

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
May 21, 2009

The Administrative Committee met in open session at 9:00 a.m. on May 21, 2009, in the boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Glenn Gorton, Chair
Patrick McElligott, Vice Chair
George Masten
Mason Petit
Mike Ragan

Other Members Present: Steve Hill
John Magnuson
David Nierenberg
Jeff Seely

Also Present: Theresa Whitmarsh, Acting Executive Director
Gary Bruebaker, Chief Investment Officer
Kristi Haines, Executive Assistant

Brian Buchholz, 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 APRIL 16, 2009, MINUTES

Mr. Masten moved to adopt the April 16, 2009, Administrative Committee meeting minutes. Vice Chair McElligott seconded, and the motion carried unanimously.

[Mr. Nierenberg arrived at 9:01 a.m.]

ROLE OF CONSULTANTS POLICY 1.10.100 REVIEW

Chair Gorton said the Board asked the Administrative Committee to review the Role of Consultants Policy 1.10.100. Mr. Masten said he raised a concern with the policy due to the McKinsey study expenditure and questioned under what authority that decision had been made. The Role of Consultants Policy allows the Executive Director to hire consultants under certain circumstances. He believed perhaps this policy was the authority for that decision, but was later informed it was more likely authority granted in the Executive Director Charter. He wanted the Committee to have the opportunity to review that authority to avoid future incidents. Mr. Petit agreed the Board should be consulted with, or at least be made aware of such expenditures. Ms. Whitmarsh believed the former Executive Director considered the authority under the second paragraph of the Role of Consultants Policy, which allows for the Executive Director to

hire a management consultant. She said staff welcomes members' comment on the current policy.

[Mr. Hill arrived at 9:06 a.m.]

Ms. Whitmarsh said she recommends against setting a dollar limitation to the Executive Director's authority, as that can be somewhat artificial and a certain amount of judgment should be exercised. She reviewed the amount of activity she believed had taken place under the authority granted within the Role of Consultants Policy, to include information technology, human resource, and risk consultant engagements. She suggested that staff could provide a breakdown, if desired. Vice Chair McElligott recalled his concern with McKinsey was their study did not produce what was expected, and then the Board later became aware of its cost. Ms. Whitmarsh said she was not opposed to clarifying the policy, but believes there are now processes in place where expenditures are reported, such as the Executive Director's monthly report and added budget reports coming to the Board. Chair Gorton announced he had not heard any recommended changes from members at this time, but asked the Executive Director to suggest some clarifications to the policy to address the concerns discussed at today's meeting. Ms. Whitmarsh agreed.

Mr. Ragan moved the Administrative Committee recommend the Board reaffirm approval of the Role of Consultants Policy 1.10.100 with no changes. Vice Chair McElligott seconded the motion.

Ms. Whitmarsh said she would also review the Executive Director Charter Policy with Mr. Masten to determine if any clarifications within that policy are needed.

The above motion carried unanimously.

ASSISTANT ATTORNEY GENERAL'S REPORT

Mr. Buchholz said a suit against Lehman Brothers for recovery of bond losses was filed yesterday. Public Affairs and Attorney General staff have received a number of media inquiries. The 64-page complaint is available on the WSIB Web site for review. He encouraged members to contact him with any questions. In response to Mr. Magnuson's question, Mr. Buchholz said 17 other lawsuits had been filed, but he was uncertain if any of those filed were from other public funds.

OTHER ITEMS

There was no further business to come before the Committee, and the meeting adjourned at 9:16 a.m.