



STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS
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**DRS Advisory Committee
Meeting Minutes
May 11, 2012**

Vice Chair John Payne called the meeting to order at 9:30 a.m.

Committee Members Present: John Payne, Michael Heavey, Darrell Heisler, Cheri Ingersoll, Eva Jean Shamley, Mary Sherman, Michael Turcott, Dick Warbrouck, Deirdre Walker and Kathy Whitlock

Also Present: Marcie Frost, Dave Nelsen, Allyson Tucker, Bill Kennett, Jennifer Freeze, Shawn Merchant and Wilma Eby

Approval of Minutes

Dick Warbrouck made a motion, seconded by Kathy Whitlock, to approve the November 18, 2011 meeting minutes as submitted. The motion passed unanimously.

Deputy Director's Report

Marcie Frost, Department of Retirement Systems (DRS) Deputy Director, reported that the agency launched the Online Retirement Application at the end of March. DRS is asking users for feedback. Work is progressing on phase 2 of the project which will include enhancements and the ability to generate an online retirement benefit estimate.

DRS recognizes the growing and changing customer needs and the agency's ability to meet those needs. The challenge is to manage the back office work with the complexity of the interaction with customers. The agency is researching workflow models from other organizations: Oregon PERS, Weyerhaeuser, and the Washington State Employee's Credit Union to investigate best practices. Marcie will provide a more in depth report on this work at the November meeting.

Marcie also discussed the agency's work to find new ways to reach out to retirement system members at different stages of their career, including the use of social media to connect for information and messaging.

Marcie reported that the administrative and investment management fees the Washington State Investment Board (WSIB) charges for managing the Plan 3 programs and the Deferred Compensation Program (DCP) will decrease from .0179 percent to .0174 percent for fiscal year 2013.



Focus Areas

Investment Performance

Allyson Tucker, Washington State Investment Board (WSIB) Assistant 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). She noted that the U.S. Large Stock Fund has outperformed its benchmark for the quarter, one year, three year and five year time frames. Other funds are also performing in line with benchmarks. Growth rates in Europe and emerging markets are slowing down; the market volatility is expected to continue for some time.

Allyson also noted that the Total Allocation Portfolio (TAP) posted good returns but is lagging its passive benchmark. This is not unexpected since the Commingled Trust Fund (CTF) is not built for quarterly performance. For the quarter, the Retirement Strategy Funds outperformed their benchmark, although the funds underperformed on a one year basis. Since inception, the funds have outperformed their benchmark.

WSIB Fixed Income Program

William Kennett, WSIB Senior Investment Office, Fixed Income, provided information about the Fixed Income program, portfolios, strategies, risk and return. He has 20 years of experience as an investment officer and for 16 years has been the Senior Investment Office for Fixed Income. Ten members of the Fixed Income unit manage approximately \$29 billion in assets.

Pension Legislation

Dave Nelsen, DRS Legal and Legislative Services Manager, reported on the pension bills that passed in the 2012 Legislative session and were signed by the Governor.

Online Retirement Application

Jennifer Freeze, DRS Business Analyst, gave a presentation on the new Online Retirement Application (ORA) implemented on March 29, 2012. Retirement system members can apply online, at their convenience, for a service retirement. The online application prefills information, provides calculators that use the member's actual data and provides education information for the member's specific system and plan. Of the 751 service applications submitted in April, 81 were submitted with the new online application.

New Business

Public Safety Employees' Retirement System (PSERS) Representative Appointment

Advisory Committee members reviewed the two applications for a PSERS representative on the committee.

Dick Warbrouck made a motion, seconded by Kathy Whitlock, to offer the appointment to William Copland, PSERS member from Department of Corrections. The motion passed unanimously.

Agenda Setting

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Suggestions for the November meeting agenda included presentations from Theresa Whitmarsh, Director, Washington State Investment Board, Matt Smith, State Actuary and information about the Deferred Compensation Program, along with updates on the agency's Strategic Plan, Workflow Project and Benchmarking report.

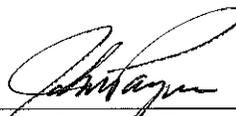
With no additional business, the meeting adjourned at 12:00 p.m.

The next meeting is scheduled for November 2, 2012, at 9:30 a.m. in the DRS boardroom.

Approved:



Steven R. Hill, Director



John Payne, Vice Chair