



Tuesday, June 3, 2025
Public Markets Committee

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
Main Governing Board

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

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

A. Adoption of the March 4, 2025, Minutes

3. 2026 Public Markets Committee Meeting Schedule (1:05-1:10)

A. 2026 Public Markets Committee Meeting Schedule

4. Passive Management Rebid Recommendation (1:10-2:35)

A. Passive Management Rebid Recommendation

5. Break (2:35-2:45)

6. Education Session (2:45-3:45)

A. Benchmark Education Public Markets Committee

7. Other Items (3:45-3:50)

8. Adjourn (3:50p)

**WASHINGTON STATE INVESTMENT BOARD
Public Markets Committee Meeting Minutes
June 3, 2025**

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: 261 261 510 784 253 4 Passcode: kV228V4a; Dial-In Number 1-564-999-2000, Phone Conference ID: 822 252 042#

Members Present: Sara Ketelsen, Acting Chair
Representative Mia Gregerson
David Nierenberg
Treasurer Mike Pellicciotti
Mary Pugh
George Zinn

Members Absent: Liz Lewis, Chair
Kathryn Leathers

Other Members Present: Greg Markley
Tracy Stanley

Others Present: Allyson Tucker, Chief Executive Officer
Chris Hanak, Chief Investment Officer
Phil Paroian, Senior Investment Officer – Public Equity
Fletcher Wilson, Assist. Sr. Investment Officer – Public Equity
Fred Gjerstad, Assis. Sr. Investment Officer – Risk Management
and Asset Allocation (RMAA)
Bridget Murphy, Asset Stewardship Officer
Julia Ferreira, Assist. Sr. Investment Officer – Public Equity
Nathan Soper, Assist. Sr. Investment Officer – Fixed Income
Chris Biggs, Assist. Sr. Investment Officer – Public Equity
Anisa Mathson, Administrative Assistant

Tor Jernudd, Attorney General's Office

CALL TO ORDER

Sara Ketelsen called the meeting to order at 1:03 p.m., took roll call, and announced that there was quorum of the Committee. All Committee members listed as present were able to fully participate in the meeting.

ADOPTION OF THE MARCH 4, 2025, MINUTES

**Sara Ketelsen moved to adopt the March 4, 2025, minutes.
Representative Mia Gregerson seconded, and the motion carried
unanimously.**

PUBLIC MARKETS COMMITTEE MEETING SCHEDULE

Presenter: Sara Ketelsen, Acting Public Markets Committee Chair

The proposed 2026 meeting dates are March 3, June 2, September 1, December 1.

Sara Ketelsen moved that the Public Markets Committee adopt the 2026 meeting schedule as proposed. Representative Mia Gregerson seconded, and the motion carried unanimously.

PASSIVE MANAGEMENT REBID RECOMMENDATION

**Presenters: Fletcher Wilson, Assistant Senior Investment Officer - Public Equity
John Tucker and Sonya Park, State Street Global Advisors
Mark McCombe, Laura Champion, Scott Dohemann, Gene Meshechek,
and Jeremy Kish, BlackRock Institutional Trust Company**

Staff explained that public equity investments are present in most of the programs at the WSIB and the majority are passively managed. Accessing public equity for the WSIB provides many benefits, including broad exposure to the asset class at a low cost and at scale. Assets are managed by external partners, and the WSIB's investment management agreements allow for these partners to manage existing or future passive equity mandates for the WSIB. Staff shared an overview of the passive equity management search process, highlighting transparency and compliance with the Washington State open solicitation process, while working closely with the Board's independent consultant, Callan. The search process resulted in staff's recommendation to rehire State Street Global Advisors (SSGA) and BlackRock Institutional Trust Company (BlackRock) as passive index equity managers for the WSIB.

SSGA staff noted the firm's 30-year relationship with the WSIB. The firm has been managing investments for 47 years with over \$4.67 trillion in assets under management as of the end of the first quarter of 2025. The firm's new CEO is pursuing a growth strategy, while maintaining a firm commitment to the firm's core focus of passive investing. SSGA staff highlighted their longstanding expertise managing passive assets across public equities and fixed income. SSGA identified several key differentiators, including its proprietary portfolio management system, a highly experienced and long-tenured team, and the ability to cross securities for cost savings. SSGA has established itself as a global leader providing indexed solutions.

BlackRock staff provided an introduction of the team that is dedicated to the WSIB relationship across various programs. The relationship between BlackRock and the WSIB spans 43 years. BlackRock emphasized that the index business remains core to its operations. As of the end of the first quarter 2025, BlackRock was the global leader with \$7.76 trillion in assets under management in its index business. This scale benefits members through negotiated broker commissions and cost savings from internal crossing opportunities. BlackRock clarified that internal crossing stems from managing a broad client base with diverse needs which allows overlapping trades to be netted internally, reducing open-market activity, and reducing trading costs.

BlackRock staff explained the firm's securities lending program, leveraging leverages its scale as the world's largest asset manager and its trading relationships with market counterparties to generate securities lending income for clients.

Discussion ensued regarding the mechanics and benefits of securities lending, segregation of collateral, cash collateral guidelines, and the contribution in basis points attributable to securities lending.

Additional discussion ensued regarding the cash collateral guidelines of the two firms and the difference between commingled accounts and separate accounts; international proxy voting, specifically alignment of voting of SSGA and BlackRock with International Shareholder Services (ISS); the proxy voting reporting mechanism; assurance provided by the proxy

voting internal audit; and the potential to hire firms that are able to provide custom guidelines. Further clarity was provided by WSIB staff that it is not a requirement that managers vote in alignment with ISS. Rather, managers are expected to vote in a manner consistent with their fiduciary duty and investment strategy.

Sara Ketelsen moved that the Public Markets Committee recommend the Board select BlackRock Institutional Trust Company and State Street Global Advisors as passive index equity managers for the WSIB, subject to continuing due diligence and final negotiation of terms and conditions. Representative Mia Gregerson seconded, and the motion carried unanimously.

[The Committee recessed at 2:20 p.m. and reconvened in open session at 2:30 p.m.]

EDUCATION SESSION

Benchmark Education Public Markets Committee

Presenters: Julia Ferreira, Assistant Senior Investment Officer – RMAA, Innovation Portfolio
Nathan Soper, Assistant Senior Investment Officer – Fixed Income
Chris Biggs, Assistant Senior Investment Officer – Public Equity

Staff presented a benchmark education session with a focus on public markets, including an explanation of what a benchmark is, and the role benchmarks play in WSIB investments. The Board has full authority over the benchmarks used by the WSIB, and the RMAA unit is responsible for managing and monitoring benchmarks. Benchmarks should not change frequently; however, staff regularly monitors the benchmarks and conducts research to ensure they remain appropriate. A benchmark is a reference point to evaluate how well a portfolio is doing. Staff described the four categories of benchmarks, noting the specific objectives and uses of each in helping the WSIB achieve the investment performance outcomes.

Staff explained that public equity benchmarks are the most straight-forward of the asset classes. One key aspect is that they are investable – fully replicable at low cost via passive mandates. Public equity is externally managed, and benchmarks play a central role in both manager oversight and portfolio construction. Staff addressed the role of benchmarks in the portfolio, specific public equity portfolio benchmarks, and research of alternative benchmarks.

Discussion ensued regarding hedged versus unhedged benchmarks and the WSIB's typical use of benchmarks in when currency exposures are unhedged.

Staff discussed the limitations on the ability to fully replicate a fixed income index, due to frequent turnover, rebalancing, transaction costs, and other market constraints. Fixed income has 7 different benchmarks across 10 funds. The program is internally managed with an active investment strategy, and benchmarks play an important role in portfolio construction. Staff addressed the benchmark roles in portfolio management and the eligibility of securities among the various fixed income benchmarks.

Discussion ensued regarding the use of the Bloomberg U.S. Universal as the fixed income benchmark, and the potential investment limitations of utilizing specific components of the index based on investment risk level.

OTHER ITEMS

There was no further business to come before the Committee, and the meeting adjourned at 3:06 p.m.