

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
November 15, 2007

The Administrative Committee met in open session at 8:35 a.m. in the boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Glenn Gorton, Chair
Sandy Matheson, Vice Chair
George Masten
Dave Scott

Other Members Present: Mason Petit
Jeff Seely

Also Present: Joe Dear, Executive Director
Liz Mendizabal, Public Affairs Director
Marie Repcik, Administrative 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 Gorton called the meeting to order at 8:35 a.m.

ADOPTION OF THE SEPTEMBER 20, 2007, MINUTES

**Vice Chair Matheson moved to adopt the September 20, 2007,
Administrative Committee meeting minutes. Mr. Scott seconded and the
motion carried unanimously.**

COMPENSATION COMMITTEE

Mr. Seely noted that an ad-hoc Compensation Committee was formed based on discussion at the July Board Retreat. The Committee met, with the assistance of staff, to compare salary survey information with other comparable funds. The October 1, 2007, McLagan Partners compensation survey of pension funds indicated 88 percent of large funds surveyed have a performance-based bonus compensation structure. Mr. Seely stated performance-based compensation structure helps with attracting and retaining employees.

Mr. Masten asked if this would only affect investment officers. He also noted the WSIB outperforms other funds at a lower cost of operation. Mr. Seely clarified that the bonus program would only affect investment officers.

Mr. Masten asked what the WSIB staff turnover has been in the last five years. Mr. Dear responded that turnover has been low. Mr. Seely stated performance-based bonus compensation is necessary planning for the future. Mr. Dear noted the desire to act before potential problems

occur. Chair Gorton noted the need to look toward the future by maintaining our efforts to continually address staffing concerns.

Mr. Seely stated the Compensation Committee was sensitive about creating some flexibility to be smarter and more defensive to retain and recruit staff.

Mr. Gorton noted that, upon Committee approval, this item would go to the entire Board for consideration. Any proposed legislation would then go through the entire legislative process. He reminded the Committee that, if nothing happens with the proposed legislation, the status quo would still exist. Mr. Dear also affirmed how dependent the WSIB is on the skills of the investment staff.

Mr. Masten responded by reminding everyone that recruitment and retention are issues in all of Washington State government.

Vice Chair Matheson stated her support of the two step process and proposed legislation as a means to protect retirement members' money by having the right staff. This is an opportunity to create a good model that is suitable to our work scope.

[Representative Sommers arrived at 9:21 a.m.]

Vice Chair Matheson moved that the Administrative Committee recommend that the Board support legislative action to revise the language in RCW 43.33A.100 to:

- **Clarify that the retention pool can apply to reward performance with incentive compensation at year-end**
- **Remove the 5 percent limit on the retention pool**
- **Clarify that the retention pool access to "earnings of the funds" constitutes access to non-appropriated funds**
- **Clarify and amend the definition of peers to (1) public funds that are at least 75 percent of the size of all WSIB assets and (2) include large endowments.**

Mr. Scott seconded and the motion passed with Mr. Masten voting no.

ASSISTANT ATTORNEY GENERAL'S REPORT

Mr. Silver had nothing to report.

OTHER ITEMS

There was no further business to come before the Committee and the meeting adjourned at 9:23 a.m.