

**DRS Advisory Committee
Meeting Minutes
November 1, 2013**

Chair Nancy Baldwin called the meeting to order at 9:30 a.m.

Committee Members Present: Nancy Baldwin, Bill Copland, Jeff DeVere, Bev Hermanson, Cheri Ingersoll, Rick Jensen, Mark Mears, Jacque Meddles, John Payne, Mary Sherman, Michael Trickey, Deirdre Walker, Dick Warbrouck, and Kathy Whitlock

Also Present: Marcie Frost, Matt Smith, Phil Paroian, Mark Feldhausen, Dave Nelsen and Wilma Eby - Names of other individuals attending the meeting are listed in the permanent record.

Introductions

Director Marcie Frost introduced Bev Hermanson, new committee member representing members of the Public Employees' Retirement System.

Approval of Minutes

Dick Warbrouck made a motion, seconded by Bill Copland, to approve the April 26, 2013 meeting minutes as submitted. The motion passed unanimously.

Director's Report

Director Marcie Frost provided an update on DRS operations – the agency is moving into its fourth year of significant organizational change. She noted the agency's customer satisfaction criteria of respectful, responsive and right. All agency leaders are conducting monthly phone interviews with recent retirees, asking for feedback on their experience in the retirement application process. 622 interviews have been conducted since March 2013. This moves the organization to viewing everything we do through the customer's eyes. Changing the emphasis from customer service to customer satisfaction keeps the focus on customer needs and ensuring that team members are successful in meeting those needs.

The agency is also continuing to measure success through quarterly reviews of the management system with all agency leaders. Measures that are in red give the agency actionable data to look for root causes and solve problems. Teams across the agency are now taking the highest level measures and identifying sub-processes, gathering baseline information and setting targets for their own work groups.

Focus Areas

Washington State Pensions Overview

State Actuary Matt Smith provided an overview of the Office of the State Actuary's (OSA) role in pension management. The mission of the OSA is to "promote the security of state retirement benefits by providing expert, accurate and objective actuarial and policy analysis." Mr. Smith also provided an update on the state of Washington State pensions. Washington's plans are among the best funded systems nationally and Washington State is a national leader in pension policy with major reforms that began in 1977. He noted that different entities measure the funded

status of a plan in different ways, which is why some show a lower funding ratio. Different methods are appropriate for different purposes. An interagency group is developing and testing the new accounting standards that become effective next year. That group will also develop a communications strategy to help stakeholders understand the different measurements and purpose of those measurements. He stated that planning for the future health of Washington State pensions requires consistent, stable and adequate funding and that it's important to stay on track with the funding method adopted by the legislature in 2009.

Investment Performance

Phil Paroian, Washington State Investment Board (WSIB) Senior Investment Officer for Public Equity, presented information about investment returns and market values for the Plan 3 programs and the Deferred Compensation Program (DCP). He also reviewed the changes made to the retirement strategy funds as of the end of September, which should address performance issues.

Benchmarking Analysis

Mark Feldhausen, Budget and Benchmarking Director, summarized the most recent report from CEM Benchmarking. In Fiscal Year 2012, 61 pension systems participated in the survey. The results show that DRS has consistently been lower cost than its peers while maintaining high service scores. The report also showed that while DRS spends 16 percent less on Information Technology than the peer median, its systems score as more capable than the peer average. DRS' actual cost is \$60 per member versus a predicted cost of \$88 per member. Mr. Feldhausen noted that an additional benefit of participating in the survey is receiving best practice information from other pension systems.

Pension Legislation

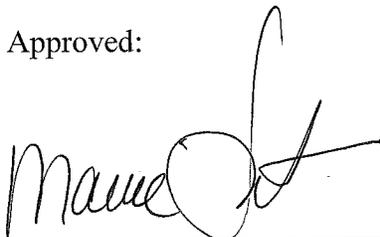
Dave Nelsen, Legal and Legislative Services Manager, provided information about the pension legislation being discussed by the Select Committee on Pension Policy and the LEOFF 2 Retirement Board in preparation for the 2014 legislative session.

Round Table and Agenda Setting

Dick Warbrouck reported that he has brought to the attention of the Select Committee on Pension Policy his proposal to establish a plan that would allow retirees to contribute part of their pension benefit into an investment vehicle managed by the State Investment Board.

With no additional business, the meeting adjourned at 11:55 a.m.

Approved:



Marcie Frost, Director


Nancy Baldwin, Chair