

WASHINGTON STATE INVESTMENT BOARD
Administrative Committee Meeting Minutes
April 21, 2016

The Administrative Committee met in open public session at 8:30 a.m. at the Washington State Investment Board (WSIB) boardroom at 2100 Evergreen Park Drive SW, Olympia, Washington.

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

Committee Members Absent: Kelly Fox

Other Members Present: Arlista Holman
Judy Kuschel
David Nierenberg
Jeff Seely

Others Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Ian Cameron, Chief Operating Officer
Chris Phillips, Institutional Relations Director
Kate Sandboe, Legislative Relations and Corporate
Governance Officer
Cathy Nielsen, Administrative Assistant

Mary Lobdell, Attorney General's Office
Michael Oak, McLagan

[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 FEBRUARY 18, 2016, MEETING MINUTES

Mr. Sacks moved to adopt the February 18, 2016, Administrative Committee minutes. Mr. Masten seconded, and the motion carried unanimously.

LEGISLATIVE UPDATE

Ms. Sandboe presented the Committee with the final update for the 2016 legislative session. She noted the four bills with the most impact on WSIB were approved with language that clearly spells out the WSIB's responsibility and authority. The bills were establishing the College Savings Program; creating the Achieving a Better Life Experience (ABLE) program, a savings and investment program for eligible persons with disabilities; allowing retired members of the State Patrol and firefighters to purchase annuities; and authorizing the Department of Retirement

Systems to offer a money purchase retirement program in addition to the deferred compensation program.

When asked if there were any requirements for reporting back to the Legislature on any of the bills, Ms. Sandboe said there were none.

[Arlista Holman arrived at 8:32 a.m.]

POLICY REVIEW

Chair Frost reported that after a review of the Executive Director Performance Evaluation Policy 2.00.220, there were no recommended changes.

Ms. Whitmarsh stated all policies need to be reviewed every 3 years, and this policy is due for review. She added the Board has viewed the policy annually in context with her yearly evaluation.

Chair Frost stated it is the Administrative Committee's responsibility to conduct Ms. Whitmarsh's evaluation.

Mr. Sacks asked if there have been any significant changes in last several years. Ms. Whitmarsh stated there have been no changes.

Chair Frost moved that the Administrative Committee recommend the Board affirm the approval of Executive Director Performance Evaluation Policy 2.00.220, with no recommended changes. Mr. Sacks seconded, and the motion carried unanimously.

[Treasurer McIntire arrived at 8:36 a.m.]

INVESTMENT OFFICER BIENNIAL COMPENSATION SURVEY

Mr. Cameron introduced Mr. Oak, who gave an overview of the salary survey for Investment Officers. Mr. Cameron stated this is a bi-annual process by which the WSIB complies with RCW 43.33A.100, which prescribes the process and procedures to set the compensation levels. He added that McLagan does the bulk of the analysis and the survey and provides a recommendation to the WSIB.

Mr. Oak presented the Investment Officer salary survey process, stating he gathered competitive data from public funds of similar size. This is the same peer group used in prior years.

Mr. Sacks asked whether benchmarking against the median, rather than the average, would change the survey results. Mr. Oak said yes, the average is usually higher than the median. He added the presentation is on the average, which is keeping with state statute. Mr. Sacks asked about the job duties in comparison to peer groups and how closely they are aligned. Mr. Oak stated most are a clear and distinct match.

Mr. Masten asked how many times McLagan has performed the survey. Mr. Oak said McLagan performed the survey 2 years ago. When asked, Mr. Oak stated McLagan is retained by many public funds for compensation surveys.

Chair Frost asked about outliers in the peer groups in terms of compensation.

Mr. Oak said there are generally none, with the exception of the State of Wisconsin Investment Board and Virginia Retirement Systems, which base their compensation on the philosophy of looking at both public and private sector pay.

PROPOSED SALARY RANGES FOR INVESTMENT OFFICERS

Mr. Cameron presented the Investment Officer Compensation Plan, noting the compensation ranges approved in the prior biennium, as well as the current recommended proposed ranges from McLagan's analysis. He added the Joint Legislative Audit Review Committee (JLARC) also reviews and provides comment on the survey process.

Mr. Cameron discussed the salary ranges and said the WSIB goes through a normal process of utilizing the full salary range to compensate staff based on skill sets, attributes, contribution experience, etc. The survey process redefines the salary ranges, so the WSIB can stay competitive in the marketplace.

Treasurer McIntire asked if the interpretation of the statute is to have the maximum salary as the average. Mr. Cameron explained that the top of the salary range is the average. Treasurer McIntire asked if the survey suggests there are some staff who are actually above the average. Ms. Whitmarsh stated the average from the McLagan survey creates the top of the salary range for the WSIB, and no one is individually making more than the top of the range.

Mr. Sacks asked if moving the top of the range is to line up with the consultant's recommendation on averages. Mr. Cameron said yes. When asked about why the bottom of the range moves up as well, Mr. Cameron stated the ranges are about 40 percent apart to ensure no one falls out of the range. Ms. Whitmarsh stated the range mirrors the Washington Management Service (WMS) and Exempt Management Service (EMS) banding range. Mr. Sacks asked if moving the bottom of the range resulted in a pay increase to any staff. Mr. Cameron stated that it did not.

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. Treasurer McIntire seconded, and the motion carried unanimously.

[David Nierenberg arrived at 8:42 a.m.]

PUBLIC COMMENT POLICY AND PROCESS

Mr. Phillips gave a report on the options on procedures for considering public comment as part of the WSIB's public meetings. He referenced the WSIB policies and the Open Public Meetings Act (OPMA), stating the WSIB has traditionally included public comment as part of its full Board meetings. The OPMA does draw a distinction between public meetings and public hearings. With hearings, the Board or Committee is seeking public comment as direct input in making its decisions. With open public meetings, the Board is conducting business in public and allowing for public comment as part of that process.

[Judy Kuschel arrived at 8:55 a.m.]

Mr. Phillips stated the law specifies that no one can be compelled to sign in simply to attend a public meeting. Sign-in cannot be a requirement of attendance; however, the law gives the WSIB authority require sign-in for anyone wishing to provide public comment.

Mr. Masten stated that his original question was whether or not to allow for public comment at Committees. He stated he did not want to open up comment to Committees, as it is not where decisions are made. The public should testify before the full Board, after approval of minutes, so their comments are heard by the Board before any action is taken on agenda items. Mr. Masten further added he would leave it up to the Board Chair to have control over the timing.

Treasurer McIntire said comment at the Committee meetings may be appropriate, as it is a time for gathering of information and framing decisions that are put before the Board. He added that time should not be set aside on the agenda, but it should be at the discretion of the Committee Chair whether or not take public comment along with setting the length of time.

Chair Frost said she favored guidelines that can be shared with people who notify the WSIB about wanting to come and speak before the Board. She said quorum issues frequently occur, and if public comment were to extend into several hours, it would be problematic for getting the business of the Board completed.

Mr. Sacks agreed with Mr. Masten on comment at full Board meetings, stating the public comment has been going well. He said that if people are going to take the time to come before a Committee, to respect them and give them time to be heard is critically important. Mr. Sacks stated he leans toward allowing the Committee chairs, on a case-by-case basis, to make decisions about accepting public comment. Public comment should be germane to the agenda. Mr. Sacks said the recommendations for procedures should be considered as guidelines for the Board and Committee Chairs to follow at their discretion.

Mr. Masten stated the Chair already has the ability to limit comment to agenda items and limit time as well. He reiterated that public comment should be at the Board level so comments are heard by everyone.

Ms. Whitmarsh stated it would be helpful to get some clarification on one of the specific options given, which is the sign-in option. She asked if there was any preference to an online sign-up opportunity, with the option to sign in the day of the meeting. Mr. Phillips stated the online sign-up would be a convenience to the presenter and is in addition to the sign-in the day of the meeting.

Ms. Whitmarsh asked if there was a preference to have public comment at a certain point in the agenda. Mr. Masten said normally it is done after the minutes are approved. Chair Frost agreed with Mr. Masten.

Mr. Sacks commented the online sign-up is fine, with the one caveat that if someone does sign up online, they come to the meeting with the expectation that they are speaking.

Ms. Whitmarsh said that staff is able to adjust the agenda at the last minute but asked for the Board's patience when time extends past the meeting end time.

[Jeff Seely arrived at 9:17 a.m.]

Mr. Masten moved that we not allow public comments at Committee meetings. Chair Frost seconded the motion.

Treasurer McIntire stated he would not be in favor of the motion, saying it should be at the discretion of the Chair.

Mr. Sacks agreed with Treasurer McIntire.

Treasurer McIntire and Mr. Sacks opposed the motion.

The above motion failed.

Ms. Whitmarsh confirmed with the Committee Chair that public comment will now extend to 20 minutes.

Mr. Phillips stated he will place language on the website that allows for the online sign-up, along with tips on how to be an effective presenter.

NON-VOTING BOARD MEMBER DISCUSSION

Chair Frost gave a brief update on the non-voting Board member status, stating Messrs. Muhlebach and Longbrake have terms that are expired. She added that Messrs. Nakahara and Seely have terms that will expire at the end of 2016.

The Board policy calls for doing an open recruitment after 2 consecutive terms. The process has been informal, with no active recruitment activities in the past. Chair Frost stated the open recruitment has not produced many candidates. She suggested working more proactively to see who may have interest. Chair Frost recommended the new process be implemented and asked Administrative Committee members to be a part of the process.

Chair Frost suggested looking at candidates over the next 2 months and setting up informal meetings with interested Committee members, in order to bring a qualified list to the Board. She said the goal would be to have candidates by September or October.

When asked, Chair Frost stated the expired terms will continue until the next appointment is made. Discussion followed on the issue of concurrent and staggered terms.

OTHER ITEMS

There was no further business to come before the Committee, and the meeting adjourned at 9:27 a.m.