

WASHINGTON COUNTIES INSURANCE FUND  
BOARD MEETING MINUTES

Friday, November 18, 2005  
Red Lion at Columbia Center in Kennewick  
Kennewick, Washington

BOARD MEMBERS PRESENT:

Max Benitz, Benton County Commissioner  
Dwight Robanske, Columbia County Commissioner  
Dean Burton, Garfield County Commissioner  
Mac McDowell, Island County Commissioner  
Alan Crankovich, Kittitas County Commissioner  
Pat Hamilton, Pacific County Commissioner  
Dave Carey, Walla Walla County Commissioner  
Jerry Finch, Whitman County Commissioner, Chair

Absent: George Trott, Wahkiakum County Commissioner, Vice-Chair  
Rich Graham, Lewis County Commissioner

OTHERS PRESENT:

Dick Toft, Island County Alternate  
Larry Grove, Lewis County Alternate  
Lisa Heinrich, Columbia County Alternate, Accounting Manager  
Melina Wenner, Benton County Personnel Manager/Risk Manager  
Mark Fukuhara, WCIF Executive Director  
Rita Fanning, WCIF Deputy Director  
Joe Berg, Berg Andonian, Benefits Consultant  
Brad Houle, Davidson Investment Advisors, CFA  
Steven Levold, D.A. Davidson & Co., Financial Consultant

I. OPENING OF MEETING

Commissioner Jerry Finch opened the WCIF Board meeting at 9:02 am and introductions were made by everyone present.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for the WCIF meeting on September 15, 2005.

Motion was made by Dean Burton and seconded by Dave Carey that the WCIF minutes for September 15, 2005 be approved as submitted. Motion carried unanimously.
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### III. EXECUTIVE DIRECTOR REPORT (see written report)

Mark Fukuhara gave an overview of his written report which included among other items, an update on an agreement with Berg Andonian Inc. for benefit consulting services, mailing of governance documents and receipt of a check for \$478,967 from VSP for reserves they had been holding on our behalf. He summarized the recent staff reorganization (see written report) and explained that it was his understanding that staff duties, job titles and salaries are his responsibility. He also gave an update on marketing activities and announced that Lisa Heinrich is an alternate for Columbia County which should be added to the list of Trustee alternates (see written report). He also reviewed the proposed 2006 meeting schedule (see written report) which after some discussion was approved by Trustees.

### IV. BENEFITS CONSULTANT REPORT (see written report)

Joe Berg gave an overview of the new products/services that his firm will be looking into over the next several months. There was discussion on long term care and long term disability as particular new products that would be of interest to counties. Berg Andonian will report back to the Board at its March 2006 meeting with recommendations on which products to solicit proposals for. The intent is to solicit proposals after March 2006 and make recommendations at the September 2006 joint WCIF/WCIP/IAC meeting.

### Item XI. Election of Officers (taken out of order)

Jerry Finch explained that George Trott would become the WCIF Chair and the Board needed to elect a Vice-Chair from eastern Washington.

Motion was made by Dean Burton and seconded by Pat Hamilton to nominate Dwight Robanske for Vice-Chair. Motion was made by Dave Carey and seconded by Dean Burton to close the nominations. Motions carried unanimously.

### V. INVESTMENT REPORT (see written reports)

Steve Levold of D.A. Davidson explained how his firm became involved with WCIF and the reasons for moving our investments to Davidson Investment Advisors several years ago. Brad Houle of Davidson Investment Advisors explained that our return on investment has been flat for 2005 and that he expected the bond market to continue to be weak in 2006. Our return net of all fees since April 2002 on an annualized basis has been 3.91% which has significantly outperformed the benchmark, which is the Local Government Investment Pool (LGIP). He did not recommend any changes to the bond portfolio but recommended that 20% of the portfolio be invested in a conservative dividend yield equity strategy which would require a change in the WCIF investment policy. Max Benitz asked about the discrepancy of approximately \$37,000 between the amount listed in our balance sheet versus the D.A. Davidson

report for the period ending September 30, 2005. Brad Houle explained they discovered a mistake which was corrected and reflected in their report but it was after our financial statements were issued.

The Trustees reviewed and discussed the Equity Guidelines section of the investment policy. In addition, they discussed whether it would be prudent to solicit proposals for an investment manager/advisor so that comparisons of strategy, fees and historical performance could be made.

Motion was made by Dean Burton with a friendly amendment by Max Benitz and seconded by Pat Hamilton to change the investment policy to state that up to 20% of the total portfolio may be invested in equities and to have the executive director issue an RFP/RFQ for investment management services. Motion carried unanimously.

#### VI. OFFICE PURCHASE JOINTLY WITH WCRP (see written report)

Mark Fukuhara gave an overview of the conservative assumptions used for the analysis comparing the cost of purchasing office space with continuing to lease and answered some of the questions from Trustees. Mark was not able to answer several questions from Mac McDowell regarding potential conflicts with WCRP in certain situations and explained that answers to these and other questions would come from final negotiations with WCRP.

Motion was made by Dean Burton and seconded by Mac McDowell to have the executive director continue to negotiate final conditions of the purchase including answers to questions posed by Trustees and present these terms to a special Board meeting via conference call for final approval. Motion carried unanimously.

#### VII. WSAC MARKETING & LOBBYING SERVICES (see written report)

Dean Burton excused himself from the meeting because he is the current President of WSAC. Before he left, Dean explained what had occurred the day before when WSAC's Board approved moving forward with the terms of the agreement. Two members of WSAC's Board abstained from voting for approval because of the stipulation that WSAC would grant exclusive endorsement of the WCIF/WCIP benefit plans.

Mark Fukuhara gave an overview of the draft agreement with WSAC. The Trustees discussed a number of concerns such as whether WSAC would lobby on our behalf for something that WSAC had the opposite position; whether the annual expense should be shared with WCIP; how the \$50,000 annual fee was determined and whether we could do as good or better by hiring our own lobbyist.

Motion was made by Dwight Robanske and seconded by Dave Carey to approve the agreement for WSAC Marketing and Lobbying services for a fee of \$50,000. Motion carried with Max Benitz and Pat Hamilton dissenting.

## VIII. APPROVAL OF NEW PARTICIPATING EMPLOYERS (see written report)

Mark Fukuhara gave an overview of his request that he be authorized to approve new participating employers rather than call a special Board meeting.

Motion was made by Dean Burton and seconded by Dwight Robanske to authorize the executive director to approve new participating employers that meet the requirements stated in the Trust Agreement and Bylaws when there isn't a Board meeting already scheduled before the effective date of the new employers' benefit plans. Motion carried unanimously.

## IX. WELLNESS PROGRAM (see written report)

Rita Fanning gave an overview and explained that no change was made in the budget for wellness grants. Staff will be providing training at the ACE meeting in April 2006 so some proposals will be received and approved thereafter.

## X. FINANCIAL REPORTS (see written reports)

Rita Fanning gave an overview of the financial reports for the period ending September 30, 2005. She pointed out that as described earlier in the meeting by the representative from D.A. Davidson, the assets with D.A. Davidson & Co. should be \$2,674,169.74 instead of the \$2,711,397.31 as shown in the written report. She explained that actual expenditures were more than budgeted for the reasons that were explained at the last Board meeting.

Larry Grove asked whether Board action was needed to approve an amended budget to reflect the projected actual expenditures in case it is needed by our auditor. Rita Fanning explained that our audit has different requirements compared to public entities such as counties and therefore, she did not think it was necessary for the Board to take any action.

Motion was made by Max Benitz and seconded by Dave Carey to accept the 3<sup>rd</sup> quarter financial statements as submitted with the correction made to reflect the appropriate amount with D.A. Davidson & Co. Motion carried unanimously.

Mark Fukuhara gave an overview on salaries and benefits which comprise more than half of the proposed 2006 Budget but are actually about 1% lower than this year. As Mark explained earlier in the meeting, salary increases were made differently than in the past by reflecting changes in staff responsibilities due to the recent reorganization as explained earlier in the meeting, applying a 3.6% CPI/COLA factor to salary schedules, and applying these salary changes from January rather than mid-year. Mac McDowell commented that he agreed with the overall methodology used for the 2006 budget but requested that the Board be presented with alternative methodologies at a meeting next year. Mark Fukuhara agreed to provide the Board with alternatives next

year so that appropriate review and approval can be given on such items as CPI/COLA prior to developing the salaries for the 2007 budget.

Rita Fanning explained large variances between line items in the 2006 Budget compared to expected 2005 expenditures. Two new expense items were for the WSAC Marketing and Lobbying Services that was approved earlier in the meeting and reserving for a replacement vehicle in the future. Without these 2 new expense items, the 2006 Budget was about 1% higher than expected 2005 expenses.

Motion was made by Dave Carey and seconded by Dean Burton to accept the proposed 2006 Budget as submitted. Motion carried unanimously.

#### XI. Election of Officers (Vice Chair)

Discussed and action taken out of order earlier on the agenda.

#### XII. New Business or Announcements

Mark Fukuhara explained that Cowlitz County offered WCIP medical plans to about 150 of their employees and therefore, were similar to some of our other counties that have a portion of their employees enrolled and have a seat on the WCIF Board. The Trustees had no objections to Mark contacting Cowlitz County to see if they wanted to designate one of their commissioners to a seat on our WCIF Board.

Jerry Finch suggested that we have future meetings in Kennewick at a different hotel. Max Benitz and Melina Wenner agreed to provide staff with alternative locations.

#### XIII ADJOURNMENT

The meeting was adjourned at 12:06 pm.

MINUTES APPROVED January 18, 2006 by WCIF Board

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George Trott, Chair WCIF

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Dwight Robanske, WCIF Vice Chair