

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
April 17, 2014

The Administrative Committee met in open public session at 8:45 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
George Masten
Joel Sacks

Other Members Present: Arlista Holman
Bill Longbrake
Stephen Miller
Richard Muhlebach
Bob Nakahara
David Nierenberg
Jeff Seely

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

Mary Lobdell, Attorney General's Office

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

Chair McIntire called the meeting to order and took roll call.

ADOPTION OF THE FEBRUARY 20, 2014, MEETING MINUTES

Mr. Fox moved to adopt the February 20, 2014, Administrative Committee minutes. Ms. Frost seconded, and the motion carried unanimously.

EXECUTIVE SESSION

Chair McIntire announced the Committee would go into executive session to discuss litigation or potential litigation with legal counsel since public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the WSIB. He said the executive session was expected to last approximately five minutes, at which time the Committee would reconvene in open session.

Assistant Attorney General's Report – Potential Litigation

[The Committee went into executive session at 8:46 a.m.]

[Mr. Longbrake arrived at 8:50 a.m.]

[Mr. Miller arrived at 8:55 a.m.]

[The Committee reconvened in open session at 9:03 a.m.]

Mr. Fox moved that the Administrative Committee recommend the Board approve the AAG's recommendation to join the class action litigation as discussed in executive session. Ms. Frost seconded, and the motion carried unanimously.

ASSISTANT ATTORNEY GENERAL'S REPORT

Ms. Lobdell reviewed the British Petroleum (BP) litigation that WSIB joined in early April. She stated that WSIB was a passive participant in an earlier class action that was filed in 2010. Because BP is located outside the U.S., the judge determined there could not be a certified class in the 2010 litigation and each plaintiff must file separate litigation to pursue their claims. The Executive Director and Chair approved the filing of separate litigation against BP. A contract was negotiated with Robbins Geller who is representing WSIB in this litigation.

[Mr. Nakahara and Ms. Holman arrived at 9:09 a.m.]

INVESTMENT OFFICER BIENNIAL COMPENSATION SURVEY

Mr. Barnett, Head of Asset Management at McLagan, presented the results of the compensation survey for investment officers. The survey was conducted using ten similarly sized public funds. Mr. Barnett stated that approximately 40 specific job descriptions were reviewed and matched up to provide accurate data. The WSIB's average total compensation was 27 percent below the average total compensation of its peers, based on the most recent (2012) actual compensation data.

Mr. Moore reviewed 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 similar in size, based on a biennial survey conducted by the WSIB. The proposed salary ranges for investment officers, including the Chief Investment Officer, are based on the findings of the compensation survey performed by McLagan. Mr. Moore said the survey was conducted with the same peers as two years ago.

In accordance with the statute, the survey and proposed new salary ranges have been forwarded to the Joint Legislative Audit and Review Committee. The Board will also provide notice of the proposed changes to the Director of the Office of Financial Management and the chairs of the House of Representatives and Senate fiscal committees at least 60 days prior to the effective date.

Chair McIntire inquired about recruitment and retention issues. Ms. Whitmarsh said staff continues to be thorough when filling vacancies and it can take up to 18 months to get the correct fit for the position. Ms. Whitmarsh stated the ranges the Legislature approved last biennium have helped with retention.

[Mr. Nierenberg arrived at 9:15 a.m.]

[Mr. Seely and Mr. Muhlebach arrived at 9:20 a.m.]

Mr. Sacks moved that the Administrative Committee recommend the Board adopt the proposed salary ranges for Investment Officers, 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. Mr. Fox seconded, and the motion carried unanimously.

NON-VOTING BOARD MEMBER *AD HOC* COMMITTEE

Ms. Frost reported the *ad hoc* Committee met on March 20 and April 4 to examine the non-voting Board member appointment procedures and review qualifications.

Ms. Frost said the primary focus is to document expectations of the NVBMs to provide clarity to prospective candidates who are interested in the position and also to the Board when reviewing candidates to fill vacant spots.

There was no further business to come before the Committee and the meeting adjourned at 9:39 a.m.