

WASHINGTON COUNTIES INSURANCE FUND/POOL
COMBINED BOARD MEETING MINUTES

Thursday, March 16, 2006
Red Lion Hotel at the Park
Spokane, Washington

BOARD MEMBERS PRESENT:

Dwight Robanske, Columbia County Commissioner, WCIF Vice Chair
Dean Burton, Garfield County Commissioner
Mac McDowell, Island County Commissioner
Alan Crankovich, Kittitas County Commissioner
Rich Graham, Lewis County Commissioner
Ken Oliver, Pend Oreille County Commissioner
George Trott, Wahkiakum County Commissioner, WCIF Chair
Dave Carey, Walla Walla County Commissioner
Jerry Finch, Whitman County Commissioner
Elaine Croteau, Kitsap County Health District
Paul Eichenberg, Spokane Library District, WCIP President
Belinda Price, Olympic Area Agency on Aging, WCIP Vice President

Absent: Max Benitz, Benton County Commissioner
Jeff Rasmussen, Cowlitz County Commissioner
Pat Hamilton, Pacific County Commissioner
Sandy Ward, Behavioral Health Resources

OTHERS PRESENT:

Dick Toft, Island County Alternate
Jay Winter, Walla Walla County Alternate
Nadya DeGrande, Cowlitz County Alternate
Lisa Heinrich, Columbia County Alternate
Mark Fukuhara, WCIF Executive Director
Rita Fanning, WCIF Deputy Director
Krista Whitaker, WCIF Benefits Manager
Kirk Andonian, Berg Andonian, Benefits Consultant
Eric Johnson, WSAC Assistant Executive Director

I. OPENING OF MEETING

Chair George Trott opened the WCIF Board meeting at 8:00 am and President Paul Eichenberg opened the WCIP Board meeting immediately thereafter. Introductions were made by everyone present.

II. RFP FOR MANAGEMENT INVESTMENT SERVICES (see written reports)

Presentations were made to the Board by the two finalists that responded to the RFP for Investment Management Services. Mike Welk from Strategic Capital Group based in Gig Harbor presented first and fielded questions from the Board. Next, Cotton Sears from Raymond James Financial Services with a local office located in Colfax gave his presentation. Cotton Sears also introduced Quentin Anderson from Eagle Asset Management Inc. who explained their role and approach as the investment managers for the WCIF/WCIP.

After the presentations by the two finalists, there was discussion by members of the WCIF and WCIP Boards as to the merits of each firm's presentations.

Motion was made by Mac McDowell and seconded by Dean Burton to select Raymond James Financial Services as the investment manager for the WCIF. Motion carried with Nadya DeGrande dissenting.

Rich Graham raised a concern that the WCIP and WCIF Investment Policies were inconsistent in the period of time used to assess the performance of the investment management firm. The WCIP Investment Policy did not require the comparison to the performance of the LGIP over a 3 year period as stated in the WCIF Investment Policy. There was discussion of the merits of having consistent language in both organizations' investment policies, clarification of what the current language meant, and which investment policy should be changed.

Motion was made by Rich Graham and seconded by Dean Burton to change the WCIF Investment Policy to be consistent with the WCIP Investment Policy by eliminating any reference to performance over a three year period. Motion failed.

Motion was made by Mac McDowell and seconded by Dave Carey to change the WCIP Investment Policy to be consistent with the WCIF Investment Policy by adding language comparing performance over a three year period. Motion carried with Dean Burton dissenting.

There was discussion on determining the fee that Raymond James Financial Services would charge for the WCIP since its investment policy required 100% fixed investments. Cotton James had stated that the fee would be lower than stated in his proposal for the WCIF which included 20% equities but he needed to check on exactly how much lower the fee would be.

Motion was made by Dean Burton and seconded by Jerry Finch to select Raymond James Financial Services as the investment manager for the WCIP contingent upon the Executive Director negotiating a fee of .3% or less. Motion carried with Elaine Croteau dissenting.

III. APPROVAL OF MINUTES

The WCIP Board of Trustees and the WCIF Board of Directors reviewed the draft minutes for the meeting on January 18, 2006. Belinda Price pointed out a correction was needed to show her employer as the Olympic Area Agency on Aging.

Motion was made by Dave Carey and seconded by Dean Burton that the WCIF minutes for January 18, 2006 be approved as amended. Motion carried unanimously.

Motion was made by Dean Burton and seconded by Jerry Finch that the WCIP minutes for January 18, 2006 be approved as amended. Motion carried unanimously.

IV. EXECUTIVE DIRECTOR REPORT (see written reports)

Mark Fukuhara announced two items not included in his written report: 1) the ACE meeting in October has been changed from October 11 to October 18 and 2) reminded everyone that he is going to a NACO Health Symposium with Bill Vogler, WSAC Executive Director, from April 12-14 in Austin, Texas. Mark also explained that he had included a written report describing 2006 corporate goals and listed some potential long term goals that the WCIF and WCIP Boards may want to consider in future strategic planning discussions.

V. LEGISLATIVE REPORT (see written reports)

Eric Johnson, WSAC Assistant Executive Director, passed out an updated written report on the status of passed bills. He explained that the legislative session ended one day early on March 8, and the Governor has 20 days after delivery of bills to sign the bills, veto or let the bills go forward without her signature. Most bills will be effective June 7, 2006. If the Governor vetoes any of the bills that have an impact on the WCIF/WCIP, Eric will inform Mark Fukuhara who will then notify the Board members. Next year, WSAC will enhance their bill tracking by capturing information on dead bills whether they were good or bad for the WCIF/WCIP. Mark Fukuhara mentioned that he would be working with WSAC to develop written materials for the September 14 joint Board meeting describing expected bills to be considered during the 2007 legislative session that we may want to take a position on as well as a description of several legislative bills that we may want to present. Dean Burton expressed his appreciation to WSAC, in particular Eric Johnson and Jean Wessman, for doing an excellent job in the legislature on our behalf.

VI. BENEFITS CONSULTANT REPORT (see written report)

Kirk Andonian went over key portions of his written report: announced that RFPs will be issued soon for Long Term Care and Long Term Disability Insurance; described the impact of biotech drugs in coming years; expressed our intent to review pricing and benefits for an HSA plan effective January 1, 2007; and explained expectations for rate increases with the WCIP medical plans and WDS dental plans.

He explained that 2005 was a good year for the WCIP, WDS and VSP plans for a total surplus of about \$1.4 million. He also cautioned that although it may appear to be a large amount, \$1 million could quickly be depleted by as little as a single big claim/illness.

VII. FINANCIAL REPORTS (see written reports)

Rita Fanning gave an overview of the unaudited WCIF Financial Statements for the period ending December 31, 2005 which showed a net income of \$632,142 and reserves of more than \$4.3 million. The WCIF net income included the VSP refund of \$478,967 which will be used to purchase our share of a new office building. Operating expenses were 16% higher than budget due primarily to higher than anticipated travel and professional services expenses. These higher expenses were included in the 2006 Budget approved by the WCIF Board in November 2005.

Rita also gave an overview of the unaudited WCIP Financial Statements for the period ending December 31, 2005 which showed a net income of \$1.2 million and reserves of more than \$5.4 million.

Rita announced that the State Auditor Office (SAO) completed its review of our financial statements and we again had clean audits for the WCIF and WCIP. We expect to receive the audit reports in April at which time we will distribute copies to our participating employers.

Motion was made by Dave Carey and seconded by Mac McDowell to accept the WCIF financial reports as submitted for the period ending December 31, 2005. Motion carried unanimously.

Motion was made by Dean Burton and seconded by Jerry Finch to approve the WCIP financial reports as submitted for the period ending December 31, 2005. Motion carried unanimously.

Rita Fanning explained that the WCIP Board was informed at the January 18, 2006 meeting of our intent to open an account with the Local Government Investment Pool (LGIP) to take advantage of higher interest rates. However, in order to set up an LGIP account, a Resolution by the WCIP Board is required.

Motion was made by Dean Burton and seconded by Rich Graham to approve the execution of a Resolution authorizing investment of WCIP monies in an LGIP account. Motion carried unanimously.

VIII. BENEFIT CONSULTING SERVICES – STRATEGY GOING FORWARD (see written report)

Mark Fukuhara went over the alternatives for handling benefit consulting services after Berg & Andonian, Inc. terminates its contract effective May 31, 2006. The first

issue is whether to find a new benefits consultant now or wait until later in the year. The WCIF staff recommended to delay issuing an RFP for a new benefits consultant until after decisions are made regarding the 2007 renewals and to allow the Executive Director to negotiate directly with a consulting firm for assistance with the WCIP medical plans' renewals. Consulting firm expenses are borne equally by the WCIF and WCIP.

Motion was made by Dean Burton and seconded by Ken Oliver for the WCIF to have the Executive Director negotiate directly with a benefit consulting firm to handle the 2007 WCIP renewal. Motion carried with one dissenting vote.

Motion was made by Dean Burton and seconded by Belinda Price for the WCIP to have the Executive Director negotiate directly with a benefit consulting firm to handle the 2007 WCIP renewal. Motion carried unanimously.

IX. New Business or Announcements

Mark Fukuhara explained that the next Board meeting on August 17 has been changed to a joint WCIF/WCIP Board Meeting. In addition to establishing the WCIP rates for 2007, the Boards will be addressing the performance evaluation of the Executive Director and discussing long term goals.

X. ADJOURNMENT

The meeting was adjourned at 10:50 am.

MINUTES APPROVED August 17, 2006 by WCIF and WCIP Boards

George Trott, WCIF Chair

Dwight Robanske, WCIF Vice Chair

Paul Eichenberg, WCIP President

Belinda Price, WCIP Vice President