

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
February 20, 2014

The Administrative Committee met in open public session at 9:01 a.m. at the Washington State Investment Board (WSIB) boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Treasurer Jim McIntire, Chair
Kelly Fox
Marcie Frost, Vice Chair
George Masten
Joel Sacks

Other Members Present: Arlista Holman
Judy Kuschel
Bob Nakahara

Others Present: Theresa Whitmarsh, Executive Director
Victor Moore, Chief Operating Officer
Gary Bruebaker, Chief Investment Officer
Liz Mendizabal, Institutional Relations Director
Mary Hougan, Administrative Assistant

Dawn Cortez, Attorney General's Office

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

Vice Chair Frost called the meeting to order and took roll call.

ADOPTION OF MINUTES
Adoption of the January 16, 2014, Minutes

Mr. Masten moved to adopt the January 16, 2014, Administrative Committee minutes. Mr. Seely seconded, and the motion carried unanimously.

QUARTERLY BUDGET UPDATE

Mr. Moore reported the appropriated budget has a projected balance of \$990,000 (5.7 percent savings), primarily due to extended recruitment efforts to fill new positions authorized in the budget, as well as some vacancies from staff departures. The savings are tied to salaries and benefits, contracted recruitment services, and investment officer travel.

The non-appropriated budget has a projected balance of \$21 million (6.1 percent savings). Mr. Moore reviewed the over expenditures due to investment activity in Tangibles, which expanded quicker than anticipated.

Mr. Moore projected the fiscal year will end with approximately the same amount of savings. The appropriated expenditures are a one time savings and will not continue when we are fully staffed.

[Chair McIntire arrived at 9:10 a.m.]

ASSISTANT ATTORNEY GENERAL'S REPORT

Ms. Cortez reported on Halliburton's pending class action case in the U.S. Supreme Court. Halliburton has requested the court to overturn a long held rule that the U.S. Market is considered to be an efficient or reliable market and that prices are affected by a company, so that a group of investors purchasing the same securities may rely upon the concept called "fraud upon the market" when there have been misrepresentations by a company, and not be required to prove individual investor reliance on the statement. The court has acknowledged that most institutional investors engage in the passive management of investing through an indexing and would not be able to prove individual reliance on any particular misrepresentation.

WSIB recently recovered over \$31 million from the Lehman Brothers case under this same theory and might not have been able to recoup those losses under the rule proposed by Halliburton.

The Attorney General's Offices recommended WSIB join at least nineteen other institutional investors in a brief filed by the Council of Institutional Investors.

EXECUTIVE SESSION

Chair McIntire announced the Committee would go into executive session to review and discuss the performance of a public employee. He said the executive session was expected to last approximately 5 minutes, at which time the Committee will reconvene in open session.

[The Committee went into executive session at 9:15 a.m.]

[Mr. Miller arrived at 9:20 a.m.]

Non-Voting Board Member Process and Criteria Review Non-Voting Board Member Candidate Review

[The Committee reconvened in open session at 9:27 a.m.]

Chair McIntire moved that the Administrative Committee recommend the Board re-appoint Jeff Seely to his position as a Non-voting Board Member for a three year term from January 1, 2014, until December 31, 2016. Vice Chair Frost seconded, and the motion carried unanimously.

Chair McIntire moved that the Administrative Committee recommend the Board re-appoint Bob Nakahara to his

position as a Non-voting Board Member for a three year term from January 1, 2014, until December 31, 2016. Vice Chair Frost seconded the motion.

Mr. Masten stated he has consistently argued that NVBM's should not be beneficiaries. Mr. Nakahara is now a beneficiary, therefore I will be voting against this appointment.

The above motion carried, with Mr. Masten voting no.

NON-VOTING BOARD MEMBER AD HOC COMMITTEE

Chair McIntire moved that the Administrative Committee recommend the Board to form an *ad hoc* Committee to examine the non-voting Board member appointment procedures and review the qualifications and work statement. Vice Chair Frost seconded the motion.

Chair McIntire said the Committee would be comprised of Vice Chair Frost, Mr. Masten, and Mr. Sacks.

The above motion carried unanimously.

There was no further business to come before the Committee and the meeting adjourned at 9:29 a.m.