

WASHINGTON STATE INVESTMENT BOARD

Administrative Committee Meeting Minutes

April 15, 2004

The Administrative Committee met in open session at 8:33 a.m. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Dr S.W., Olympia, Washington.

Committee members present: George Masten, Chair
 Patrick McElligott, Vice-Chair
 Debbie Brookman
 John Charles
 Glenn Gorton

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

[Names of other individuals attending the meeting are not included in the minutes, but are listed in the permanent record.]

Chair Masten called the meeting to order and identified the members in attendance.

ADOPTION OF MINUTES – February 19, 2004

Mr. Charles moved to adopt the Administrative Committee minutes of February 19, 2004. Mr. Gorton seconded. The motion was approved unanimously.

INVESTMENT OFFICER COMPENSATION

R.V. Kuhns Study

Mr. Dear said the decisions before the committee are to accept a revision to the investment policy, creating a new position of assistant senior investment officer, and to approve proposed salary ranges for investment officers based on the most recent investment officer compensation study. He introduced Russ Kuhns, head of R.V. Kuhns & Associates, an independent consulting firm in Portland, which conducted the salary study.

[Mr. McElligott arrived at 8:35 am]

Mr. Kuhns introduced two of his associates, Robyn Mesdag and Lisa Taylor, who explained how they did the salary survey. They compared the WSIB with 18 other large public funds with assets over \$20 billion in size. Their report concluded that the WSIB has performed exceptionally well over all time periods relative to appropriate peers. Staff allocations by asset class and title are consistent with other large public pension plans over \$20 billion. Compensation of WSIB investment professions is below average and cost of living in Olympia is

7.9% higher than the national average. The WSIB does not have an incentive compensation program.

Mr. Kuhns said the report recommended the WSIB increase salaries for investment professionals whose ranges fall below average consistent with authority with state law. The report also recommended that an incentive bonus plan be instituted for investment professionals and the executive director based upon investment performance.

Mr. Charles asked what explained the significant increase in the CIO salary compared to the previous study. Mr. Kuhns responded the difference was that they did a comparison with 18 funds rather than the previous study, which only compared to five funds.

Policy 2.01.100 Revision

Mr. Dear briefed the committee on the proposed revision to Policy 2.01.100, establishing new salary ranges for investment officers. Staff prepared proposed new salary ranges based on the Kuhns study. Mr. Dear said the top pay would never be higher than the average of the top pay of the surveyed public funds. The range is 41 percent, the same size as the ranges under the current policy; the only modification is the movement upwards of the salary levels based on the survey information.

Staff proposed to incorporate a new level of investment officer based on a recommendation of Callan Associates, Inc. The proposal recommends adding an assistant senior investment officer position, and deletes language referencing the assistant investment officer position since it is not being used.

Mr. McElligott moved that the Administrative Committee recommend that the Board approve the revisions to Policy 2.01.100 and recommend them to the full board for adoption. Mr. Gorton seconded. The motion passed unanimously.

Salary ranges for Investment Officer Positions

Mr. McElligott moved that the Administrative Committee recommend that the Board adopt the new proposed salary ranges for investment officers to become effective June 15, 2004, and direct staff to provide 60-day notification of the new ranges to the appropriate parties. Ms. Brookman seconded. The motion passed unanimously.

Mr. Charles requested that, if any comments are received from the Department of Personnel, the legislative fiscal committees and the Office of Financial Management on the proposed salary ranges, that those be distributed to the board.

New Code of Conduct Policy Review

Mr. Masten said the new draft code of conduct policy was revised from the version that was considered at last summer's workshop. If accepted, it would go to the Board for adoption at the May meeting.

Mr. McElligott moved that the Administrative Committee approve the revisions to the Code of Conduct Policy 2.00.150 and recommend to the Board to approve at the May meeting. Ms. Brookman seconded. The motion passed unanimously.

Mr. Masten briefly referenced two draft letters that staff prepared for his signature to Barclays Global Investors (BGI) and Kohlberg Kravis Roberts and Co. (KKR) about Safeway. He said he made the original motion that the board consider both letters, and he has decided that it would be better to not send a letter to KKR, but rather to discuss the issue at the upcoming KKR conference at the end of the month.

Mr. Charles agreed with Mr. Masten's suggestion to discuss the issue in person rather than send a letter. Mr. McElligott also agreed.

There being no further business to come before the Committee, the meeting adjourned at 9:29 a.m.