

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
February 16, 2012

The Administrative Committee met in open public session at the Washington State Investment Board (WSIB) boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Treasurer James McIntire, Chair (via teleconference)
 Judi Owens
 Mike Ragan (Acting Chair)

Committee Members Absent: Steve Hill
 George Masten

Other Members Present: Pat McElligott
 Richard Muhlebach
 Bill Longbrake

Others Present: Theresa Whitmarsh, Executive Director
 Victor Moore, Chief Operating Officer
 Gary Bruebaker, Chief Investment Officer
 Celina Verme, Finance and Administrative Services Director
 Patty Davis, Administrative Assistant
 Steve Dietrich, Assistant Attorney General

[Names of other individuals attending the meeting are listed in the permanent record.]

Acting Chair Ragan called the meeting to order at 9:00 a.m. and took roll call.

ADOPTION OF THE JANUARY 19, 2012, MINUTES

Ms. Owens moved to approve the January 19, 2012, Administrative Committee meeting minutes. Mr. Ragan seconded, and the motion carried unanimously.

2012 STRATEGIC PLAN

Ms. Whitmarsh presented a brief overview of the proposed 2012 Strategic Plan, indicating that a full presentation will be done at the Board meeting. Ms. Whitmarsh focused on the 6-year resource plan being considered. The Board will need to craft strong justification to the Legislature for the additional FTEs. Ms. Whitmarsh suggested the justification include examples of how additional staff and resources contribute to overall net cost savings. Ms. Whitmarsh assured Committee members they will have another opportunity to review the budget in May or June before its final submission to the Office of Financial Management and the Legislature.

Mr. Moore advised the members that when the custody bank takes over the book-of-record duties, there would be a savings of non-appropriated monies and an increase of appropriated monies, resulting in an overall net savings. It is anticipated that the WSIB would need to increase in-house staff to handle the additional workload.

Ms. Whitmarsh indicated the management team will examine the possibility of increasing the level of assets managed internally. As an example, if Fixed Income was managed externally, the fees charged to the WSIB would be approximately \$112 million. With those same investments managed

internally, the cost is approximately \$2.4 million for an overall savings of over \$109 million annually.

Chair McIntire stated it is important to help the Legislature appreciate and understand how the WSIB is managing these costs, both appropriated and non-appropriated, as budget talks go forward.

Ms. Owens moved that the Administrative Committee recommend the Board adopt the 2012 Strategic Plan. Mr. Ragan seconded, and the motion carried unanimously.

QUARTERLY BUDGET UPDATE

Ms. Verme presented the quarterly budget update. For the appropriated budget, there is a projected Fiscal Year 2012 balance of \$581,000 or 4.1 percent savings. The projected balance represents a \$108,000 increase from the last quarter's projection, which was attributed to ongoing investment officer vacancies and associated savings in salaries, benefits and travel. For the non-appropriated budget, there is a projected Fiscal Year 2012 balance of \$30.6 million, which represents a 9 percent savings. The balance is expected to vary due to market volatility, asset values, distribution pace, and consulting needs.

GOVERNANCE *AD HOC* COMMITTEE RECOMMENDATION

Ms. Owens presented the Governance *ad hoc* Committee report. The Committee met February 2 to review progress on developing the WSIB story and other work assignments relating to the Chair's role; new Board member development through mentorship; enhancing the Board's current evaluation process; and a suggestion that the Board should develop WSIB principles.

The Governance Committee feels the Board Chair should engage with appointing authorities to discuss impending voting Board member vacancies, and asked staff to develop a Board member position description for the Chair's use in those discussions. The Committee reviewed and approved the draft at its February 2 meeting.

The Governance Committee also discussed a number of ways to improve the Board's evaluation process. One of the proposals is to add annual Board member self-evaluation discussions with the Board Chair.

A proposed revision of the Charter of the Board Chair is attached to reflect both proposed changes in practice.

Ms. Owens moved that the Administrative Committee recommend the Board adopt the Board member position description and the proposed revisions to the Charter of the Board Chair 1.00.160. Mr. Ragan seconded the motion, and the motion carried unanimously.

Lastly, the Committee asked the Executive Director to move forward with obtaining the consulting services of Rick Funston to assist in governance work. Staff will come back to the Administrative Committee with a proposal in April.

There was no further business to come before the Committee and the meeting adjourned at 9:17 a.m.