

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
April 16, 2015

The Administrative Committee met in open public session at 8:46 a.m. at the Washington State Investment Board (WSIB) boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

Committee Members Present: Marcie Frost, Chair
Kelly Fox
George Masten
Joel Sacks

Committee Members Absent: Treasurer Jim McIntire

Other Members Present: Arlista Holman

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

Mary Lobdell, Attorney General's Office

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

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

ADOPTION OF THE JANUARY 15, 2015, MEETING MINUTES

**Mr. Fox moved to adopt the January 15, 2015,
Administrative Committee minutes. Mr. Sacks seconded,
and the motion carried unanimously.**

3-YEAR POLICY REVIEW

Mr. Moore reported that Board review of certain agency policies is required every 3 years to ensure that they are "relevant and appropriate." Mr. Moore staff reviewed the Charter of the Board Policy 1.00.160 and had no recommended changes.

Mr. Sacks questioned why legislative Board members could not be Board Chairs. Ms. Whitmarsh stated it was in statute.

**Chair Frost moved that the Administrative Committee recommend the
Board reaffirm approval of the Charter of the Board Chair Policy
1.00.160 with no recommended changes. Mr. Fox seconded, and the
motion carried unanimously.**

Mr. Moore reported that staff reviewed the Board Education Policy 2.00.200 and had no recommended changes.

Chair Frost moved that the Administrative Committee recommend the Board reaffirm approval of the Board Education Policy 2.00.200 with no recommended changes. Mr. Fox seconded, and the motion carried unanimously.

DIRECTORS AND OFFICERS INSURANCE ANALYSIS

Ms. Vandehey presented an overview of Directors and Officers Insurance (D&O), gave a summary of existing coverages and protections, and a comparison of the Self-Insurance Liability Program to the D&O. She also provided an Attorney General's opinion, dated January 17, 2008, on liability of Board members.

Ms. Vandehey stated D&O liability insurance protects corporate directors and officers in the event that they are personally sued. The WSIB has three protections: 1) The strongest is the Revised Code of Washington (RCW) 43.33A.070 – Liability of Members. It is an indemnification for the Board members so that they are not personally held liable in any lawsuit against the Board or personal lawsuit, as long as the Board is following their fiduciary responsibilities. 2) The state's Self-Insurance Liability Program is a large pool of funds put together and paid for by all state agencies. 3) The WSIB is assigned Attorney General's Office representation.

Ms. Vandehey stated that, based on staff assessment, the WSIB Board member current liability protections are sufficient and no additional D&O liability insurance is recommended.

Mr. Nakahara referenced the prudent investor rule and questioned who makes the determination that the Board has been prudent. Ms. Lobdell stated the Attorney General's Office makes the determination and explained that good faith within the scope of your duty means you are most likely covered.

Assistant Attorney General's Report – Potential Litigation

Ms. Lobdell reported on Seaport Village Ltd, a company that sued the WSIB, Terramar Retail Centers, LLC and Calzada Capital Partners LLC in Delaware. Recently, the WSIB and Calzada were dismissed from the Delaware litigation by the court. The Delaware Court left open the door for Seaport Village to develop additional facts that could result in the WSIB being added as a defendant at a later date.

EXECUTIVE SESSION

Chair Frost announced the Committee would now 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. She said the executive session was expected to last about 5 minutes, at which time the Committee would reconvene in open session.

[The Committee went into executive session at 8:59 a.m., and reconvened in open session at 9:08 a.m.]

OTHER ITEMS

Chair Frost discussed Ms. Whitmarsh's evaluation, which is due in June. Chair Frost stated the evaluation process is similar to the 2014 evaluation, and all of Ms. Whitmarsh's direct reports, voting and non-voting Board members will participate again. Chair Frost noted the questions will remain the same in order to develop a good baseline comparison from year to year. Ms. Haines will send the survey out via Survey Monkey in mid-May, with input from the Board members due on June 5. Chair Frost stated that results will be discussed at the June 18 Administrative Committee and Board meetings.

Ms. Whitmarsh explained that due to her 3-year contract ending in September, the evaluation is occurring in June to allow for confirmation by the State Finance Committee before the end of September, should the Board elect to renew her contract.

Mr. Sacks asked who was on the State Finance Committee. Ms. Whitmarsh said the Governor, the Lieutenant Governor, and the Treasurer are on the Committee.

There was no further business to come before the Committee and the meeting adjourned at 9:10 a.m.