

INTRODUCTION: BACKGROUND INFORMATION

5. ORGANIZATION AND ROLE DEFINITION

State Investment Board Members

The state Investment Board is comprised of fourteen members. Nine are voting members, which include three ex-officio members, one legislator from each house, and four representatives of various stakeholders in the public employee pension systems. Five are non-voting members, directed by statute to be considered “experienced and qualified in the field of investments.”

Membership on the Board, terms, and nomination or appointment procedures are spelled out in RCW 43.33A.020. Nominations for non-voting members are submitted to the Board by the Audit Committee. Candidates may be referred or recommended to the Audit Committee by anyone. (See Appendix G of this Handbook for outline of specifications for non-voting members).

A list of current Board members, representation, term of appointment, mailing address and telephone number is included in Appendix B of this Handbook.

Positions On The Board

Chair:

The Board elects a Chair annually from among the members who are not legislators. Legislative members and non-voting members are not eligible to serve as Chair.

Vice-Chair:

The Board also elects a Vice-Chair annually. All members except legislative members and non-voting members are eligible to serve as Vice-Chair.

Staffing Of The State Investment Board

The State Investment Board is a state agency of general government. Senior management, confidential secretary and investment officer positions are exempt from Washington State civil service law. All others are classified civil service positions. All State Investment Board staff are state employees. A list of current staff is included in Appendix D of this Handbook.

The Executive Director

The day-to-day operation of the State Investment Board is under the direction of an Executive Director appointed by the Board. The Director is the chief staff person of the Board.

The law provides for the selection of an Executive Director by the State Investment Board. The State Finance Committee ratifies the appointment. The Board may delegate to the Executive Director such authority as it wishes the Executive Director to exercise. The Executive Director may delegate to Board staff any of the Executive Director’s powers and duties.

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Unless otherwise determined by the Board, the Chief Investment Officer shall assume the duties of the Executive Director while the Executive Director is absent for other than business reasons.

State Investment Board Organization

The State Investment Board organization is divided into two major units: Investments and Operations. Both are under the direction of the Executive Director. An organization chart is included in Appendix E of this Handbook.

The functions of both major units are described below.

Investment Staff

The Investment arm of the organization is staffed with investment professionals experienced and skilled in various institutional investment specialties.

This staff makes daily buy and sell decisions on various securities in addition to conducting oversight and monitoring of all outside managers, advisors and consultants.

Operations Staff

The Operations arm of the State Investment Board organization supports the investment activity. The Operations staff ensures State Investment Board activities comply with the spirit and the letter of the law governing agency programs.

Operations staff are not investment professionals, but are skilled and experienced in administration, accounting, personnel, budgeting, procurement, contract administration, data processing, and general public administration matters.

Legal Counsel

Legal counsel to the State Investment Board is provided through the Office of the Attorney General. The Attorney General's Office is charged with providing legal services including advising and representing the State Investment Board and in defending Board members and employees for actions performed while in their official capacity.

In addition, the State Investment Board also contracts for outside legal services if the specific expertise is not available through the Attorney General's Office.

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Consultants, Advisors, Managers

Reason for Hiring Outside Managers

Some pension agencies hire outside managers to invest all of the assets. A few pension agencies invest and manage all assets with internal staff. The State Investment Board, like most fund sponsors, has found a combination of internal and external approach to be the best solution.

Since the members of the Board are not investment experts, it is critical that they have the advice of experts in the investment business. Advice is often solicited from more than one source to ensure full consideration and evaluation of all alternatives.

Outside consultants, advisors and managers are a source of advice, counsel and services, which the Board and staff use to ensure the best combination of skills and advice necessary to maximize the return on the assets of the fund. This gives the State Investment Board a depth of highly skilled persons to perform specific tasks and to extend the capability of the State Investment Board. A list of current key advisors, consultants, and money managers used by the Board is periodically distributed to members in Board packets.

With the assistance of staff and consultants, the Board decides whether a certain type of asset, or a portion of that asset can be best invested and/or managed by internal Board staff or by hired managers. The advice of consultants is considered when making investment decisions.

If managers are hired, the staff and Board must oversee their activities to ensure compliance with contract terms and Board objectives.

Selection Process

Selecting investment consultants, advisors and managers is a competitive and public process. The Board oversees and ultimately approves the issuance of a Request for Proposal (RFP). The RFP lists the requirements and services to be provided. RFPs are advertised and sent to a large number of potential bidders.

Once the proposals are received, they are reviewed and evaluated by staff. Sometimes consultants may assist with the evaluation of the proposals received. Staff selects a group of finalists based upon a variety of factors, including price. Interviews are then conducted by staff, the Board, or one of the Board Committees. The final selection is usually made by or approved by the full Board.

References:

Members of the State Investment Board
State Investment Board Staff
State Investment Board Organizational Charts

Appendix B
Appendix D
Appendix E