

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
June 21, 2012

The Administrative Committee met in open public session at 8:48 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
 Steve Hill
 George Masten
 Judi Owens
 Mike Ragan

Other Members Present: Patrick McElligott
 Bob Nakahara

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.]

Chair McIntire called the meeting to order at 8:45 a.m. and took roll call.

ADOPTION OF THE APRIL 19, 2012, MINUTES

Mr. Masten moved to approve the April 19, 2012, Administrative Committee meeting minutes. Mr. Hill seconded, and the motion carried unanimously.

ADOPTION OF THE MAY 17, 2012, MINUTES

Mr. Regan moved to approve the May 17, 2012, Administrative Committee meeting minutes. Mr. Masten seconded, and the motion carried unanimously.

FOUR-YEAR RESOURCE PLAN AND 2013-2015 BIENNIAL BUDGET

Mr. Moore presented the four-year resource plan and 2013-2015 biennial budget. Funding for the WSIB operations derives from assets under management. Expenses are divided into two categories: a) operations expenses (appropriated budget); and b) investment expenses (non-appropriated budget).

Staff has prepared a four-year resource plan that addresses staffing needs, supports investment strategies, provides competitive salaries, and prepares for the accounting book of record conversion. The first two years of the plan are incorporated into the 2013-2015 biennial budget proposal. The proposed appropriated budget is estimated at \$34,533,000, which represents

0.041 percent of the total assets managed. The proposed non-appropriated budget for the 2013-2015 biennium is estimated at \$694,998,780.

Mr. Moore reminded members the recently approved salary grid for investment officers could make progress in closing the 42 percent compensation gap between WSIB's investment officers and the average of peers. First will be the reinstatement of the 3 percent salary reduction on June 30, 2013, per current law. The proposal then assumes a two-step move, raising Investment Officer salaries in the first year, and again in the second year. The proposal, costing \$1.4 million, would bring Investment Officer compensation in 2015 within 10 percent of the 2010 average of WSIB's peers.

Mr. Moore noted that for the non-appropriated budget, over 94 percent is spent on investment management fees. Chair McIntire inquired about the negative amounts for general consultants. Mr. Moore explained that monies had been set aside for consultants that were not used.

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

Mr. Hill inquired if this was the member's last look at the budget before submittal to the Office of Financial Management. Mr. Moore replied that it would also be presented to the full Board later today.

Chair McIntire requested that the budget be presented in such a way as to highlight WSIB's cost efficiencies. Mr. Moore assured him there was ample opportunity to do that.

Chair McIntire moved that the Administrative Committee recommend the Board approve the proposed 2013-2015 operating biennial budget. Mr. Ragan seconded, and the motion carried unanimously.

BOARD SELF-EVALUATION PROCESS

Chair McIntire reminded members that Administrative Committee Charter 1.00.120 requires the Committee to coordinate the Board's self-evaluation process. This year's off-site planning agenda includes a component addressing Board governance, with a block of time also set aside for the Board to discuss its performance.

A self-assessment tool has been used in past years to aid in the Board's discussion, in which members rank their level of agreement in the areas of Board focus, information, conduct of meetings, composition of the Board and its Committees, group dynamics, and management team performance and succession. Additionally, staff prepares reports detailing how the Board has spent its time, and Board member meeting attendance and educational activities over the past year.

This year the Board has engaged Rick Funston to lead a discussion of risk and governance at the off-site. To prepare for the discussion, Mr. Funston has designed a survey in which there may be some questions overlapping with the Board's self-evaluation tool. Both the self-evaluation tool and the survey are available for review. It is staff's recommendation that the Administrative Committee recommend the Board use the tool designed by Mr. Funston this year in place of the existing tool. Chair McIntire encouraged all members to respond to the survey.

Chair McIntire moved that the Administrative Committee recommend the Board approve using the governance survey designed by Mr. Funston in place of the previous tool for its 2012 self-evaluation. Mr. Ragan seconded the motion, and the motion carried unanimously.

[Mr. Nakahara arrived at 9:17 a.m.]

ASSISTANT ATTORNEY GENERAL'S REPORT

Mr. Dietrich updated the Board on the status of a lawsuit in California regarding Terramar Retail Centers (Terramar), one of the Board's real estate investments. Terramar's counsel, which also represents the WSIB at no cost in this matter, has filed a motion to dismiss WSIB from the suit.

There was no further business to come before the Committee and the meeting adjourned at 9:18 a.m.