

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
June 15, 2006

The Administrative Committee met in open session at 8:05 a.m. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Patrick McElligott, Chair
 Glenn Gorton, Vice Chair
 George Masten
 Treasurer Mike Murphy
 Dave Scott

Others Present: Joe Dear, Executive Director
 Gary Bruebaker, Chief Investment Officer
 Theresa Whitmarsh, Deputy Director for Operations
 Celina Hernandez Verme, Finance and Budget Manager
 Kristi Haines, 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 McElligott called the meeting to order.

ADOPTION OF MINUTES – APRIL 20, 2006

Vice Chair Gorton moved that the Administrative Committee adopt the April 20, 2006, meeting minutes. Treasurer Murphy seconded and the motion carried unanimously.

2007-2009 BIENNIAL BUDGET

Mr. Dear introduced staff's budget proposal, which is due to the Office of Financial Management (OFM) in August. The budget would become effective July 1, 2007, until June 30, 2009. He described the budget cycle and process. Mr. Dear reported that the WSIB's appropriated budget represents three percent of its operating costs, which includes salaries, equipment, facilities, travel, and activities necessary to maintain operations. He noted that significant agency costs, such as investment management fees, are paid out of non-appropriated funds. Mr. Dear described how the agency's strategic plan, balanced scorecard, and critical success factors feed into the budget process. He said that next year's strategic plan would be published before the 2007-2009 budget becomes effective, so there may be some impact on future work.

Mr. Dear said the WSIB's current budget authority totals \$16.4 million. With projected OFM adjustments, the total would be \$15.6 million. Staff's proposal increases the budget to \$17.9 million for the next biennium, which represents an increase of \$2.3 million or 14.7 percent.

Mr. Dear said that proposed maintenance level requests include restoring staffing needs; sustaining travel requirements; information technology upgrades; and merit system increments, contractual obligations, and lease and utility increases.

Mr. Dear described staff's performance level requests, which demonstrate a priority to strengthen the risk management and internal audit programs, and increase attorney general services.

Mr. Dear summarized the current budget level with adjustments takes the agency budget to \$15.6 million with 72 FTEs. The maintenance level requests increase it to \$17.3 million with 72 FTEs, and performance level requests increase it to a total proposed budget of \$17.9 million with 74 FTEs. The bulk of the increase falls under maintenance level requests, and the additional FTEs represent an increase of 2.8 percent. With total assets under management at just under \$70 billion, the proposed budget represents just 0.026 percent of assets under management. Mr. Dear encouraged support for the proposed budget and strategy.

Treasurer Murphy moved that the Administrative Committee recommend that the Board approve the proposed budget for the 2007-2009 biennium for submission to the Office of Financial Management as presented. Mr. Scott seconded.

Chair McElligott asked that the minutes reflect that all Administrative Committee members were present.

The above motion carried unanimously.

COMMUNICATIONS POLICY 2.00.175 ADOPTION
OUTSIDE EMPLOYMENT POLICY 2.00.101 ADOPTION
HUMAN RESOURCES POLICY 2.00.000 ADOPTION

Chair McElligott announced that action on the Communications, Outside Employment, and Human Resources Policy agenda items 3, 4, and 8, is deferred to the July Board meeting.

AGENCY REQUEST LEGISLATION

Mr. Dear reported that staff has discussed agency request legislation proposals, but is not recommending to bring anything forward in the 2007 legislative session. There were no recommendations from Committee members.

BOARD SELF-EVALUATION

Mr. Dear described the process used by the Board to perform its self-evaluation in 2004 and 2005. He suggested that the Committee could consider a more structured method, if desired. He noted that Seattle University faculty is being contracted to present governance and best practice information at the July meeting. Chair McElligott said that he felt the roundtable approach used the past few years has been informative and educational. Both he and Mr. Masten agreed the process has worked well. Chair McElligott directed staff to schedule the Board self-evaluation process just prior to policy reviews on July 20.

ASSISTANT ATTORNEY GENERAL'S REPORT

Mr. Silver briefed the Committee on significant items related to the Enron litigation. He reminded the Committee that the Regents of the University of California serves as lead plaintiff and actively monitors the case. The WSIB is co-lead on the bond claim. Mr. Silver participates in monthly phone conferences to discuss the latest developments. He reviewed recent settlement payments approved and described judicial actions on certification of the litigation as a class action. Mr. Silver reported that Milberg Weiss was recently indicted for alleged referral fee violations. The Lerach Coughlin firm, which represents the WSIB in the Enron litigation, broke away from Milberg Weiss in 2004. It is not clear from newspaper reports whether Mr. Lerach might be involved in any related investigation.

OTHER ITEMS

There was no further business to come before the Committee. The meeting adjourned at 8:54 a.m.