

**WASHINGTON STATE INVESTMENT BOARD**  
**Administrative Committee Meeting Minutes**  
**February 21, 2008**

The Administrative Committee met in open session at 8:31 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  
Mason Petit

Committee Members Absent: Patrick McElligott

Other Members Present: Charlie Kaminski  
Treasurer Mike Murphy  
David Nierenberg  
Mike Ragan

Also Present: Joe Dear, Executive Director  
Gary Bruebaker, Chief Investment Officer  
Kate Sandboe, Corporate Governance Officer  
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 Gorton called the meeting to order.

**ADOPTION OF THE JANUARY 17, 2008, MINUTES**

**Mr. Petit moved to adopt the January 17, 2008, Administrative Committee meeting minutes. Chair Gorton seconded, and the motion carried unanimously.**

**2008 RECOMMENDED CONFERENCES**

Mr. Dear said that Mr. Kaminski asked to have general partners' annual meetings of interest added to the Recommended Conferences list. Annual meetings that do not conflict with Board and Committee meetings are added. Mr. Kaminski shared information on an upcoming CFA Institute conference to be held in Vancouver B.C. this May. Chair Gorton observed that it was not necessary to add it to the Recommended Conferences list, as members can also request the Chair's approval to attend conferences not included on the list.

**Vice Chair Matheson moved that the Administrative Committee approve the 2008 Recommended Conferences list and make that recommendation to the Board. Mr. Petit seconded, and the motion carried unanimously.**

#### **BOARD TRAVEL DISCUSSION**

Chair Gorton asked the Committee to continue its discussion from the January meeting relating to restricting member travel to the 48 contiguous states. He said the WSIB is a global investor and believes members should have the ability to go to international conferences. He pointed out that travel expenses to some foreign locations may not cost as much as some U.S. conferences. As an example, Canadian peers can share useful information on infrastructure investing. Chair Gorton said he does not want to limit travel for education opportunities members may need.

**Mr. Masten moved to adopt the policy changes to Board Travel Policy 2.00.260 as contained in the Administrative Committee packet. Mr. Petit seconded the motion.**

Mr. Kaminski said more than half of the WSIB's public equity investments are outside of the U.S., and private equity and real estate investments are both increasing their percentage of investments that are international. He expressed concern with such an arbitrary view on travel and asked how it adds value. He believes there should be flexibility to go where necessary to get education and minimal cost differences should not be the focus.

Mr. Masten said broadening Board member travel could create a perception risk. He prefers that international teams come to WSIB meetings with all Board members present, rather than allowing individual members to travel to international meetings. He also prefers a policy that lays out criteria for foreign travel by members so that approval is not up to the Board Chair. He noted that a travel approval process is also needed for the Board Chair.

Mr. Petit said he felt conflicted on the issue and has a conservative view. His preference is for investors to come to the WSIB, but knows there may be a need for members to go to investors to gain information about opportunities.

Vice Chair Matheson suggested that criteria for international travel include what benefit there is to the Board, and members should educate the Board after traveling. Also, if staff has a reason for a Board member to participate in international travel, Board concurrence should be sought in advance rather than placing the responsibility solely with the Chair. She said the proposed policy revision is too restrictive and staff should do more work. Risk can be managed in advance by making international travel a group decision of the Board. Mr. Masten noted that some groups hold the same conferences in multiple locations. He would like policy criteria that limits attendance at such conferences to the continental U.S.

**The above motion failed, with Chair Gorton and Vice Chair Matheson voting no.**

Mr. Dear suggested that the Committee direct staff to develop criteria for consideration by the Board. Mr. Petit asked for a full Board discussion of the issue.

**Mr. Masten moved that the Administrative Committee request staff to develop criteria for travel outside the contiguous 48 states taking into consideration today's discussion. Vice Chair Matheson seconded the motion.**

Vice Chair Matheson suggested a study of the entire travel policy, including domestic travel where some of the same criteria for international travel may apply.

**Vice Chair Matheson moved to amend the above motion to examine the entire travel policy. The motion failed, due to lack of a second.**

**The motion for the Administrative Committee to request that staff develop criteria for travel outside the contiguous 48 states taking into consideration today's discussion carried unanimously.**

## **IRAN RESOLUTION**

Mr. Dear reported that advocacy groups and legislators have approached the WSIB with concerns about the development of nuclear weapons in Iran and their President's stated intent toward Israel. These groups are campaigning for public pension funds to divest from companies doing business with Iran.

Mr. Dear emphasized the importance of maintaining integrity in the Board's investment decision-making process. Historically, the Board has not supported policy interventions that would base decisions on non-investment criteria.

Staff met with Representative Bruce Chandler, who introduced legislation this session to mandate divestment in Iran, and former WSIB member Senator Joseph Zarelli. Senator Zarelli encouraged staff to seek a non-legislative resolution. Staff developed a resolution in discussion with others that acknowledges Iran as a state sponsor of terrorism and the WSIB's role to be a responsible owner. The resolution is limited to fixed income investments where the WSIB has direct authority to buy and sell. It does not mandate divestment. Staff requests the Committee to recommend that the Board adopt the resolution.

Vice Chair Matheson said she appreciates the recommended approach, which she feels is superior to actions taken by other pension systems. Mr. Masten strongly supports the non-legislative approach, but raised a point that real estate investments are within the WSIB's control and it can also exercise influence within public equity commingled funds. Mr. Dear stressed the importance of explicitly defining WSIB obligations within the resolution. Ms. Sandboe explained that staff drafted the Iran Resolution similar to the Sudan Resolution purposefully so that it treats divestment issues similarly. Mr. Masten emphasized the importance that the WSIB react.

[Mr. Ragan arrived at 9:04 a.m.]

**Mr. Masten moved that the Administrative Committee recommend to the Board that the WSIB approve the Resolution to ensure that Washington public pension investments are not used to support businesses and government actions linked to terrorist activities in Iran. Vice Chair Matheson seconded the motion.**

Mr. Petit shared a concern that the WSIB is not qualified to determine what represents terrorist activity. Mr. Dear pointed out Principles 1 and 2 within the Resolution refer to reliance on the U.S. government for those determinations. Mr. Petit said those Principles satisfied his concern.

**The above motion carried unanimously.**

Chair Gorton announced a change in the agenda order; he said the executive director evaluation would be the next business item.

#### **EXECUTIVE DIRECTOR EVALUATION**

Chair Gorton announced that the Committee would go into executive session to review and discuss the performance of a public employee. He said the executive session was expected to last until about 9:20 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 9:05 a.m.]

[Vice Chair Matheson left the meeting at 9:15 a.m.]

[Treasurer Murphy arrived at 9:25 a.m.]

[Mr. Nierenberg arrived at 9:29 a.m.]

[The executive session ended at 9:31 a.m., and the Committee reconvened in open session.]

**Mr. Petit moved that the Administrative Committee recommend that the Board accept the executive director's evaluation as written. Chair Gorton seconded, and the motion carried unanimously.**

**Chair Gorton moved that the Administrative Committee recommend that the Board approve increasing the executive director's salary to \$223,110. Mr. Petit seconded, and the motion carried unanimously.**

#### **SUDAN RESOLUTION ANNUAL REPORT**

Chair Gorton announced that the Sudan Resolution Annual Report is postponed for discussion at a later time.

#### **ASSISTANT ATTORNEY GENERAL'S REPORT**

Mr. Silver said he had nothing to report

#### **OTHER ITEMS**

There was no further business to come before the Committee and the meeting adjourned at 9:33 a.m.