



STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS
PO Box 48380 • Olympia WA 98504-8380 • (360) 664-7000 • Toll Free 1-800-547-6657

**DRS Advisory Committee
Meeting Minutes
November 2, 2012**

Chair Nancy Baldwin called the meeting to order at 9:35 a.m.

Committee Members Present: Nancy Baldwin, Rick Jensen, Pat McElligott, Mark Mears, John Payne, Darrell Heisler, Cheri Ingersoll, Mary Sherman, Dick Warbrouck, Kathy Whitlock, William Copland, Michael Trickey, and E.J. Swainson

Also Present: Steve Hill, Marcie Frost, Matt Smith, Dave Nelsen, Shawn Merchant, David Brine, Phil Paroian and Wilma Eby

Introductions

Deputy Director Marcie Frost introduced three new committee members – Judge Michael Trickey, representing members of the Judicial Retirement System, Lieutenant E.J. Swainson, representing active members of the Washington State Patrol Retirement System and Bill Copland, representing active members of the Public Safety Employees' Retirement System.

Approval of Minutes

Darrell Heisler made a motion, seconded by John Payne, to approve the May 11, 2012 meeting minutes as submitted. The motion passed unanimously.

Director's Report

Steve Hill, Department of Retirement Systems (DRS) Director, thanked members for their commitment to attending meetings and participating in the discussions. He set a tone for the meeting and framed the agenda by expressing his pride in serving the state and the long history of solid and responsible management of pensions in Washington State. He also expressed his appreciation for the long history of DRS employees' strong customer orientation and the way they relate to their work. However, he noted that DRS team members are continually working to improve service. He recognized Marcie for the way she is leading the agency through a culture change.

Steve introduced Phil Paroian, Washington State Investment Board (WSIB) Senior Investment Officer for Public Equity, who discussed the Socially Responsible Investment (SRI) Option for Plan 3 and the Deferred Compensation Program (DCP). The current SRI manager contract expires on June 30, 2013. The WSIB is conducting a search and is now interviewing two finalists. The Public Markets Committee will make a recommendation to the full board at the February 2013 meeting.



Focus Areas

The State of the State's Pensions

Matt Smith, State Actuary, provided information about the health of the Washington State retirement plans and provided education about systematic actuarial funding, actuarial cost methods, funded status and unfunded actuarial accrued liability. Nationally, Washington State is one of the top three for funded status and, according to a Bloomberg survey, the State Investment Board's ten-year returns through June 2010, after fees, are the best for public pension funds with more than \$20 billion in assets. Washington State has also been a leader in pension reform with the creation of Plan 2 with age 65 normal retirement age and the hybrid plans (Plan 3). Other states are now implementing some of these same reforms.

Matt also shared information about proposed contribution rates and future rate increases expected. He discussed litigation risks and potential impacts of court cases to funded status. For future planning, he noted the need to apply lessons learned, and stated "pension plans require consistent, stable and adequate funding to remain affordable."

Business Mapping

Marcie Frost, DRS Deputy Director, shared information about the agency's culture change and the work to implement a new management system that creates a single owner to watch over a process across the agency and provides all team members a clear line of sight to the agency's goals. Team members need that understanding to be fully engaged and accountable for making decisions at the point of service. She discussed the efforts to make the change from leaders who historically worked as knowledge workers to leaders who coach and develop team members who are able to solve issues and initiate improvements that add value from the customer perspective.

Marcie shared information about the development of the agency's fundamentals map that clearly shows all business processes and performance targets for those processes. All agency leaders will participate in quarterly target review meetings to discuss constraints and recognize accomplishments. Marcie shared several slides from the first review.

Marcie also shared how DRS is using the lean principles with team members trained as Green and Black Belts who are focused on solving problems with the highest customer value and the primary constraints to customer satisfaction.

Pension Legislation

Dave Nelsen, DRS Legal and Legislative Services Manager, provided an update on the Select Committee on Pension Policy (SCPP) discussions and reports in preparation for the 2013 legislative session.

New Business

2013 Meeting Schedule

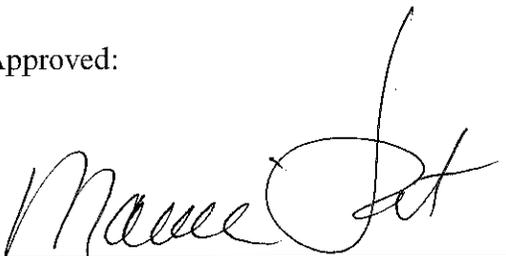
Dates proposed were May 10 and November 1, 2013. However, due to schedules a poll will be sent to committee members to find a new date for the May meeting. The new date scheduled is April 26, 2013.

Agenda Setting

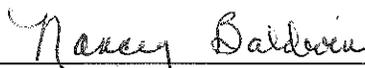
Suggestions for the next meeting agenda included an update from the WSIB on investment performance, and a briefing on the option of extending the Deferred Compensation Program to retirees, along with a pension legislation update.

With no additional business, the meeting adjourned at 12:00 p.m.

Approved:



Marcie Frost, Deputy Director



Nancy Baldwin, Chair