
SENATE BILL 5954

State of Washington 52nd Legislature 1991 Regular Session

By Senators von Reichbauer and Pelz.

Read first time March 29, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to financial decisions by the state investment
2 board; amending RCW 43.33A.030, 43.33A.100, 43.33A.020, 43.33A.040,
3 43.33A.110, and 43.33A.150; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature recognizes that the
6 investment of pensioner and other funds by the state investment board
7 is an important financial function that impacts the pecuniary interests
8 of both the pensioners and the state. As such, the legislature finds
9 that administrative flexibility and public accountability of the board
10 are necessary to maximize the investment return of funds overseen by
11 the board. By maximizing the investment return of these funds, it is
12 the intent of the legislature to reduce the need for appropriations
13 from the state general fund during the 1991-93 and subsequent biennia
14 to supplement inadequate investment returns.

1 **Sec. 2.** RCW 43.33A.030 and 1981 c 3 s 3 are each amended to read
2 as follows:

3 Trusteeship of those funds under the authority of the board is
4 vested in the voting members of the board. The chairperson of the
5 board shall administer an oath of office to all voting board members
6 that they will diligently and honestly administer the affairs of the
7 board, will diligently fulfill their fiduciary duties as trustees, and
8 will neither violate nor knowingly permit the violation of the
9 provisions of this chapter and the laws of the state of Washington.
10 The oath, and a copy signed by the board member upon administration,
11 shall be on file with the secretary of the senate. No board member may
12 undertake his or her duties until the oath has been administered. The
13 nonvoting members of the board shall advise the voting members on
14 matters of investment policy and practices.

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

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

21 The state investment board shall maintain appropriate offices and
22 employ such personnel as may be necessary to perform its duties.
23 Employment by the investment board shall include but not be limited to
24 an executive director, investment officers, and a confidential
25 secretary, which positions are exempt from classified service under
26 chapter 41.06 RCW. Employment of the executive director by the board
27 shall be for a term of three years, and such employment shall be
28 subject to ~~((confirmation of the state finance committee))~~ the consent
29 of the senate: PROVIDED, That nothing shall prevent the board from

1 dismissing the director for cause before the expiration of the term nor
2 shall anything prohibit the board, with the confirmation of the state
3 finance committee, from employing the same individual as director in
4 succeeding terms. Compensation levels for the executive director and
5 the investment officers employed by the investment board shall be
6 established by the ((~~state personnel~~)) investment board.

7 As of July 1, 1981, all employees classified under chapter 41.06
8 RCW and engaged in duties assumed by the state investment board on July
9 1, 1981, are assigned to the state investment board. The transfer
10 shall not diminish any rights granted these employees under chapter
11 41.06 RCW nor exempt the employees from any action which may occur
12 thereafter in accordance with chapter 41.06 RCW.

13 All existing contracts and obligations pertaining to the functions
14 transferred to the state investment board in this 1980 act shall remain
15 in full force and effect, and shall be performed by the board. None of
16 the transfers directed by this 1980 act shall affect the validity of
17 any act performed by a state entity or by any official or employee
18 thereof prior to July 1, 1981.

19 **Sec. 4.** RCW 43.33A.020 and 1985 c 195 s 1 are each amended to read
20 as follows:

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

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

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

7 (3) One member who is an active member of the teachers' retirement
8 system and has been an active member for at least five years. This
9 member shall be appointed by the superintendent of public instruction
10 subject to confirmation by the senate. The initial term of appointment
11 shall be three years.

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

17 (5) The state treasurer or the assistant state treasurer if
18 designated by the state treasurer.

19 ((~~(5)~~ A member)) (6) Two members of the state house of
20 representatives. ((This)) One member each shall be appointed by the
21 ((~~speaker~~)) majority and minority caucuses of the house of
22 representatives.

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

26 ((~~(7)~~)) (8) One member who is a retired member of a state
27 retirement system shall be appointed by the governor, subject to
28 confirmation by the senate. The initial term of appointment shall be
29 three years.

30 ((~~(8)~~)) (9) The director of the department of labor and industries.

1 (~~(9)~~) (10) The director of the department of retirement systems.
2 (~~(10)~~) (11) The state actuary.
3 (12) Five nonvoting members appointed by the state investment board
4 who are considered experienced and qualified in the field of
5 investments.

6 The legislative members shall serve terms of two years. The
7 initial legislative members appointed to the board shall be appointed
8 no sooner than January 10, 1983. The position of a legislative member
9 on the board shall become vacant at the end of that member's term on
10 the board or whenever the member ceases to be a member of the senate or
11 house of representatives from which the member was appointed.

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

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

21 **Sec. 5.** RCW 43.33A.040 and 1981 c 219 s 2 are each amended to read
22 as follows:

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

28 (2) The state investment board shall meet at least quarterly at
29 such times as it may fix. The board shall elect a chairperson and vice

1 chairperson annually(~~(: PROVIDED, That the legislative members are not~~
2 ~~eligible to serve as chairperson)~~). Only those members appointed to
3 represent specific retirement systems or retirees are eligible to serve
4 as chairperson or vice chairperson.

5 (3) If an appointed member of the board fails to attend the
6 meetings of the board for three consecutive regularly scheduled
7 meetings without valid excuse, he or she is considered as having
8 resigned, and the board shall declare his or her office vacated as of
9 the date of the adoption of a proper resolution.

10 **Sec. 6.** RCW 43.33A.110 and 1989 c 179 s 1 are each amended to read
11 as follows:

12 (1) The state investment board may make appropriate rules and
13 regulations for the performance of its duties. The board shall
14 establish investment policies and procedures designed exclusively to
15 maximize return at a prudent level of risk. However, in the case of
16 the department of labor and industries' accident, medical aid, and
17 reserve funds, the board shall establish investment policies and
18 procedures designed to attempt to limit fluctuations in industrial
19 insurance premiums and, subject to this purpose, to maximize return at
20 a prudent level of risk. The board shall adopt rules to ensure that
21 its members perform their functions in compliance with chapter 42.18
22 RCW. Rules adopted by the board shall be adopted pursuant to chapter
23 34.05 RCW.

24 (2) Before any discussion and vote of the state investment board or
25 any of its designated committees, any potential direct or indirect
26 conflict of interest shall be disclosed by the member and made part of
27 the written minutes. Failure to disclose a potential or actual direct
28 or indirect conflict of interest constitutes a waiver of the immunity
29 granted in RCW 43.33A.070.

1 **Sec. 7.** RCW 43.33A.150 and 1989 c 179 s 2 are each amended to read
2 as follows:

3 (1) The state investment board shall prepare written reports at
4 least quarterly summarizing the investment activities of the state
5 investment board, which reports shall be sent to the governor, the
6 senate ways and means committee, the house appropriations committee,
7 the department of retirement systems, and other agencies having a
8 direct financial interest in the investment of funds by the board, and
9 to other persons on written request. The state investment board shall
10 provide information to the department of retirement systems necessary
11 for the preparation of monthly reports.

12 (2) At least annually, the board shall report on the board's
13 investment activities for the department of labor and industries'
14 accident, medical aid, and reserve funds to the senate financial
15 institutions and insurance committee, the senate ((~~economic~~
16 ~~development~~)) commerce and labor committee, and the house commerce and
17 labor committee, or appropriate successor committees.

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