



STATE OF WASHINGTON  
DEPARTMENT OF RETIREMENT SYSTEMS

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**DRS Advisory Committee  
Meeting Minutes  
April 25, 2014**

**Committee Members Present:** Nancy Baldwin, Bill Copland, Jeff DeVere, Darrell Heisler, Cheri Ingersoll, Rick Jensen, Richard McDermott, Jacque Meddles, John Payne, Mary Sherman, Deirdre Walker, Dick Warbrouck, and Kathy Whitlock

**Also Present:** Marcie Frost, Theresa Whitmarsh, Fletcher Wilson, Mark Feldhausen, Dave Nelsen, Allyson Tucker, Harriet Jacobs, Jodi Yungdahl, George Pickett, David Brine, Shawn Merchant and Wilma Eby.

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

**Introductions**

Director Marcie Frost introduced Judge Richard McDermott, new committee member representing members of the Judicial Retirement System. Judge McDermott shared information about his career and his interest in participating on the committee. Ms. Frost also announced the reappointments of Mary Sherman and Mark Mears for another three-year term.

**Approval of Minutes**

Dick Warbrouck made a motion, seconded by Cheri Ingersoll, to approve the November 1, 2013 meeting minutes as submitted. The motion passed unanimously.

**Focus Areas**

**Washington State Investment Board Update**

Theresa Whitmarsh, Washington State Investment Board (WSIB) Director, provided an update on board activities. Over the past year, seven new board members were appointed. To ensure a smooth transition for this amount of turnover, it was important to work with the appointing authorities to educate them about board responsibilities in order to find the best candidates. WSIB staff also provided board member orientation and developed individual development plans for the new board members.

Ms. Whitmarsh reported that they crossed the \$100 Billion mark in total assets. The Comingled Trust Fund (CTF) totals \$75.4 Billion as of March 31, 2014. The board manages 33 different funds in 74 countries across 6 continents. The board chose to stay the course and did not make changes to the asset allocations through the great recession. She stated that a disciplined investment approach is critical to long term returns. The return since the inception of the CTF is 8.89 percent, the one year return is 13 percent. According to a report from the PEW Charitable Trusts, Washington State is one of the top four funded pension systems in the U.S.

Ms. Whitmarsh also provided information about small adjustments planned in asset allocations, management of the Real Estate investments and new projects for 2014.



Fletcher Wilson, WSIB Investment Officer, presented information about investment returns and market values for the Plan 3 programs and the Deferred Compensation Program (DCP). The DCP fund total is over \$3 Billion. He highlighted returns for the quarter, 1, 3 and 5 year timeframes. He reported that funds have, for the most part, been aligned with their benchmarks. The Social Balanced Fund is slightly lagging its benchmark over the trailing five year period. Since inception, several of the Retirement Strategy Funds have underperformed their benchmarks. Consequently, last year the board focused on the international equity component, which is present in each of the funds. After review, the decision was made to replace the active strategy component that was in place with a passive fund. The quarterly returns show the Retirement Strategy Funds more closely tracking their benchmarks.

### **Director's Report**

Director, Marcie Frost, provided information about DRS activities. DRS leaders continue to do monthly phone interviews with recent retirees, asking what the agency could do to ensure 100% satisfaction with the retirement process. Leaders have interviewed 1,150 retirees in the past 13 months. She discussed positive themes and opportunities for improvements. Retirements are increasing and the agency is always looking for process improvements in order to manage the workload. Phone interviews are also being conducted with employers and stakeholders.

Ms. Frost shared information about the agency's quarterly review of performance measure targets and team member engagement with submitting ideas for improvements and how those ideas are scored and prioritized for implementation.

Next steps are to stabilize the Contact and Processing Center reorganization and to "hold the gain" on lean improvements, making sure that improvements are fully implemented and standardized. The agency will also be submitting a decision package for the 2014 legislative session, requesting additional funding to build a new Employer Reporting Application.

### **CEM Benchmarking**

Mark Feldhausen, Budget and Benchmarking Director, summarized the most recent report from CEM Benchmarking. The report shows that DRS continues to be low cost, provides solid service, has cost-effective automated systems and is lower cost than its benchmark or predicted cost. He noted that DRS uses this data with customer feedback to identify lean and continuous improvement efforts.

### **Pension Legislation**

Dave Nelsen, Legal and Legislative Services Manager, provided information about pension bills passed in the 2014 legislative session. He also reported that the Supreme Court has not made a decision yet on the gain sharing and COLA litigation.

### **Round Table and Agenda Setting**

With no additional business, the meeting adjourned at 11:45 a.m.

Approved:



Marcie Frost, Director



Nancy Baldwin, Chair