
HOUSE BILL 1937

State of Washington 53rd Legislature 1993 Regular Session

By Representatives Anderson, Valle, Wang, Springer, Sheldon, King, Johanson and Karahalios; by request of State Treasurer

Read first time 02/17/93. Referred to Committee on State Government.

1 AN ACT Relating to conflicts of interest and ethical conduct by
2 members and employees of the state investment board; adding new
3 sections to chapter 43.33A RCW; and prescribing penalties.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that the trusteeship
6 and investment management of the state's trust and retirement funds
7 demand the highest degree of confidence from the beneficiaries of the
8 funds and the public in general, that the state investment board has
9 made significant progress in restoring public trust in its operation,
10 and that the establishment of statutory standards regarding conflict of
11 interest and ethical conduct will further promote and sustain public
12 trust and maintain integrity in government.

13 NEW SECTION. **Sec. 2.** Unless the context clearly requires
14 otherwise, the definitions in this section apply throughout this
15 chapter.

16 (1) "Board" means the state investment board created under RCW
17 43.33A.020.

1 (2) "Member" means those individuals appointed to the state
2 investment board.

3 (3) "Staff" means those persons employed by the state investment
4 board under RCW 43.33A.100.

5 (4) "Permissible investments" means any mutual fund, deposit
6 account, certificate of deposit, or money market fund maintained with
7 a bank, broker, or other financial institution, any security publicly
8 traded in an organized market, or an interest in real estate unless
9 such interest involves a related party transaction.

10 (5) "Other investment" means any investment not defined as a
11 permissible investment.

12 (6) "Immediate family" means the spouse, dependent children, other
13 dependent relatives if living in the household, and any other household
14 member, whether or not related.

15 NEW SECTION. **Sec. 3.** (1) No member or staff may receive, accept,
16 seek, or solicit, directly or indirectly, any thing of economic value,
17 defined in RCW 42.18.140, as a gift, except as permitted by Executive
18 Order 93-02, 1993, if the member or staff has reason to believe that
19 the donor:

20 (a) Would not have given the gift but for the member's or staff's
21 office or position with the board;

22 (b) Has or is seeking to obtain a contractual or other business or
23 financial relationship with the board; or

24 (c) Has interests which may be affected by the staff's or the
25 board's performance of its official duty.

26 (2) Members and staff may purchase permissible investments without
27 prior approval.

28 (3) No staff may or may permit any member of his or her immediate
29 family to purchase or sell any other investment without the prior
30 approval of the executive director or his or her designee. The
31 executive director shall not purchase or sell or permit any member of
32 his or her immediate family to purchase or sell any other investment
33 without the prior approval of the audit committee of the board. No
34 member may or may permit any member of his or her immediate family to
35 purchase or sell any other investment without the prior approval of the
36 audit committee of the board.

1 (4) No staff or member may participate in a leveraged buyout or
2 venture capital initial public offering as to which the board has an
3 interest until such shares are available to the general public.

4 (5) No member or staff may participate in any discussion or shall
5 vote in a matter before the board which involves a business, contract,
6 property, or other substantial investment, directly or indirectly, held
7 by such person if it is reasonably foreseeable that board action on the
8 matter would confer a benefit to such person by or through the
9 business, contract, property, or investment.

10 (6) No member or staff may participate in any discussion or may
11 vote in a matter before the board if such participation is motivated by
12 something other than the best interests of the board, its members, and
13 beneficiaries, in violation of that person's duty of loyalty.

14 (7) No member or staff may borrow from investment managers, outside
15 service providers, professional advisors or consultants, banks, or
16 other financial institutions with which the board has a business
17 relationship, except and unless such entities are normally engaged in
18 such lending in the usual course of their business, and then only on
19 terms offered to others under similar circumstances.

20 (8) Confidential information shall be used solely for the board's
21 purposes and under no circumstances revealed to unauthorized persons,
22 except as may otherwise be required to be disclosed as a public record
23 under the requirements of chapter 42.17 RCW.

24 (9) No member or staff may divulge state agency or board
25 information or proprietary information in the board's possession,
26 whether labeled confidential or not, to any unauthorized person or in
27 advance of the time prescribed for its authorized issuance, or
28 otherwise make use of, or permit others to make use of, information not
29 available to the general public.

30 (10) No member or staff may use his or her position or employment
31 with the board, or use board facilities, equipment, or supplies, to
32 obtain or attempt to obtain private gain or advantage, especially if a
33 detriment to the board will result.

34 (11) No member or staff may use his or her position or employment
35 with the board, or use board facilities, equipment, or supplies, to
36 assist another in a transaction involving the board, or use his or her
37 influence over the board to obtain or attempt to obtain a gain or
38 advantage for the person or entity seeking to transact business with
39 the board.

1 (12) No member or staff may, within a period of two years after
2 termination of such service or employment, appear before the board or
3 receive compensation for any services rendered for or on behalf of any
4 person, firm, corporation, or association in relation to any case,
5 proceeding, or application with respect to which such person was
6 directly concerned and in which that person personally participated
7 during the period of his or her service or employment.

8 (13) No member or staff may accept employment or engage in business
9 or professional activity which he or she might reasonably expect would
10 require or induce him or her to disclose confidential information
11 acquired by him or her by reason of his or her official position.

12 (14) No member or staff may have an account with an institutional
13 salesperson serving the state.

14 NEW SECTION. **Sec. 4.** The attorney general of the state of
15 Washington may bring a civil action in the superior court of the county
16 in which the violation was alleged to have occurred against any member
17 or staff, or former member or staff, who has knowingly violated any
18 provision of section 3 of this act and in such action may recover the
19 following damages on behalf of the state of Washington: (1) From each
20 person a civil penalty of either ten thousand dollars or an amount not
21 exceeding three times the economic value of anything received or sought
22 in violation of section 3 of this act; (2) any damages sustained by the
23 state that are caused by the conduct constituting the violation; and
24 (3) costs, including reasonable attorneys' fees.

25 NEW SECTION. **Sec. 5.** Any action taken under section 4 of this
26 act, to enforce any provision of section 3 of this act, shall be
27 commenced within the later of: (1) Five years from the date of the
28 alleged violation; or (2) two years from the date the alleged violation
29 was discovered or reasonably should have been discovered by the board.

30 NEW SECTION. **Sec. 6.** Nothing in sections 1 through 5 of this act
31 may be interpreted to prevent a member required or permitted to be
32 appointed from any identifiable group or interest from serving on the
33 board in accordance with the intent of the legislature in establishing
34 the board under this chapter.

1 NEW SECTION. **Sec. 7.** Sections 1 through 6 of this act are each
2 added to chapter 43.33A RCW.

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