

SSB 5192 - S AMD 50  
By Senator Zarelli

ADOPTED 03/10/2003

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The outlook for the state's pension system  
4 is dramatically affected by the performance of the state investment  
5 board. The recent performance of all pension funds throughout the  
6 country has resulted in a greater emphasis on investment expertise and  
7 accountability for investment decisions.

8 The legislature has determined that particular roles and  
9 responsibilities are appropriate for various members of the investment  
10 board. In delineating these roles and responsibilities, a system of  
11 accountability for performance is an essential element.

12 The legislature also finds that an examination of Washington  
13 investment opportunities within the context of Washington's overall  
14 investment strategy for diversification and maximizing returns is an  
15 appropriate role of the state investment board and that additional  
16 resources may be necessary to fully consider those investments.

17 NEW SECTION. **Sec. 2.** (1) The state investment board shall  
18 maintain a portion of the board's investment portfolio in the  
19 technology investment account, an account that shall be accounted for  
20 separately and apart from other moneys invested by the board.  
21 Investments from the account may be made in technology businesses.  
22 These investments may be made directly by the board or through the  
23 board's investment advisors, including venture capital firms. The  
24 earnings on the technology investment account must be accounted for  
25 separately from other investments made by the board.

26 (2) Investments under this section must be made in a manner  
27 consistent with investment or management criteria established by the  
28 board. In making investments of moneys in the technology investment

1 account, the primary investment objectives are to maximize return at a  
2 prudent level of risk, as required by RCW 43.33A.110, and to maintain  
3 a diversity of investment as required by RCW 43.33A.140. In choosing  
4 among equal investment opportunities that satisfy these investment  
5 objectives, the board shall give priority to those investments from the  
6 account that help attract or assist technology businesses in the state,  
7 including investments in technology businesses seeking to locate or  
8 expand in this state.

9 (3) The state investment board shall hire or designate from its  
10 current staff, at least one experienced full-time staff person to  
11 research, investigate, and recommend to the state investment board, if  
12 appropriate, and subject to the standards of investment and management  
13 under RCW 43.33A.110 and this section, investment opportunities in  
14 technology businesses that are located in, have a substantial  
15 employment base in, make a significant economic contribution to, or are  
16 seeking to locate or expand in, Washington state. The department of  
17 community, trade, and economic development is responsible for actively  
18 marketing the technology investment account to businesses seeking to  
19 locate or expand in Washington and shall work in conjunction with  
20 appropriate staff of the state investment board to coordinate  
21 information on technology businesses interested in locating or  
22 expanding in Washington.

23 (4) As used in this section "technology business" means a company  
24 that has as its principal function the providing of services including  
25 computer, information transfer, communication, distribution,  
26 processing, administrative, laboratory, experimental, developmental,  
27 technical, testing services, manufacture of goods or materials, the  
28 processing of goods or materials by physical or chemical change,  
29 computer-related activities, robotics, energy, biological or  
30 pharmaceutical industrial activity, or technology-oriented or emerging  
31 industrial activity.

32 **Sec. 3.** RCW 43.33A.020 and 2002 c 303 s 1 are each amended to read  
33 as follows:

34 There is hereby created the state investment board to consist of  
35 ((fifteen)) members to be appointed as provided in this ((section))  
36 chapter.

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

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

13       ~~(3) One member who is an active member of the teachers' retirement~~  
14 ~~system and has been an active member for at least five years. This~~  
15 ~~member shall be appointed by the superintendent of public instruction~~  
16 ~~subject to confirmation by the senate. The initial term of appointment~~  
17 ~~shall be three years.~~

18       ~~(4) The state treasurer or the assistant state treasurer if~~  
19 ~~designated by the state treasurer.~~

20       ~~(5) A member of the state house of representatives. This member~~  
21 ~~shall be appointed by the speaker of the house of representatives.~~

22       ~~(6) A member of the state senate. This member shall be appointed~~  
23 ~~by the president of the senate.~~

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

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

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

29       ~~(10) One member who is an active member of the school employees'~~  
30 ~~retirement system and has at least five years of service credit. This~~  
31 ~~member shall be appointed by the superintendent of public instruction~~  
32 ~~subject to confirmation by the senate. The initial term of appointment~~  
33 ~~shall be three years.~~

34       ~~(11) Five nonvoting members appointed by the state investment board~~  
35 ~~who are considered experienced and qualified in the field of~~  
36 ~~investments.~~

37       ~~The legislative members shall serve terms of two years. The~~  
38 ~~initial legislative members appointed to the board shall be appointed~~

1 ~~no sooner than January 10, 1983. The position of a legislative member~~  
2 ~~on the board shall become vacant at the end of that member's term on~~  
3 ~~the board or whenever the member ceases to be a member of the senate or~~  
4 ~~house of representatives from which the member was appointed.~~

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

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

14 NEW SECTION. **Sec. 4.** There is hereby created an audit and  
15 accountability committee of the state investment board consisting of  
16 not more than five voting members of the investment board. The audit  
17 and accountability committee members are appointed by the state  
18 investment board chairperson.

19 At least one member of the audit and accountability committee must  
20 be a representative of one of the retirement system beneficiaries.

21 NEW SECTION. **Sec. 5.** The state treasurer or a designee is a  
22 member of the state investment board. In addition to serving as a  
23 fiduciary trustee, the state treasurer serves as a member of the audit  
24 and accountability committee. The state treasurer will use his or her  
25 expertise in financial markets to assist the accountability review  
26 process for the state investment board. The state treasurer will also  
27 assist in identifying in-state investment opportunities that meet or  
28 exceed out-of-state investment returns. The state treasurer will work  
29 with the chair of the state investment board and investment board staff  
30 to develop and implement an outreach program to Washington citizens.  
31 The purpose of the outreach program is to increase awareness of the  
32 performance of the pension fund and to encourage public review of the  
33 investment portfolio performance in aggregate. The state treasurer  
34 will report to the investment board at least twice a year the extent of  
35 those outreach efforts and any significant concerns or issues raised by  
36 the public regarding the state investment board.

1        NEW SECTION.    **Sec. 6.** One member of the state investment board is  
2 an active member of the public employees' retirement system and has  
3 been an active member for at least five years. This member is  
4 appointed by the governor, subject to confirmation by the senate, from  
5 a list of nominations submitted by organizations representing active  
6 members of the system. In addition to serving as a fiduciary trustee,  
7 this member will use his or her position as a representative of pension  
8 fund beneficiaries to work with state investment board staff to  
9 participate in an outreach program specific to the public employees'  
10 retirement system beneficiaries. At a minimum, the outreach program  
11 will include making available a written annual report to public  
12 employees and an annual meeting for public employees detailing board  
13 performance and investment objectives. The public employees' board  
14 member will also assist in identifying issues relevant to public  
15 employees' for which the state investment board is held accountable,  
16 and will provide a quarterly report to the board on those issues.

17        NEW SECTION.    **Sec. 7.** One member of the state investment board is  
18 an active member of the law enforcement officers' and fire fighters'  
19 retirement system and has been an active member for at least five  
20 years. This member is appointed by the governor, subject to  
21 confirmation by the senate, from a list of nominations submitted by  
22 organizations representing active members of the system. In addition  
23 to serving as a fiduciary trustee, this member will use his or her  
24 position as a representative of pension fund beneficiaries to work with  
25 state investment board staff to participate in an outreach program  
26 specific to the law enforcement officers' and fire fighters' retirement  
27 system beneficiaries. At a minimum, the outreach program will include  
28 making available a written annual report to law enforcement officers'  
29 and fire fighters' employees and an annual meeting for law enforcement  
30 officers' and fire fighters' employees detailing board performance and  
31 investment objectives. The law enforcement officers' and fire  
32 fighters' board member will also assist in identifying issues relevant  
33 to law enforcement officers' and fire fighters' for which the state  
34 investment board is held accountable, and will provide a quarterly  
35 report to the board on those issues.

1        NEW SECTION.    **Sec. 8.** One member of the state investment board is  
2 an active member of the teachers' retirement system and has been an  
3 active member for at least five years. This member is appointed by the  
4 superintendent of public instruction subject to confirmation by the  
5 senate. In addition to serving as a fiduciary trustee, this member  
6 will use his or her position as a representative of pension fund  
7 beneficiaries to work with state investment board staff to participate  
8 in an outreach program specific to the teachers' retirement system  
9 beneficiaries. At a minimum, the outreach program will include making  
10 available a written annual report to teachers' retirement system  
11 employees and an annual meeting for teachers' retirement system  
12 employees detailing board performance and investment objectives. The  
13 teachers' board member will also assist in identifying issues relevant  
14 to teachers for which the state investment board is held accountable,  
15 and will provide a quarterly report to the board on those issues.

16        NEW SECTION.    **Sec. 9.** One member of the state investment board is  
17 an active member of the school employees' retirement system and has at  
18 least five years of service credit. This member is appointed by the  
19 superintendent of public instruction subject to confirmation by the  
20 senate. In addition to serving as a fiduciary trustee, this member  
21 will use his or her position as a representative of pension fund  
22 beneficiaries to work with state investment board staff to participate  
23 in an outreach program specific to the school employees' retirement  
24 system beneficiaries. At a minimum, the outreach program will include  
25 making available a written annual report to school employees and an  
26 annual meeting for school employees detailing board performance and  
27 investment objectives. The school employees' board member will also  
28 assist in identifying issues relevant to school employees for which the  
29 state investment board is held accountable, and will provide a  
30 quarterly report to the board on those issues.

31        NEW SECTION.    **Sec. 10.** One member of the state investment board is  
32 a retired member of a state retirement system and is appointed by the  
33 governor subject to confirmation by the senate. In addition to serving  
34 as a fiduciary trustee, this member will use his or her position as a  
35 representative of pension fund beneficiaries to work with state  
36 investment board staff to participate in an outreach program specific

1 to retired beneficiaries. At a minimum, the outreach program will  
2 include making available a written annual report to retirees and an  
3 annual meeting for retirees detailing board performance and investment  
4 objectives. The retirees' board member will also assist in identifying  
5 issues relevant to retirees for which the state investment board is  
6 held accountable, and will provide a quarterly report to the board on  
7 those issues.

8 NEW SECTION. **Sec. 11.** The director of labor and industries is a  
9 member of the state investment board, representing an agency that is  
10 responsible for administering programs supported by state investment  
11 board earnings. In addition to serving as a fiduciary trustee, the  
12 director of labor and industries will work with state investment board  
13 staff to implement a process for reporting state investment board  
14 earnings and investment objectives to those businesses in Washington  
15 state that provide the funding for the programs administered by the  
16 department of labor and industries that are supported by state  
17 investment board earnings.

18 NEW SECTION. **Sec. 12.** The director of retirement systems is a  
19 member of the state investment board, representing an agency that is  
20 responsible for administering programs supported by state investment  
21 board earnings. In addition to serving as a fiduciary trustee, the  
22 director of retirement systems will implement a process of reporting  
23 state investment board earnings to the constituents of retirement  
24 systems.

25 NEW SECTION. **Sec. 13.** The performance of the state investment  
26 board has a profound effect on the state budget and the interests of  
27 the people of the state. Accordingly, the governor or the governor's  
28 designee is a member of the state investment board. In addition to  
29 serving as a fiduciary trustee, the governor will work with the state  
30 investment board staff to develop and implement an outreach program to  
31 Washington citizens. The intent of the outreach program is to increase  
32 awareness of the performance of the pension fund and to encourage  
33 public review of the investment board's performance.

1        NEW SECTION.    **Sec. 14.**    The performance of the state investment  
2 board has a profound effect on the state budget and the interests of  
3 the people of the state.    Accordingly, one member of the state  
4 investment board is a member of the state house of representatives.  
5 This member is appointed by the speaker of the house of  
6 representatives.    In addition to serving as a fiduciary trustee, this  
7 member is responsible for reporting to the relevant committees in the  
8 house of representatives on the status of the funds for which the state  
9 investment board is responsible and accountable.

10       NEW SECTION.    **Sec. 15.**    The performance of the state investment  
11 board has a profound effect on the state budget and the interests of  
12 the people of the state.    Accordingly, one member of the state  
13 investment board is a member of the state senate.    This member is  
14 appointed by the president of the senate.    In addition to serving as a  
15 fiduciary trustee, this member is responsible for reporting to the  
16 relevant committees in the senate on the status of the funds for which  
17 the state investment board is responsible and accountable.

18       NEW SECTION.    **Sec. 16.**    The performance of the state investment  
19 board has a profound effect on local government fiscal systems and the  
20 interests of people in our communities.    Accordingly, one member is  
21 appointed by the governor, subject to confirmation by the senate, from  
22 a list of nominations submitted by cities and counties participating in  
23 pension systems supported by the state investment board.    In addition  
24 to serving as a fiduciary trustee, this member is responsible for  
25 reporting to the appropriate local government entities on the status of  
26 the funds for which the state investment board is responsible and  
27 accountable.    The local government designee will work with the state  
28 investment board staff to develop and implement an outreach program to  
29 Washington citizens.    The intent of the outreach program is to increase  
30 awareness of the performance of the pension fund and to encourage  
31 public review of the investment board's performance.

32       NEW SECTION.    **Sec. 17.**    Expertise in investment decisions is sought  
33 by the inclusion of five nonvoting members appointed by the state  
34 investment board after nomination by the audit and accountability  
35 committee, who are considered experienced and qualified in the field of



1 investments. At least one of the nonvoting members must have  
2 experience in investing in companies, funds, or other investments that  
3 are located in, have a substantial employment base in, or make a  
4 significant economic contribution to, Washington state.

5 NEW SECTION. **Sec. 18.** (1) All members of the state investment  
6 board, except nonvoting members, legislative members, and ex officio  
7 members, serve terms of three years and hold office until successors  
8 are appointed. Members' terms, except for nonvoting members, commence  
9 on January 1st of the year in which the appointments are made.

10 (2) Members may be reappointed for additional terms. Appointments  
11 for vacancies are made for the unexpired terms in the same manner as  
12 the original appointments. Any voting member may be removed from the  
13 state investment board for cause by the member's respective appointing  
14 authority. The five nonvoting members serve for a term determined by  
15 the audit and accountability committee, which may not exceed two years.  
16 Nonvoting members may be removed from the board by the audit and  
17 accountability committee at any time with or without cause.

18 (3) The legislative members serve terms of two years. The position  
19 of a legislative member on the state investment board becomes vacant at  
20 the end of that member's term on the state investment board or whenever  
21 the member ceases to be a member of the senate or house of  
22 representatives from which the member was appointed.

23 **Sec. 19.** RCW 43.33A.040 and 2002 c 303 s 2 are each amended to  
24 read as follows:

25 (1) A quorum to conduct the business of the state investment board  
26 consists of (~~at least six~~) a majority of the voting members serving  
27 on the board. No action may be taken by the board without the  
28 affirmative vote of (~~six members~~) a majority of the voting members  
29 serving on the board.

30 (2) The state investment board shall meet at least quarterly at  
31 such times as it may fix. The board shall elect a chairperson and vice  
32 chairperson annually: PROVIDED, That the legislative members are not  
33 eligible to serve as chairperson.

34 NEW SECTION. **Sec. 20.** Sections 2 and 4 through 18 of this act are  
35 each added to chapter 43.33A RCW.

1        NEW SECTION.    **Sec. 21.**    This act is necessary for the immediate  
2    preservation of the public peace, health, or safety, or support of the  
3    state government and its existing public institutions, and takes effect  
4    immediately."

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By Senator Zarelli

**ADOPTED 03/10/2003**

5        On page 1, line 1 of the title, after "investments;" strike the  
6    remainder of the title and insert "amending RCW 43.33A.020 and  
7    43.33A.040; adding new sections to chapter 43.33A RCW; creating a new  
8    section; and declaring an emergency."

EFFECT:    The striking amendment makes the following changes to the  
substitute:    (1) Clarifies accounting requirements for the technology  
investment account; (2) deletes reporting requirements of the audit and  
accountability committee in recognition such reporting already occurs;  
(3) requires voting members to engage in outreach to increase awareness  
of the pension fund's performance; and (4) adds a local government  
representative to the board and accordingly adjusts the quorum  
requirements.

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