

WASHINGTON STATE INVESTMENT BOARD
***Ad Hoc* Committee Meeting Minutes**
April 2, 2009

The *Ad Hoc* Committee met in open session at 1:00 p.m. on April 2, 2009, in the boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Glenn Gorton, Chair
Steve Hill
George Masten
Mike Ragan
Judy Schurke

Committee Members Absent: David Nierenberg

Other Members Present: Pat McElligott
Treasurer Jim McIntire (via teleconference)

Also Present: Shelley Hager, Acting Human Resource Director
John Lynch, Contracts Manager
Kristi Haines, Executive Assistant

Brian Buchholz, Assistant Attorney General

Chair Gorton called the meeting to order. He clarified for the record that this was a meeting of the *Ad Hoc* Committee, not a Board meeting.

EXECUTIVE DIRECTOR ROLE

Position Description Review

Chair Gorton noted the draft executive director position description distributed in the Committee packet. He said he did not plan for the Committee to review it in detail at this meeting, but members should look it over for a future discussion.

Human Resource Consultant Options

Chair Gorton told the Committee that he and Mr. Nierenberg had discussed the *Ad Hoc* Committee assignment, and held an informal discussion with a colleague of Mr. Nierenberg's, Frank Moscow, who is experienced in conducting executive recruitments within the technology industry. Chair Gorton said he hoped to gain some insight from Mr. Moscow on how to go about looking at the organizational structure and conducting a candidate search. Chair Gorton noted that Mr. Moscow is not currently under contract with the WSIB and has limited knowledge of the Board and its staff. Mr. Moscow's view is that the Board may want to consider examining the organization from a broader angle prior to conducting a search for its Executive Director. Chair Gorton said that several Board members have shared with him that they believe there is great staff already in place at the WSIB. The former Executive Director built good leadership and has dedicated staff in place. He said he wants to ensure that everything is set-up ahead of any recruitment effort.

[Treasurer McIntire joined the meeting via teleconference at 1:02 p.m.]

Chair Gorton suggested the Committee consider engaging a human resource consultant to start the process and help the Board determine what type of search to do. This would be a consultant who would look at the organization, separate from any recruitment process. He further suggested that the Board may want to consider what it wants the organization to look like in one to five years. He feels the Board does not need to rush the recruitment process, as the current staff is doing an excellent job running the organization. Chair Gorton invited the Committee to comment on his suggestion and, if it agrees with it, discuss the work assignment details. He said the matter would be forwarded by the *Ad Hoc* Committee to the Administrative Committee to select a consultant to recommend to the Board.

Mr. Ragan said he hoped the Board would discuss its mission and what it wants to accomplish prior to hiring the Executive Director. He said it is common practice whenever there is staff turnover for organizations to focus on what are perceived to be gaps in its existing structure. He feels it important to focus on the job expectations to find the best all around candidate to fill the position. He pointed out that future staff could create different gaps in the organization that may not be a strength of the new Executive Director. Chair Gorton said that he would like to have something to benchmark, and he does not feel the Board needs to hire right away.

Mr. Hill asked what services a human resource consultant would perform, and whether they would conduct interviews with staff and Board members for a broader organizational review. In response to Mr. Hill's questions, Chair Gorton said the *Ad Hoc* Committee would develop what services they want a consultant to perform, and then Mr. Lynch could further refine the procurement request for presentation to the Administrative Committee. The Administrative Committee would recommend a consultant for the Board's consideration. Mr. Hill said it sounded to him that, provided the Board wants to fill the position, the *Ad Hoc* Committee needs an organizational framework to further develop the Executive Director job description around the results the Board expects of the position before it initiates a search.

Ms. Schurke questioned how an organization review would augment the position description? Chair Gorton said he believes the organization has changed over time. While there is very capable staff, an organizational review would give all Board members and key staff an opportunity to comment. The review could result in the Board taking a different direction than it is currently considering.

Mr. Hill suggested that an alternate approach would be to hire an executive recruitment consultant, as his experience is that most search consultants would undertake an organizational review as they work with the client in developing the job description. Once the new Executive Director was in place, the Board could then assign that person the initial task of performing a thorough organizational review.

Mr. Masten commented that investment results have proven the quality of current staff. He shared that a consultant was hired to do the last search and then the Board interviewed candidates. The Board discussed at that time whether it wanted to hire a Chief Investment Officer (CIO) type to fill the position or more of an overall manager. It decided to hire an overall manager due to organizational issues that needed to be addressed at that time. The former Executive Director was ultimately selected because of his overall background and ability to bring staff together. Mr. Masten suggested the Committee make this same consideration for the current vacancy, even though it is his observation that current staff is well coordinated, with no existing conflicts. In response to Mr. Masten's request for clarification on what direction the

Board gave when the *Ad Hoc* Committee was formed, Chair Gorton revisited the motion from the February 19 Board meeting, which directed the *Ad Hoc* Committee to make recommendations for the Board's consideration on organizational structure and to determine a recruiting process. Mr. Masten believes the first decision of the *Ad Hoc* Committee ought to be whether it seeks the same relationship with an Executive Director intended in 2002, or if it prefers to seek candidates with investment backgrounds. He added that, while he is not enamored with consultants, if the Committee decides to hire one, it should not be a consultant that is currently contracted with the WSIB. He reasoned that existing consultants have worked directly with staff and have developed relationships. He wants to hire a new consultant that would report directly to the Board. He said that while he does not see a need to hire, if the Committee decides it needs to conduct a broad recruitment, it should hire a consultant for that purpose, rather than hiring someone to examine the organizational structure. He questioned why the Board would hire a consultant to examine the organization unless it is unhappy with the current structure? Mr. Masten observed the current CIO does a good job, and he prefers the Board seek to hire someone who has the ability to work with staff, stakeholders, other agencies, and legislators; someone who could oversee, but not compete with the CIO position. Mr. Masten added he prefers to keep the current organizational structure.

Mr. Hill expressed the preference for the Board to hire a consultant to assist with its search and further develop the position duties to ensure the Board is successful in finding the right person for the position. Mr. Masten suggested, if there is agreement that an organizational review is unnecessary, the Committee should discuss how to pursue the recruitment process.

Chair Gorton asked Mr. Masten if he prefers to seek an overall manager, and if the recruitment should target Chief Operating Officer-type candidates. Mr. Masten said he does not believe the investment function can be entirely separated from the Executive Director position. He also is not concerned with any salary disparity between the Executive Director and CIO positions. Chair Gorton observed the *Ad Hoc* Committee seemed in consensus to hire an executive recruitment consultant, rather than select a firm from its consultant pool. He asked Mr. Lynch if the WSIB would have difficulties given the current contracting prohibitions in place by the Legislature. Mr. Lynch said the prohibitions will remain through June 30, and he is uncertain if the Legislature would extend prohibitions beyond that. However, he noted that it is unlikely that a consultant search would be completed before July, even if the RFP were issued immediately. He commented the executive recruitment consultant currently on contract is more of a specialist in hiring investment professionals, so the Board would need to conduct an RFP that is broader than that. He suggested the Committee could do a Request for Qualifications and Quotations (RFQQ). Ms. Schurke asked if the Board could seek an exemption from the legislative restrictions. Mr. Lynch replied affirmatively, adding that the Office of Financial Management (OFM) is well aware of the WSIB's current situation.

Mr. Ragan said his past experience with search consultants proved not to be worthwhile; they had difficulty assembling a good candidate pool. He pointed out that since the labor market has changed, his office fared well in finding good candidates using their own human resource department to advertise the job announcement through professional organizations. He asked if the Committee wanted to consider this option. In response to Mr. Masten's question about how job applications would be handled if an RFQQ is issued, Mr. Lynch said the Administrative Committee has responsibility for matters relating to the employment of the Executive Director per the Charter. Mr. Ragan said he assumes the *Ad Hoc* Committee would make an initial cut prior to referring applications to the Administrative Committee. Mr. Masten suggested the

Ad Hoc Committee should screen applications to ensure candidates are qualified, but nothing beyond that.

Mr. Hill strongly believes the Board needs help in its search due to the size of the organization and scope of responsibilities. He commented that a consultant could play a big role in getting candidates interested in the position. Mr. Masten said based on his experience, how a candidate works out is often different than what the Board has in mind, but he does not object to hiring a consultant.

Mr. Masten moved that the *Ad Hoc* Committee recommend to the Board that it keep its current organizational structure. Mr. Hill seconded, and the motion passed with Chair Gorton voting no.

Mr. Masten moved that the *Ad Hoc* Committee recommend that the Board hire a consultant to assist with the Executive Director recruitment. Mr. Hill seconded the motion.

Ms. Schurke shared her concern that the *Ad Hoc* Committee is not doing enough for the Board. Chair Gorton said the Committee would have another meeting to look at timelines for the recruitment and the consultant search. Ms. Schurke suggested that a Request for Information (RFI) might be a better approach. Mr. Lynch agreed with Mr. Hill's observation that an evaluation of the position description is an integral part of most executive recruiter's process. He noted there is limited budget to hire a recruiter, and the soonest a contract could be procured is June 1. Mr. Lynch said he believed OFM would approve an exemption, but staff would need to go through that request process.

Mr. Masten suggested the Committee move forward with a recommendation to the Board. The Board can then further discuss how to proceed and decide whether to keep the current organization structure. He feels the *Ad Hoc* Committee should lay out the process in more detail. Chair Gorton said he wants to recommend the Board do an RFP. Mr. Lynch pointed out that prior Board approval is required only for investment related procurements while procurements for other types of services do not require prior Board approval; however, he advised that a contract cannot result from a RFI. Ms. Schurke observed that because the Committee has decided to seek out a broad mix of candidates, it seems like the current consultant on contract would not be adequate. Ms. Hager said there are a great number of experienced consultants and the Committee would likely get good results from an RFQQ. Chair Gorton noted the motion under consideration. He said he would provide a report on the *Ad Hoc* Committee recommendations at the next Board meeting. In response to Ms. Schurke's concerns, Mr. Hill suggested the Committee work with Ms. Hager to document a proposed recruitment and hiring process to take to the Board, Chair Gorton said the Committee would address that at another meeting.

The above motion failed with Chair Gorton, Mr. Hill, and Ms. Schurke voting no.

Mr. Hill volunteered to work closely with staff to document a timeline and steps to hire the Executive Director, to include hiring an executive recruitment consultant. Mr. Lynch said if the Committee agrees on what services it wants the consultant to perform, an RFP should be issued, rather than a RFQQ or RFI. A discussion ensued on the *Ad Hoc* Committee's role, which

Committee the consultant would report to, and cost. Mr. Hill clarified the RFP should request consultants to describe what processes they would use. Mr. Masten stressed the importance of keeping the consultant's relationship with the Committee and Board, rather than staff. Mr. Lynch said he could prepare a draft RFP for the Committee to make a recommendation to the Board if it wishes to do so, describing what services it expects from the successful offeror.

ACTING EXECUTIVE DIRECTOR COMPENSATION

Chair Gorton said he wanted the Committee to discuss the acting Executive Director's compensation. He said that although Ms. Whitmarsh had told him she is comfortable with her current salary level, he wanted to discuss it.

Chair Gorton announced the Committee would go into executive session to evaluate the qualifications, and to review and discuss the performance of a public employee. He said the executive session was expected to last about five minutes, at which time the Committee would reconvene in open session.

[The Committee convened in executive session at 1:50 p.m. and reconvened in open session at 1:57 p.m.]

NEXT STEPS

Chair Gorton said he would report to the Board that the *Ad Hoc* Committee had started an RFP process and would report back when the process begins.

OTHER ITEMS

There was no further business to come before the Committee, and the meeting adjourned at 1:58 p.m.