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**SUBSTITUTE SENATE BILL 5590**

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**State of Washington**

**52nd Legislature**

**1991 Regular Session**

**By** Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators von Reichbauer and Pelz; by request of State Investment Board).

Read first time February 28, 1991.

1       AN ACT Relating to the administration of the state investment  
2 board; and amending RCW 43.33A.030, 43.33A.100, 43.33A.020, 43.33A.040,  
3 43.33A.110, and 43.33A.150.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       **Sec. 1.** RCW 43.33A.030 and 1981 c 3 s 3 are each amended to read  
6 as follows:

7       Trusteeship of those funds under the authority of the board is  
8 vested in the voting members of the board. All voting board members  
9 shall be administered an oath of office by the chairperson of the board  
10 that they will diligently and honestly administer the affairs of the  
11 board, will diligently fulfill their fiduciary duties as trustees, and  
12 will neither violate nor knowingly permit the violation of the  
13 provisions of this chapter and the laws of the state of Washington.  
14 The oath, and a copy signed by the board member upon administration,  
15 shall be on file with the secretary of the senate. No board member

1 shall undertake his or her duties until the oath has been administered.

2 The nonvoting members of the board shall advise the voting members on  
3 matters of investment policy and practices.

4 The board may enter into contracts necessary to carry out its  
5 powers and duties. The board may delegate any of its powers and duties  
6 to its executive director as deemed necessary for efficient  
7 administration and when consistent with the purposes of this 1980 act.

8 **Sec. 2.** RCW 43.33A.100 and 1981 c 219 s 3 are each amended to read  
9 as follows:

10 The state investment board shall maintain appropriate offices and  
11 employ such personnel as may be necessary to perform its duties.  
12 Employment by the investment board shall include but not be limited to  
13 an executive director, investment officers, and a confidential  
14 secretary, which positions are exempt from classified service under  
15 chapter 41.06 RCW. Employment of the executive director by the board  
16 shall be for a term of three years, and such employment shall be  
17 subject to (~~confirmation of the state finance committee~~) the consent  
18 of the senate: PROVIDED, That nothing shall prevent the board from  
19 dismissing the director for cause before the expiration of the term nor  
20 shall anything prohibit the board, with the confirmation of the state  
21 finance committee, from employing the same individual as director in  
22 succeeding terms. Compensation levels for the executive director and  
23 the investment officers employed by the investment board shall be  
24 established by the (~~state personnel~~) investment board.

25 As of July 1, 1981, all employees classified under chapter 41.06  
26 RCW and engaged in duties assumed by the state investment board on July  
27 1, 1981, are assigned to the state investment board. The transfer  
28 shall not diminish any rights granted these employees under chapter

1 41.06 RCW nor exempt the employees from any action which may occur  
2 thereafter in accordance with chapter 41.06 RCW.

3 All existing contracts and obligations pertaining to the functions  
4 transferred to the state investment board in this 1980 act shall remain  
5 in full force and effect, and shall be performed by the board. None of  
6 the transfers directed by this 1980 act shall affect the validity of  
7 any act performed by a state entity or by any official or employee  
8 thereof prior to July 1, 1981.

9 **Sec. 3.** RCW 43.33A.020 and 1985 c 195 s 1 are each amended to read  
10 as follows:

11 There is hereby created the state investment board to consist of  
12 (~~fourteen~~) eighteen members to be appointed as provided in this  
13 section.

14 (1) One member who is an active member of the public employees'  
15 retirement system and has been an active member for at least five  
16 years. This member shall be appointed by the governor, subject to  
17 confirmation by the senate, from a list of nominations submitted by  
18 organizations representing active members of the system. The initial  
19 term of appointment shall be one year.

20 (2) One member who is an active member of the law enforcement  
21 officers' and fire fighters' retirement system and has been an active  
22 member for at least five years. This member shall be appointed by the  
23 governor, subject to confirmation by the senate, from a list of  
24 nominations submitted by organizations representing active members of  
25 the system. The initial term of appointment shall be two years.

26 (3) One member who is an active member of the teachers' retirement  
27 system and has been an active member for at least five years. This  
28 member shall be appointed by the superintendent of public instruction

1 subject to confirmation by the senate. The initial term of appointment  
2 shall be three years.

3 (4) One member who is an active member of the state patrol  
4 retirement system and has been an active member for at least five  
5 years. This member shall be appointed by the governor, subject to  
6 confirmation by the senate. The initial term of appointment shall be  
7 three years.

8 (5) The state treasurer or the assistant state treasurer if  
9 designated by the state treasurer.

10 ~~((5) A member))~~ (6) Two members of the state house of  
11 representatives. ~~((This))~~ One member each shall be appointed by the  
12 ~~((speaker))~~ majority and minority caucuses of the house of  
13 representatives.

14 ~~((6) A member))~~ (7) Two members of the state senate. ~~((This))~~ One  
15 member each shall be appointed by the ~~((president))~~ majority and  
16 minority caucuses of the senate.

17 ~~((7))~~ (8) One member who is a retired member of a state  
18 retirement system shall be appointed by the governor, subject to  
19 confirmation by the senate. The initial term of appointment shall be  
20 three years.

21 ~~((8))~~ (9) The director of the department of labor and industries.

22 ~~((9))~~ (10) The director of the department of retirement systems.

23 ~~((10))~~ (11) The state actuary.

24 (12) Five nonvoting members appointed by the state investment board  
25 who are considered experienced and qualified in the field of  
26 investments.

27 The legislative members shall serve terms of two years. The  
28 initial legislative members appointed to the board shall be appointed  
29 no sooner than January 10, 1983. The position of a legislative member  
30 on the board shall become vacant at the end of that member's term on

1 the board or whenever the member ceases to be a member of the senate or  
2 house of representatives from which the member was appointed.

3 After the initial term of appointment, all other members of the  
4 state investment board, except ex officio members, shall serve terms of  
5 three years and shall hold office until successors are appointed.  
6 Members' terms, except for ex officio members, shall commence on  
7 January 1 of the year in which the appointments are made.

8 Members may be reappointed for additional terms. Appointments for  
9 vacancies shall be made for the unexpired terms in the same manner as  
10 the original appointments. Any member may be removed from the board  
11 for cause by the member's respective appointing authority.

12 **Sec. 4.** RCW 43.33A.040 and 1981 c 219 s 2 are each amended to read  
13 as follows:

14 (1) A quorum to conduct the business of the state investment board  
15 consists of at least ~~((four))~~ two-thirds of the voting members of the  
16 board ~~((before January 10, 1983, and five voting members thereafter))~~.  
17 No action may be taken by the board without the affirmative vote of  
18 four members before January 10, 1983, and five members thereafter.

19 (2) The state investment board shall meet at least quarterly at  
20 such times as it may fix. The board shall elect a chairperson and vice  
21 chairperson annually: PROVIDED, That the legislative members and other  
22 members elected on a state-wide basis, including the state treasurer  
23 are not eligible to serve as chairperson.

24 (3) If an appointed member of the board fails to attend the  
25 meetings of the board for three consecutive regularly scheduled  
26 meetings without valid excuse, he or she shall be considered as having  
27 resigned, and the board shall declare his or her office vacated as of  
28 the date of the adoption of a proper resolution.

1       **Sec. 5.** RCW 43.33A.110 and 1989 c 179 s 1 are each amended to read  
2 as follows:

3       (1) The state investment board may make appropriate rules and  
4 regulations for the performance of its duties. The board shall  
5 establish investment policies and procedures designed exclusively to  
6 maximize return at a prudent level of risk. However, in the case of  
7 the department of labor and industries' accident, medical aid, and  
8 reserve funds, the board shall establish investment policies and  
9 procedures designed to attempt to limit fluctuations in industrial  
10 insurance premiums and, subject to this purpose, to maximize return at  
11 a prudent level of risk. The board shall adopt rules to ensure that  
12 its members perform their functions in compliance with chapter 42.18  
13 RCW. Rules adopted by the board shall be adopted pursuant to chapter  
14 34.05 RCW.

15       (2) Prior to any discussion and vote of the state investment board  
16 or any of its designated committees, any potential direct or indirect  
17 conflict of interest shall be disclosed by the member and made part of  
18 the written minutes. Failure to disclose a potential or actual direct  
19 or indirect conflict of interest shall constitute a waiver of the  
20 immunity granted in RCW 43.33A.070.

21       **Sec. 6.** RCW 43.33A.150 and 1989 c 179 s 2 are each amended to read  
22 as follows:

23       (1) The state investment board shall prepare written reports at  
24 least quarterly summarizing the investment activities of the state  
25 investment board, which reports shall be sent to the governor, the  
26 senate ways and means committee, the house appropriations committee,  
27 the department of retirement systems, and other agencies having a  
28 direct financial interest in the investment of funds by the board, and  
29 to other persons on written request. The state investment board shall

1 provide information to the department of retirement systems necessary  
2 for the preparation of monthly reports.

3 (2) At least annually, the board shall report on the board's  
4 investment activities for the department of labor and industries'  
5 accident, medical aid, and reserve funds to the senate financial  
6 institutions and insurance committee, the senate ((economic  
7 development)) commerce and labor committee, and the house commerce and  
8 labor committee, or appropriate successor committees.

9 (3) At least annually, the board shall report to the governor, to  
10 the senate and house of representatives financial institutions and  
11 insurance committees, to all other agencies having a direct financial  
12 interest in the investment of funds by the board, and to other persons  
13 on written request on the board's activities with information on at  
14 least the following: (a) A full description of all investments and  
15 their actual costs and their market value, (b) a full description of  
16 all transactions, including gains and losses, (c) a description of  
17 investment income, (d) a description of all administrative expenses,  
18 (e) a list of each security broker and/or dealer with whom the board  
19 has dealt in the past year and the total transactions and commissions  
20 received by each on transactions with the board, and (f)  
21 recommendations for possible changes in the laws governing the board.