
SUBSTITUTE SENATE BILL 5192

State of Washington

58th Legislature

2003 Regular Session

By Senate Committee on Financial Services, Insurance & Housing
(originally sponsored by Senators Zarelli and Oke)

READ FIRST TIME 02/24/03.

1 AN ACT Relating to Washington investments; amending RCW 43.33A.020;
2 adding new sections to chapter 43.33A RCW; creating a new section; and
3 declaring an emergency.

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

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

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

14 The legislature also finds that an examination of Washington
15 investment opportunities that match or exceed investment returns
16 elsewhere is an appropriate role of the state investment board and that
17 additional resources may be necessary to fully consider those
18 investments.

1 NEW SECTION. **Sec. 2.** (1) The state investment board shall
2 maintain a portion of the board's investment portfolio in the
3 technology investment account, an account that shall be maintained
4 separately and apart from other moneys invested by the board.
5 Investments from the account may be made in technology businesses.
6 These investments may be made directly by the board or through the
7 board's investment advisors, including venture capital firms. The
8 earnings on the technology investment account must be accounted for
9 separately from other investments made by the board.

10 (2) Investments under this section must be made in a manner
11 consistent with investment or management criteria established by the
12 board or its executive director. In making investments of moneys in
13 the technology investment account, the primary investment objective is
14 to maximize return at a prudent level of risk, as required by RCW
15 43.33A.110. In choosing among equal investment opportunities that
16 satisfy this primary investment objective, the board shall give
17 priority to those investments from the account that help attract or
18 assist technology businesses in the state, including investments in
19 technology businesses seeking to locate or expand in this state.

20 (3) The state investment board shall hire or designate from its
21 current staff, at least one experienced full-time staff person to
22 research, investigate, and recommend to the state investment board, if
23 appropriate, and subject to the standards of investment and management
24 under RCW 43.33A.110 and this section, investment opportunities in
25 technology businesses that are located in, have a substantial
26 employment base in, make a significant economic contribution to, or are
27 seeking to locate or expand in, Washington state. The department of
28 community, trade, and economic development is responsible for actively
29 marketing the technology investment account to businesses seeking to
30 locate or expand in Washington and shall work in conjunction with
31 appropriate staff of the state investment board to coordinate
32 information on technology businesses interested in locating or
33 expanding in Washington.

34 (4) As used in this section "technology business" means a company
35 that has as its principal function the providing of services including
36 computer, information transfer, communication, distribution,
37 processing, administrative, laboratory, experimental, developmental,
38 technical, testing services, manufacture of goods or materials, the

1 processing of goods or materials by physical or chemical change,
2 computer-related activities, robotics, energy, biological or
3 pharmaceutical industrial activity, or technology-oriented or emerging
4 industrial activity.

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

7 There is hereby created the state investment board to consist of
8 ~~((fifteen))~~ members to be appointed as provided in this ~~((section))~~
9 chapter.

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

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

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

27 ~~(4) The state treasurer or the assistant state treasurer if~~
28 ~~designated by the state treasurer.~~

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

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

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

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

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

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

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

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

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

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

24 NEW SECTION. **Sec. 4.** There is hereby created an audit and
25 accountability committee of the state investment board consisting of
26 not more than five voting members of the investment board. The audit
27 and accountability committee members are appointed by the state
28 investment board chairperson.

29 The audit and accountability committee is responsible for reviewing
30 the efficacy of all investment decisions. Beginning July 1, 2003, and
31 continuing each quarter thereafter, the committee shall issue a report
32 to the full committee on the performance of the state investment board
33 investments. The report will be distributed to the chair and ranking
34 minority members of the house of representatives appropriations and
35 senate ways and means committees. The report will also include an
36 assessment and review of investments made within or benefiting the
37 economy of this state.

1 NEW SECTION. **Sec. 5.** The state treasurer is a member of the state
2 investment board. The state treasurer shall serve as a member of the
3 audit and accountability committee, unless the state treasurer is
4 chairperson of the state investment board. The state treasurer will
5 use his or her expertise in financial markets to assist the
6 accountability review process for the state investment board. The
7 state treasurer will also assist in identifying in-state investment
8 opportunities that meet or exceed out-of-state investment returns.

9 NEW SECTION. **Sec. 6.** There are five members of the state
10 investment board representing the retirement systems supported by state
11 investment board earnings. These members are appointed as follows:

12 (1) One member who is an active member of the public employees'
13 retirement system and has been an active member for at least five
14 years. This member is appointed by the governor, subject to
15 confirmation by the senate, from a list of nominations submitted by
16 organizations representing active members of the system.

17 (2) One member who is an active member of the law enforcement
18 officers' and fire fighters' retirement system and has been an active
19 member for at least five years. This member is appointed by the
20 governor, subject to confirmation by the senate, from a list of
21 nominations submitted by organizations representing active members of
22 the system.

23 (3) One member who is an active member of the teachers' retirement
24 system and has been an active member for at least five years. This
25 member is appointed by the superintendent of public instruction subject
26 to confirmation by the senate.

27 (4) One member who is an active member of the school employees'
28 retirement system and has at least five years of service credit. This
29 member is appointed by the superintendent of public instruction subject
30 to confirmation by the senate.

31 (5) One member who is a retired member of a state retirement system
32 is appointed by the governor, subject to confirmation by the senate.

33 NEW SECTION. **Sec. 7.** The director of labor and industries and the
34 director of retirement systems are members of the state investment
35 board and represent agencies responsible for the administration of
36 programs supported by state investment board earnings.

1 NEW SECTION. **Sec. 8.** Three members of the state investment board
2 are appointed to represent the interests of the people of the state.
3 These members are appointed as follows:

4 (1) A member of the state house of representatives. This member is
5 appointed by the speaker of the house of representatives.

6 (2) A member of the state senate. This member is appointed by the
7 president of the senate.

8 (3) The governor or governor's designee.

9 NEW SECTION. **Sec. 9.** Expertise in investment decisions is sought
10 by the inclusion of five nonvoting members appointed by the state
11 investment board after nomination by the audit and accountability
12 committee, who are considered experienced and qualified in the field of
13 investments. At least one of the nonvoting members must have
14 experience in investing in companies, funds, or other investments that
15 are located in, have a substantial employment base in, or make a
16 significant economic contribution to, Washington state.

17 NEW SECTION. **Sec. 10.** (1) All members of the state investment
18 board, except nonvoting members and legislative members, serve terms of
19 three years and hold office until successors are appointed. Members'
20 terms, except for nonvoting members, commence on January 1st of the
21 year in which the appointments are made.

22 (2) Members may be reappointed for additional terms. Appointments
23 for vacancies are made for the unexpired terms in the same manner as
24 the original appointments. Any voting member may be removed from the
25 state investment board for cause by the member's respective appointing
26 authority. The five nonvoting members serve for a term determined by
27 the audit and accountability committee, which may not exceed two years.
28 Nonvoting members may be removed from the board by the audit and
29 accountability committee at any time with or without cause.

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

1 NEW SECTION. **Sec. 11.** Sections 2 and 4 through 10 of this act are
2 each added to chapter 43.33A RCW.

3 NEW SECTION. **Sec. 12.** This act is necessary for the immediate
4 preservation of the public peace, health, or safety, or support of the
5 state government and its existing public institutions, and takes effect
6 immediately.

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