

Washington State Department of Retirement Systems Employee Retirement Benefits Board

Regular Board Meeting May 26, 2009 Minutes

Chair Steve Hill called the meeting to order at 9:35 am. Board members present: Michael Coleman, Carol Jensen, Dorothy Kiest, Brian Talbott, and Kathy Whitlock.

Staff/resource personnel present: Assistant Attorney General Lara Zimmermann, Kris Heurich, Theresa Whitmarsh, Gary Bruebaker, Marcie Frost, Jeff Wickman, Cathy Cale and Wilma Eby. (Names of other attendees are not included in the minutes but are listed in the permanent record.)

Chair Steve Hill announced that Chet Griffith will not continue on the ERBB when his term ends on June 30, 2009.

A-1 Approval of Minutes – February 24, 2009

Dorothy Kiest made a motion, seconded by Carol Jensen, to approve the December 9, 2008 meeting minutes as submitted. The motion passed unanimously.

Public Comment:

A Deferred Compensation Program (DCP) participant sent an E-mail to the Department of Retirement Systems (DRS) requesting that the Employee Retirement Benefits Board (ERBB) consider an investment option of Treasury Inflation Protected Securities (TIPS) for DCP. The board had a short discussion about the option and requested that WSIB investment officers provide a report at a future ERBB meeting about conservative investment options offered for DCP and WSIB's review of a TIPS option.

Status Reports

B-1 Record Keeping Program Update

Kris Heurich, Senior Vice President, ICMA Retirement Corporation (ICMA-RC) provided a status report of the record keeping services for the Plan 3 programs through April 30, 2009. She reported fewer member activities than the same period in 2008. Overall, contacts to ICMA-RC are down about 21 percent. She reported that after first quarter statements were mailed in February, ICMA-RC had an increase in phone calls from PERS Plan 3 members wanting to speak to a service representative – possibly because this was the first quarter that showed the impact of market turmoil. The majority of member questions were about distribution options, initiating program to program transfers, internet assistance and investment fund options. She noted that that fund transfer activity was about 14 percent lower than the same time period in 2008. Fund transfers continued the trend of dollars moving into the money market and bond funds and out of the WSIB TAP fund into the self-directed program, although still a very small percentage of the dollars in the fund.

Ms. Heurich reported that ICMA-RC is working with DRS on a going green campaign, with the objective of moving more member transactions from paper to electronic format. An article about the campaign was in the first quarter 2009 Plan 3 newsletter. They have also added a special screen at login inviting members to receive their statements electronically. Almost 1,500 members have signed up for electronic confirmations of transactions and an additional 1,200 for electronic receipt of quarterly statements. Ms. Heurich reported that 5.7 percent of the Plan 3 self-directed program members receive their statement electronically, and 2.3 percent of Plan 3 members in the WSIB Total Allocation Program (TAP) receive statements electronically.

B-2 Defined Contribution Plans Investment Performance

Gary Bruebaker, Chief Investment Officer at the Washington State Investment Board, provided an investment performance report for the period ending March 31, 2009. While he noted it's not unusual to see negative numbers for the quarter, one-year and even five-year periods, it is unprecedented to see ten-year returns this bad. However, since March 31st, the S&P 500 is up 13.9 percent. The quarterly change market value of TRS Plan 3 is down \$285 million, PERS Plan 3 is down \$86 million and SERS Plan 3 is down \$94 million, all due to investment performance. However, the market value of DCP is up \$41 million. Mr. Bruebaker noted that the difference is that DCP has more money in the bond fund and savings pool. Fifty-five percent of the DCP assets are in those two options, which had positive performance in the first quarter. The Plan 3 programs had between 14 and 19 percent in those options. Mr. Bruebaker noted that although all funds had a negative return, the funds in the Plan 3 programs all met or outperformed their benchmark.

NOTE: Five board members were in attendance at the May 26, 2009 meeting. Assistant Attorney General Lara Zimmermann raised a concern that the five members at the meeting may not be a quorum for the purpose of taking action. She will research the issue and provide a recommendation to DRS.

B-3 Defined Contribution Plans Activity Report

Jeff Wickman, Senior Assistant Director of Policy at DRS, reported that the department is in the process of developing a Request for Proposal (RFP) for third party record keeping services for both Plan 3 and DCP. The current contracts end their 5-year cycle on June 30, 2010. The target date for publication of the RFP is July 6, 2009 with a projected contract effective date of January 2010. This would allow appropriate time to transfer Plan 3 and DCP member records if the procurement process results in the selection of a different record keeper.

B-4 Plan 3 Pension Legislation Report

Jeff Wickman summarized Plan 3 pension legislation passed in the 2009 legislative session.

- *House Bill 1551 Military Death Benefits* - This bill extends eligibility for an unreduced survivor benefit to members who leave employment and die during a period of war, while honorably serving in the National Guard or military reserves. This bill applies to the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), Law Enforcement Officers' and Fire

Fighters' Retirement System (LEOFF), Washington State Patrol Retirement System (WSPRS), and Public Safety Employees' Retirement System (PSERS). Signed into law by the Governor April 25, 2009. Effective July 26, 2009.

- *House Bill 1548 Interruptive Military Service* - This bill provides a total of five years of no-cost interruptive military service for members who provide proof to the Director of DRS that their interruptive military service was during a “period of war”, and that they initiated the process for re-employment with the same employer no later than 90 days from the date of their honorable discharge. The bill applies to members of PERS Plans 2 and 3, SERS Plans 2 and 3, TRS Plans 2 and 3, LEOFF Plan 2, WSPRS Plan 2, and PSERS. Survivors of eligible members and eligible members incapacitated as a result of their interruptive military service may also apply for the no-cost service credit. Members who paid for interruptive military service credit can receive a refund of the contributions paid. Signed into law by the Governor April 24, 2009. Effective July 26, 2009.
- *Engrossed Substitute Senate Bill 5238 Mailing Information to Members* - This bill authorizes DRS to assist with mailing information to certain members of the state retirement systems. Any organization that exclusively provides representation or services to retired members of the Washington State retirement systems and has membership dues deducted through DRS has a right to request DRS’ assistance in doing blind mailings two times per year. Mailings may not be for the purpose of supporting or opposing any political party, ballot measure, or candidate. The retiree organization must pay all costs related to preparing and delivering the materials. DRS must provide the requested retiree data for addressing the envelopes to the mail center under a secure data sharing agreement with the mail center. This agreement must provide that the retiree organization or any other entity does not have direct access to retirees’ names or addresses. DRS has no obligation to approve or disapprove, or in any other way take responsibility for, the content of the mailings. Signed into law by the Governor April 8, 2009. Effective July 26, 2009.

Action Item

C-1 Ratification of Investment Management Fees/WSIB Operating and Expense Charges

Theresa Whitmarsh, WSIB Executive Director, requested support and ratification of the Plan 3 and DCP annual operating and investment management fees that will take effect July 1, 2009. The combined fee of .0265 percent includes the proposed administrative fee of .0230 percent and the investment management fee of .0035 percent. The combined fee increase will be .0111 percent or \$403,016 annually. The administrative fee increase is due to funding levels that WSIB received for the 2009-2011 biennial budget. The investment management fee is for manager searches and payments for proxy voting services.

Kathy Whitlock made a motion, seconded by Michael Coleman, to ratify the WSIB combined administrative and investment management fee of .0265 percent. The motion passed unanimously.

C-2 Vice-Chair Election

Kathy Whitlock nominated Judi Owens as Vice-Chair and reported that she had received Judi's approval of the nomination.

Kathy Whitlock made a motion, seconded by Carol Jensen, to appoint Judi Owens as Vice Chair of the ERBB. The motion passed unanimously.

Board Report

D-1 September 22, 2009 – Tentative Agenda

Chair Steve Hill reviewed the proposed agenda for the September 22, 2009 meeting. The board requested the addition of a report from WSIB on conservative investment options offered for Plan 3 and DCP. With no further business, the meeting adjourned at 10:30 a.m.

Approved:

Steven R. Hill
Chair