

**WASHINGTON STATE INVESTMENT BOARD  
Administrative Committee Meeting Minutes  
September 18, 2014**

The Administrative Committee met in open public session at 8:36 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  
Kelly Fox  
Marcie Frost  
George Masten  
Joel Sacks

Other Board Members Present: Arlista Holman  
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  
Dawn Cortez, 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 JUNE 19, 2014, MINUTES**

**Ms. Frost moved to adopt the June 19, 2014, Administrative Committee meeting minutes. Mr. Masten seconded, and the motion carried unanimously.**

**NON-VOTING BOARD MEMBER UPDATE**

**Non-Voting Board Member Expiring Term Review**

Chair McIntire announced the term on non-voting Board member David Nierenberg expires December 31, 2014. The voting Board members will discuss his performance in executive session later today using the criteria listed in the non-voting Board member procedures.

**Non-Voting Board Member Ad Hoc Committee Update**

Ms. Frost reported the *ad hoc* Committee met on three different occasions to finalize the non-voting Board member appointment procedures and review qualifications. The Committee spoke with Bill Song, fiduciary counsel, to help define the role of the non-voting Board members (NVBM). Ms. Frost stated the *ad hoc* Committee is not unanimous, but has a majority vote that NVBMs should not be

a member of one of the retirement plans. Ms. Frost said this will be brought to the Committee and Board in November for a vote.

Mr. Sacks said while it would be responsible for the Board to move forward with the NVBM procedures in the current form because of the reputational risk potentially associated with a perception of a conflict of interest, it would also restrict the Board's flexibility. He said his preference is to have the Board consider this, but not automatically exclude a possible premier expert because the candidate was a member of one of the retirement plans.

Mr. Masten commented on the creation of the Board and how careful the creators were that NVBMs were not members of any of the plans. He said the state population is large enough to find qualified non-voting Board member candidates who are not active members of any plan.

## **BUDGET UPDATE**

### **Quarterly Budget Update**

Mr. Moore reported the Fiscal Year 2014 appropriated budget ended with a balance of \$2 million (11.7 percent savings), and the non-appropriated budget with a balance of \$29 million (8.5 percent savings). Mr. Moore indicated the WSIB is actively filling seven vacant positions. He said the balance at the end of the fiscal year is \$31 million. The unspent balance will remain in the various funds under WSIB's management.

## **2015 MEETING SCHEDULE**

Mr. Moore presented the proposed 2015 meeting dates.

**Mr. Masten moved that the Administrative Committee approve the proposed meeting schedule for 2015. Mr. Sacks seconded, and the motion carried unanimously.**

## **ASSISTANT ATTORNEY GENERAL'S REPORT**

Ms. Lobdell gave an update on the bad actor rule, which is being instituted by the Securities Exchange Commission (SEC) and applies to any entity seeking an exemption from SEC registration. It is a rule mandated by Congress to keep individuals convicted of fraud or other securities violations from participating in investments. Under this rule, the private equity firms must exercise reasonable care to ascertain whether certain bad actors are participating in an investment. These firms are now requesting that the WSIB affirm that those exercising control or influence over an investment are not bad actors. For purposes of the Board's due diligence, Ms. Lobdell requested Board members' assistance in ensuring the accuracy of WSIB representations and to affirm that they have not been subject to certain violations of the law.

Ms. Whitmarsh stated the general partners are requiring this so they can meet the SEC requirements and continue to do business with the WSIB. A discussion regarding notifying Board member appointing authorities of the requirement so that can be considered in screening potential appointees.

Ms. Cortez reported on the *Halliburton vs. Erica P. John Fund* class action. She indicated the WSIB joined an amicus brief along with the Council of Institutional

Investors to request that the U.S. Supreme Court to uphold the “fraud upon the market” presumption. The U.S. Supreme Court affirmed the presumption but allowed the parties the ability to rebut the presumption by establishing at the class certification stage that a misrepresentation did not affect the market at the class certification stage. She said this is a win for plaintiffs in securities litigation cases like that of WSIB.

### **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, and then discuss the performance of a public employee. He said the executive session was expected to last until about 9:20 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 8:57 a.m.]

[Mr. Seely arrived at 8:57 a.m.]

[The Committee reconvened in open session at 9:28 a.m.]

### **Assistant Attorney General’s Report (continued)**

**Chair McIntire moved that the Administrative Committee recommend the Board approve the AAG’s recommendation to terminate WSIB’s agreement with Deminor related to a class action due to lack of participants. Mr. Masten seconded, and the motion carried unanimously.**

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