

## WASHINGTON STATE INVESTMENT BOARD

### Administrative Committee Meeting Minutes

March 20, 2003

The Administrative Committee met in open session at 8:32 a.m. at the State Investment Board (WSIB) office at 2100 Evergreen Park Dr S.W., Olympia, Washington.

Committee members present:        John Charles, Chair  
   Charlie Kaminski  
   George Masten  
   Mike Colleran (for Treasurer Murphy)  
   Lee Ann Prielipp

Others Present:                                Joe Dear, Executive Director  
   Sue Hedrick, Executive Assistant  
   Gary Bruebaker, Chief Investment Officer  
   Jeff Lane, Senior Assistant Attorney General  
   Evelyn Lopez, Senior Assistant Attorney General  
   Paul Silver, Assistant Attorney General

Chair Charles convened the meeting and identified the members in attendance.

#### **ADOPTION OF MINUTES – FEBRUARY 20, 2003**

**Ms. Prielipp moved to adopt the Board minutes of February 20, 2003.**

**Mr. Masten seconded the motion.**

**The motion passed unanimously.**

Evelyn Lopez, Senior Assistant Attorney General (AAG), announced that Paul Silver will be the new AAG for the WSIB, beginning April 21. Ms. Lopez said that they have been discussing succession planning for the chief counsel to the WSIB for some time. She noted that Jeff Lane, the current AAG, has more than 36 years of service to the state, and could retire at any time. She said that Mr. Lane will help Mr. Silver in transitioning to the new position.

Chair Charles thanked Mr. Lane for the 10 years that he has provided counsel to the Board.

#### **ECONOMICALLY TARGETED INVESTMENTS (ETI) DRAFT POLICY DISCUSSION**

Joe Dear said the economically targeted investments (ETI) draft policy is the same as the policy discussed at last month's Board meeting. There were three comments on the draft policy from Adair Dammann, Kim Cook, and Marguerite Young with the Service Employees International

Union (SEIU), Glenn Gregory from Obsidian Investment Advisers, and Dennis Muscato from Hewlett-Packard.

**Mr. Masten moved that the Committee recommend to the Board the adoption of the ETI policy. Ms. Prielipp seconded.**

The Board members discussed edits to the policy. It was agreed to add “facilitating the exchange of information between general partners and people with knowledge of in-state investment opportunities” to the WSIB staff’s responsibility.

**Mr. Masten moved the amendment. Ms. Prielipp seconded. The amendment carried. There was no further discussion.**

**The motion to move the policy to the Board passed unanimously.**

## **LEGISLATION**

Mr. Dear said there are four legislative proposals of interest to the Board. House Joint Memorial 4011 asks the Board to look at increasing its investments in the state of Washington. Substitute House Bill 2197 implements the provisions of Initiative 790, which changed the governance of the LEOFF 2 plan. House Bill 1766, concerning public disclosure of WSIB commercial and financial data, died in committee.

Engrossed Substitute Senate Bill 5192 passed the Senate and will be considered before the House Financial Institutions Committee next week. It was substantially changed in committee and again in floor action. The committee amended the bill to change the membership of the Board and to change conditions of the terms of the non-voting members.

Mr. Dear said that other changes in the bill concerned membership on the Board. Each individual appointment is now treated in a separate section. Two positions are added, the Governor or his designee and a local government representative. Mr. Dear referenced an analysis the WSIB’s fiduciary counsel, Bill Song, wrote on the amended bill. Mr. Song indicated in his memo that certain provisions of the bill are ambiguous, and others create conflicts with the fiduciary responsibilities of the trustees. The bill also creates an Audit and Accountability Committee in statute.

A discussion ensued about whether the Board members should oppose the bill or try to improve it. Mr. Masten said they ought to oppose the bill rather than try to fix it. Ms. Prielipp said she is also inclined to oppose it, but if they are going to work on it, it would need a lot of work.

Chair Charles said he met with the Chair of the Financial Institutions Committee last week, and told her the Board had problems with Section 2 of the bill dealing with ETI. Mr. Charles said the committee chair told him she didn’t want to push through a bill that was contrary to the interests of the Board.

Mr. Charles handed out a redraft of the entire ETI section that essentially paraphrases the Board's draft policy. Mr. Dear said that, on first reading, it is a substantial improvement.

**Mr. Masten moved that the Administrative Committee recommend the Board take a position opposing ESSB 5192. Mr. Colleran seconded the motion.**

Chair Charles agreed that the bill has a number of problems. Mr. Masten said that there are more problems than just the ETI section, such as the reporting requirements for the individual board members. He urged that they not try to perfect it, but instead ask the Legislature not to pass the bill and support the House Joint Memorial instead.

Mr. Colleran said that he supported Mr. Masten's motion.

**The motion carried unanimously.**

Chair Charles said the next item was an administrative review of the WSIB's operations. He distributed a work request for them to review. The goal is to have an outside contractor look at policies and procedures to see that they are properly documented, effective controls are in place, and business is being conducted by following the highest standard of professional conduct.

Chair Charles said the selected contractor will deliver a report to the Board summarizing the findings of the review, and include recommendations for process improvement as necessary. There are about 80 firms on a pre-approved list assembled by the Department of General Administration, and they will require that at least three firms be sent a copy of the work request.

Mr. Masten asked if, once the Administrative Committee has the report, would it go back to the Board, but the choice of the contractor would not. Chair Charles responded yes.

**Ms. Prielipp moved that the Administrative Committee adopt the RFP to be sent out to the Department of General Administration. Mr. Masten seconded.**

**The motion carried unanimously.**

There being no further business to come before the committee, the meeting adjourned at 9:17 a.m.