



**Monday, March 13, 2023
Public Markets Committee Meeting**

1:00 P.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

1. Call or Order/Roll Call (1:00p)

2. Adoption of the Minutes (1:00-1:05)

A. Adoption of the September 6, 2022, Minutes.

3. Socially Responsible Investment Manager Search Recommendation (1:05-2:15)

A. Socially Responsible Investment Manager Recommendation

4. Other Items (2:15-2:20)

5. Adjourn (2:20p)

**2023 WASHINGTON STATE INVESTMENT BOARD
Public Markets Committee Meeting Minutes
March 13, 2023**

The Public 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: 232 337 014 549, Passcode: vt5cGR; Dial-In Number 1-360-726-3322, Phone Conference ID: 204 398 59#.

Members Present: Yona Makowski, Chair
Bill Longbrake
Sara Ketleson
Treasurer Mike Pellicciotti
Mary Pugh
George Zinn
Greg Markley

Members Absent: David Nierenberg
Representative Tim Ormsby

Other Members Present: Tracy Guerin

Others Present: Allyson Tucker, Chief Executive Officer
Chris Hanak, Chief Investment Officer
Phil Paroian, Senior Investment Officer – Public Equity
Ben Lachmann, Investment Officer – Public Equity
Tammie Number, Assistant Treasurer
Ashana Wenzel, Administrative Assistant
Anisa Mathson, Administrative Assistant

Tor Jernudd, Assistant Attorney General
Daniel C. Roarty, AllianceBernstein
Ben Ruegsegger, AllianceBernstein
Liz Smith, AllianceBernstein

CALL TO ORDER

Chair Makowski called the meeting to order at 1:02 p.m. and took roll call.

ADOPTION OF MINUTES

Chair Makowski moved to adopt the September 6, 2022, minutes. Mr. Markley seconded, and the motion carried unanimously.

**SOCIALLY RESPONSIBLE INVESTMENT MANGER RECOMMENDATION
Staff Recommendation**

Mr. Lachmann provided a brief overview of the Socially Responsible Investment (SRI) option as well as the current manager, Boston Trust Walden (Walden). He then reviewed the search parameters established prior to the launch of the SRI search, including opening the search to equity-only strategies. He explained that low member

utilization and the small fraction of accounts with more than 50 percent of account assets invested in the option made the search team comfortable with allowing consideration of an equity-only option. Mr. Lachmann explained that Walden's contract is set to expire in June 2023, and that staff launched a competitive rebid of the SRI option in April 2022. Following the conclusion of the search process, staff is recommending the Sustainable Global Thematic (SGT) strategy managed by AllianceBernstein (AB). AB has been a trusted partner at the WSIB for more than a decade. Mr. Lachmann concluded with a comparison of the current SRI strategy with the recommended strategy.

Discussion ensued regarding SRI option alternatives, the rebid process, the length of the incumbent manager's contract, and communication with the Department of Retirement Systems (DRS) and members regarding the SRI option change.

AllianceBernstein

Ms. Smith provided an overview of the firm, stating AB is a leading global asset management company with over 50 years' experience. She said a diverse and inclusive culture is a key priority of the chief executive officer Seth Bernstein, highlighting an almost 50 percent diverse Board, including a female chair and a diverse operating committee, as well as the addition of three new positions to recruit, train, and advance diverse talent within the firm. Ms. Smith explained AB's commitment to diversity, equity, and inclusion (DEI) and responsible investing.

Mr. Roarty discussed the SGT strategy and team. He stated AB seeks to achieve strong financial and social outcomes through three key elements: sustainable themes; environmental, social, and governance (ESG) integration; and active ownership.

Discussion ensued regarding AB's performance against the MSCI ACWI benchmark.

Mr. Roarty continued by highlighting the SGT strategy's differentiating factors: experienced team; high conviction, active approach with competitive investment performance; disciplined and structured processes; early movers in using the UN Sustainable Development Goals (SDGs); and audited investment process. He discussed the history of AB's sustainable investing experience; the investment team; the four key attributes of portfolio holdings: SDG alignment, fundamental strength, strong management teams, and optimal return/risk spread; and the investment process.

Mr. Ruegsegger began by introducing the primary themes of the portfolio: climate, health, and empowerment. He stated these themes are informed by the SDGs, are durable over time, and cut across economic sectors. Mr. Ruegsegger explained the AB portfolio is aligned with the SDG goals as an investment framework.

Discussion ensued regarding labor issues and concrete emissions, and how AB analyses opportunities and identifies misalignments.

Mr. Ruegsegger discussed the quantitative tools and internal analyses used for stock selection, as well as risk management.

Discussion ensued regarding impact on the team due to recent layoffs and the transition of headquarters, social and governance measurement challenges, and company engagement.

Mr. Roarty discussed the SDG universe performance expectations; portfolio holdings; and differentiating factors.

Ms. Smith highlighted AB's team approach and discussion ensued regarding regional ESG biases in the portfolio.

Chair Makowski moved that the Public Markets Committee recommend the Board select the Sustainable Global Thematic strategy managed by AllianceBernstein as the Socially Responsible Investment option in the Defined Contribution and Savings Plan menus, subject to continuing due diligence and final negotiation of terms and conditions. Ms. Ketleson seconded, and the motion carried unanimously.

OTHER ITEMS

There was no further business to come before the Public Markets Committee, and the meeting adjourned at 2:10 p.m.