

# WASHINGTON STATE INVESTMENT BOARD

## Administrative Committee Meeting Minutes

April 19, 2012

The Administrative Committee met in open public session at 8:30 a.m. at the Washington State Investment Board (WSIB) boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Treasurer James McIntire, Chair  
Mike Ragan  
George Masten  
Steve Hill  
Judi Owens

Other Members Present: Bill Longbrake  
Pat McElligott  
Richard Muhlebach  
Robert Nakahara  
David Nierenberg  
Sharon Tomiko Santos  
Jeff Seely

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

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

Mr. Ragan called the meeting to order at 8:32 a.m. and took roll call.

### ADOPTION OF THE FEBRUARY 16, 2012, MINUTES

**Ms. Owens moved to approve the February 16, 2012, Administrative Committee meeting minutes. Mr. Masten seconded, and the motion carried unanimously.**

### GOVERNANCE *AD HOC* COMMITTEE REPORT

#### Appointment of Governance Consultant – Funston Advisory Services LLC

Ms. Owens informed the members that the Governance *ad hoc* Committee is recommending to the Administrative Committee and the Board that the WSIB retain Funston Advisory Services LLC to assist the Board with governance issues and facilitate a discussion at the Board's off-site meeting in July 2012.

**Ms. Owens moved that the Administrative Committee recommend the Board appoint Funston Advisory Services LLC as the Governance Consultant.**

**Mr. Ragan seconded the motion, and the motion carried with Mr. Masten voting no.**

**Board Member Position Description Adoption and Charter of the Board Chair 1.00.160 Revision**

Ms. Owens reminded members that at the February Board meeting, the Administrative Committee had approved forwarding two items for approval that had been submitted by the Governance *ad hoc* Committee: 1) a revision to the Charter of the Board Chair, and 2) a Board member position description. There was some concern with the proposed revision of the Charter of the Board Chair and the matter was sent back to the Governance *ad hoc* Committee for further consideration. The Committee has made further revision to the Charter and is seeking the Administrative Committee's approval to forward both documents back to the Board. There are no proposed changes to the Board member position description that was presented in February.

**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 with Mr. Masten voting no.**

**Board Education Policy 2.00.200 Revision**

Ms. Owens informed members that the Governance *ad hoc* Committee is recommending enhancing Board independence, continuity, and competence by creating a mentorship program for incoming Board members. It was suggested the Executive Director discuss mentorship opportunities with new members during their orientation, and the Board Education Policy 2.00.200 revision includes suggested guidelines for the program.

**Ms. Owens moved that the Administrative Committee recommend the Board adopt the Board education policy 2.00.200 revision. Mr. Ragan seconded the motion, and the motion carried with Mr. Masten voting no.**

**Assistant Attorney General's Report**

Mr. Dietrich reported the Board was named as a defendant in a lawsuit filed in San Diego Superior Court. Terramar Retail Centers, one of the WSIB's real estate partners, is also named as a defendant. Mr. Dietrich believes the suit should not have been filed against the WSIB. He said he will work with Terramar's counsel to get the Board dismissed from the lawsuit and will update the Board if there are significant developments.

**EXECUTIVE SESSION**

**Executive Director Evaluation**

**Senior Investment Staff Retention**

Mr. Ragan stated the Committee would go into executive session to review and discuss the performance of public employees. He said the executive session was expected to last until about 8:55 a.m., at which time the Committee would reconvene in open session.

[Mr. Longbrake arrived at 8:53 a.m.]

[Mr. Nierenberg arrived at 9:00 a.m.]

[Mr. McElligott arrived at 9:10 a.m.]

[Mr. Seely arrived at 9:16 a.m.]

[Representative Tomiko Santos arrived at 9:17 a.m.]

[The Committee reconvened in open session at 9:20 a.m.]

**Mr. Ragan moved that the Administration Committee recommend the Board accept the Executive Director's evaluation as written. Ms. Owens seconded the motion, and the motion carried unanimously.**

## **STAFF COMPENSATION**

### **2012 Salary Survey**

The Board contracted with the firm of McLagan to conduct the 2012 salary survey for investment officers, in accordance with RCW 43.33A.100. Mr. Barnett, Head of Asset Management, presented the results of the survey to the Committee. This year's analysis updates similar analyses completed in 2008 and 2010. The survey was conducted using 10 similarly sized public funds (Teacher Retirement System of Texas, New York State Teachers' Retirement System, State of Wisconsin Investment Board, Ohio Public Employees' Retirement System, North Carolina Retirement System, Division of Investment Services, State of Georgia, State Teachers Retirement System of Ohio, Minnesota State Board of Investment, Oregon Public Employees Retirement System, and Virginia Retirement System.) The WSIB's average total compensation was 42 percent below the average total compensation of its peers, based on the most recent (2010) actual compensation data.

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

### **Proposed Salary Ranges for Investment Officers**

Mr. Moore presented the proposed salary ranges for investment officers in accordance with RCW 43.33A.100, authorizing the Board to establish compensation levels for all investment officers employed by the WSIB. The statute limits compensation levels to "the average of total compensation provided by state or other public funds of similar size, based on a biennial survey conducted by the investment board." The proposed salary ranges for investment officers, including the Chief Investment Officer, are based on the findings of the salary survey performed by McLagan. The ranges have been widened to 70 percent, consistent with other non-classified staff salary structures in Washington. In accordance with the statute, the survey and proposed new salary ranges will be forwarded to the Joint Legislative Audit and Review Committee for review and comment. The Board will also provide notice of the proposed changes to the Director of the Office of Financial Management (OFM) and the chairs of the House of Representatives and Senate fiscal committees at least 60 days prior to the effective date.

Mr. Longbrake inquired if the Board was allowed to award incentive pay by statute. Mr. Moore confirmed the Board had the authority; however, it has chosen not to award incentive pay.

**Mr. Ragan moved that the Administrative Committee recommend the Board adopt the proposed salary ranges for Investment Officers, forward the proposed salary ranges and supporting documents to the Joint Legislative Audit and Review Committee, provide notice to the director of the Office of Financial Management and the chairs of the House of Representatives and Senate fiscal committees, and provide an effective date for the new salary ranges of 60 days after notice is given to OFM and the fiscal committee chairs. Ms. Owens seconded the motion, and the motion carried unanimously.**

**Confidential Secretary's Salary**

Ms. Whitmarsh said that RCW 43.33A.100 states the compensation level for the Confidential Secretary employed by the Investment Board shall be established by the Board. The incumbent was appointed to the position April 17, 2004. The current annual salary level established September 1, 2008, is \$71,556. As there is no record of the Board establishing the compensation level, Ms. Whitmarsh requested the Board affirm the Confidential Secretary's salary in order to comply with the statute.

**Mr. Ragan moved that the Administrative Committee recommend the Board affirm the annual salary level of \$71,556 for the Confidential Secretary.**

**Mr. Masten seconded the motion, and the motion carried unanimously.**

There was no further business to come before the Committee and the meeting adjourned at 9:45 a.m.