phone Conference ID: 930 382 257#.

Members Present: Yona Makowski, Acting Chair
 Treasurer Mike Pellicciotti
 Senator Mark Mullet
 Joel Sacks
 Ada Healey
 David Nierenberg
 Heather Redman

Other Board Members
Present:

Members Absent: Tracy Guerin

Also Present: Allyson Tucker, Chief Executive Officer
 Christopher Hanak, Chief Investment Officer
 Fabrizio Natale, Senior Investment Officer – Private Equity
 Aaron Daley, Assistant Senior Investment Officer –
 Private Equity
 Steve Draper, Senior Investment Officer – Real Estate
 Erin Baines, Assistant Senior Investment Officer – Real Estate
 Stacy Conway, Chief of Staff
 Leshon Simmons, Administrative Assistant

 Tor Jernudd, Assistant Attorney General
 Patrick Stephenson, Albourne
 Dean Mihas, GTCR
 Stephen Master, GTCR
 John Kos, GTCR
 Collin Roche, GTCR
 Jason Prager, GTCR
 Mark Anderson, GTCR

CALL TO ORDER

Acting Chair Makowski called the meeting to order at 9:01 a.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

ADOPTION OF THE June 6, 2024, MINUTES

Acting Chair Makowski moved to adopt the June 6, 2024, meeting minutes. Joel Sacks seconded, and the motion carried unanimously.

2025 Private Markets Meeting Schedule

Presenter: Yona Makowski, Acting Private Markets Committee Chair

Acting Chair Makowski presented the proposed 2025 Private Markets Committee meeting dates for consideration: February 6, April 3, June 5, September 4, November 6, and December 4.

Acting Chair Makowski moved that the Private Markets Committee adopt the proposed 2025 Private Markets Committee meeting dates as presented. Joel Sacks seconded, and the motion carried unanimously.

Real Estate Consultant Recommendation

Presenter: Erin Baines, Assistant Senior Investment Officer – Real Estate

Steve Draper, Senior Investment Officer – Real Estate

WSIB staff presented a recommendation to retain StepStone Group Real Estate LP (SRE) as the real estate consulting services provider for WSIB, with an initial 5-year contract and an option for a 5-year extension. SRE's current contract with the WSIB has been in place since 2011, originally contracted under Courtland Partners, which was acquired by StepStone in 2018.

The parent company of SRE, StepStone, is a globally recognized private markets firm with over \$678 billion in capital responsibility, including \$157 billion in assets under management as of March 2024. SRE oversees \$185 billion in real estate assets globally and provides customized solutions, including investment analysis, reporting, portfolio review, and special projects tailored to the WSIB's needs.

SRE's consulting services for the WSIB encompass investment analysis, reporting, portfolio review, and special projects. The assigned team includes senior consultants Jay Morgan and Thomas Hester, who have extensive experience in real estate consulting and long-standing relationships with the WSIB. Staff recommends SRE based on its expertise in real estate operating companies' investment and its alignment with the WSIB's investment strategy.

Discussion ensued regarding consultant interactions, conflict management, and succession planning within SRE. Staff confirmed that SRE maintains close contact with the WSIB team, especially for new investments, to ensure alignment with the WSIB's objectives. When

asked about managing potential conflicts of interest, staff reassured the committee that SRE manages potential conflicts of interest by segregating the WSIB's data from other clients, thereby protecting confidentiality.

The Committee also discussed continuity during crucial staff changes at SRE and the importance of addressing succession planning with SRE. Staff expanded on the critical person provision in the new contract, allowing WSIB input on replacements and the option to reevaluate the contract if necessary, and SRE's unique qualifications and expertise, which reinforced staff's decision to continue working with the firm.

Acting Chair Makowski moved that the Private Markets Committee recommend the Board retain StepStone Group Real Estate LP real estate consulting services for an initial 5-year term with an option to extend the contract for one additional 5-year term under the same terms and conditions for a potential contract term of 10 years. Joel Sacks seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION

GTCR Strategic Growth Fund II, L.P

**Presenters: Aaron Daley, Assistant Senior Investment Officer – Private Equity
Patrick Stephenson, Albourne
Dean Mihas, Stephen Master, and John Kos, GTCR**

WSIB staff recommended a \$200 million commitment to GTCR Strategic Growth Fund II (SGF II), a middle-market private equity fund with a target size of \$2.75 billion. This follows over \$2.8 billion in prior commitments from WSIB to 10 GTCR funds since 1999, with the latest commitment made in 2023. Although SGF II is a 2025 vintage fund, staff opted to run due diligence on both SGF II and GTCR Capital Solutions concurrently. The investment would be allocated to the unidentified portion of the 2024 private equity annual plan and aligned with the model portfolio.

The presentation highlighted GTCR's 25-year solid performance, with no mature fund returning less than 13.9 percent annualized or 1.8x cash-on-cash net returns. GTCR's success is attributed to its capable team and differentiated strategy. Strategic Growth is managed by the same long-tenured team that has driven GTCR's success, with dedicated resources for the middle market. This strategy involves partnering with exceptional leaders

in sectors where GTCR has deep expertise, and it has proven effective in driving transformative growth, mainly through the strategic addition of new senior management.

Discussion ensued regarding investment strategy, public equity opportunities, and healthcare sector dynamics. When asked about the timeline for sourcing and closing deals, Aaron Daley explained that partnerships are generally structured to fund equity for operational costs, including management and salary, with typical deal cycles lasting 1-2 years from strategy initiation to announcement. Also noted were the focus areas for identifying potential management teams.

Aaron Daley discussed GTCR's rapid growth, the launch of two new strategies, and the opening of new office locations and added resources to help with execution. The firm has also been intentional about preserving its culture by training new hires under tenured professionals and maintaining senior leadership presence in new offices. Additionally, GTCR continues to maintain a performance-oriented culture, ensuring alignment with investors.

Discussion ensued regarding the outlook of public equity opportunities, particularly considering market fluctuations. GTCR acknowledged the moderated activity compared to the market highs of 2020-2021, noting that while interest rates remain elevated, a possible decrease is anticipated.

In addition, the Committee discussed private equity's role in the healthcare sector regarding market consolidation. GTCR clarified that its healthcare strategy does not focus on consolidation to raise prices but rather on initiatives that expand access, such as developing clinics and reducing system costs to improve affordability and availability.

Albourne staff highlighted the firm's long-standing relationship with GTCR and their coverage of the Strategic Growth Fund platform since its inception and recognized GTCR's Strategic Growth Fund II as a key player in structured equity and debt investments in the U.S. middle market. Albourne expressed confidence in GTCR's ability to leverage its specialized focus on sectors like healthcare and technology, considering the fund a well-suited vehicle for expanding exposure to these areas, backed by GTCR's proven management strategy and successful partnership history.

The GTCR team emphasized its focus on investing in high-quality businesses with

conservative leverage and low loss ratios. They discussed a recent sale to Blackstone, noting that the lower minority stake reflects their emphasis on growth and alignment with partner interests. This external investment also supports continuity as senior partners approach retirement. GTCR targets four core industries and uses its "Leaders Strategy™" to build market-leading companies. The firm's investment approach includes appointing new senior management, strategic acquisitions, and operational improvements, leading to successful exits and accelerated growth in its portfolio.

Acting Chair Makowski moved that the Private Markets Committee recommend the Board invest up to \$200 million, plus fees and expenses, in GTCR Strategic Growth Fund II, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Senator Mullet seconded the motion.

Treasurer Pellicciotti stated that he has previously raised concerns regarding increasing exposure to private equity and will vote no on the motion. He noted that he would like more information before the Board meeting.

The motion carried, with Treasurer Pellicciotti opposed.

GTCR Capital Solutions Fund, L.P

**Presenters: Aaron Daley, Assistant Senior Investment Officer – Private Equity
Patrick Stephenson, Albourne**

Collin Roche, Jason Prager, and Mark Anderson, GTCR

WSIB staff recommends a \$100 million commitment to GTCR Capital Solutions, L.P., a minority structured equity and debt fund targeting \$1.5 billion. The investment would align with the Board-approved 2024 private equity annual plan and model portfolio, if approved. Many points made for Strategic Growth apply to Capital Solutions, including GTCR's impressive track record and senior team involvement in managing the fund. The firm's active approach to value creation and flexibility in control and structure will offer downside protection and attractive risk-adjusted returns.

GTCR aims to provide private equity-level returns by offering value-added investments, utilizing board seats, and leveraging sector expertise, networks, and operational resources. The current market environment, with many over-leveraged businesses facing higher

interest rates, creates an opportunity for flexible capital to deleverage balance sheets or invest in stressed debt. This, coupled with GTCR's experience, is expected to drive strong deal flow; in addition, the investment offers lower-risk, additive returns while deepening the relationship with a key partner.

Albourne staff highlighted GTCR's reputation as a seasoned private equity firm with a strong, strategic relationship with the WSIB. GTCR consistently demonstrates strength in performance, alignment of interests, and stability across varied market conditions.

GTCR staff highlighted the firm's 40-year history, with over \$25 billion invested across 15 funds and a strong track record of consistent performance, achieving a cumulative net internal rate of return of 26.3 percent. GTCR's expertise spans sectors such as financial services and technology, healthcare, technology, media and telecommunications, and business and consumer services, which are key to delivering resilient returns.

GTCR's Capital Solutions Fund targets minority investments in high-quality companies, typically between \$50 million and \$200 million, focusing on sectors where it has deep expertise. The fund employs a structured approach to principal protection, contractual returns, and governance rights. Investments are carefully selected for strong cash flows, recession resilience, and strategic merger and acquisition potential, each undergoing rigorous underwriting and approval by the Capital Solutions Investment Committee. GTCR's value-added approach combines industry experience and active governance to drive value creation and maximize exit outcomes.

Acting Chair Makowski moved that the Private Markets Committee recommend the Board invest up to \$100 million, plus fees and expenses, in GTCR Strategic Growth Fund, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Senator Mullet seconded, and the motion carried, with Treasurer Pellicciotti opposed.

EXECUTIVE SESSION

Chair Makowski announced that the Board would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was

expected to last until approximately 11:20 a.m., after which the Committee would reconvene in open session.

[The Committee went into executive session at 11:20 a.m.]

2025 Real Estate Proposed Reinvestment Opportunities

Presenter: Steve Draper, Senior Investment Officer – Real Estate

[The Committee reconvened in open session at 12:06 p.m.]

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

OTHER ITEMS

No other items were to come before the Committee, and the meeting adjourned at 12:07 p.m.