

**POLICY NUMBER:** 2.00.101**EFFECTIVE DATE:** 6/16/22**TITLE:** Conflict of Interest and Recusal**SUPERSEDES:** 6/20/19**BOARD ADOPTION:** 6/16/22**REVIEWED:**

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**PURPOSE**

The trusteeship and investment management of the retirement, deferred compensation, industrial insurance, permanent, and various other trust funds demand the highest degree of confidence from fund beneficiaries and the public.

Government derives its powers from the people. Ethics in government are the foundation on which the structure of government rests. State officials and employees of government hold a public trust that obligates them, in a special way, to honesty and integrity in fulfilling their responsibilities. Paramount in that trust is the principle that public office, whether elected or appointed, may not be used for personal gain or private advantage.

The citizens of the state expect all state officials and employees to perform their public responsibilities in accordance with the highest ethical and moral standards and to conduct the business of the state only in a manner that advances the public's interest. State officials and employees are subject to the sanctions of law and scrutiny of the media; ultimately, they are accountable to the people and must consider this public accountability as a particular obligation of public service. Only when affairs of government are conducted, at all levels, with openness as provided by law and an unswerving commitment to the public good does government work as it should.

Because ethical conduct is the foundation of good governance, every Washington State Investment Board (WSIB) member and employee must conduct themselves with utmost integrity, professionalism, and principled behavior.

**POLICY**

This policy is intended to supplement and clarify ethical standards as they apply to the Washington State Investment Board (WSIB). Existing state law includes the following:

1. Chapter [42.52 RCW](#) Ethics in Public Service. This chapter applies to all state officers, which includes voting and non-voting Board members, and all state employees.
2. Chapter [42.20 RCW](#) Misconduct of Public Officers. This chapter applies to all public officers. It sets forth certain activities that are prohibited and deemed as a misdemeanor or gross misdemeanor.
3. Chapter [292-110 WAC](#) Agency Substantive Rules. This chapter clarifies certain aspects of the Ethics in Public Service Act.
4. Chapter [287-04 WAC](#) Conflict of Interest. This chapter contains the WSIB's rules of conduct for all employees, both exempt and non-exempt, and all Board members, both voting and non-voting, as well as elected officials.

It is with these guiding principles that each Board member and employee must studiously and conscientiously avoid not only actual fiduciary breaches of trust, but also any reasonable appearance of a conflict of interest. It is understood, however, particularly in

the instance of the non-voting Board members, that it is not reasonable to demand a complete disassociation from the private sector that precludes each and every possibility of a conflict of interest. Accordingly, this policy considers the intention and motives, as well as the extrinsic acts of an individual.

## **Definitions**

### Board

Voting and non-voting members of the Washington State Investment Board.

### Conflict of Interest

Exists whenever a Board member or employee acts in a manner that may be, or reasonably appears to be, influenced by considerations of personal gain, benefit, or other consideration, rather than the best interests of the WSIB, its funds, or the fund beneficiaries. Any action motivated by a consideration that is not in the best interest of the WSIB, its funds, or fund beneficiaries would be a breach of the Board member's or employee's duty of loyalty.

### Transaction Involving the Board

A proceeding, application, investment decision, investment contract, sale, lease, purchase, or any other acquisition or disposal of any asset, goods or services, or other determination or similar matter that the Board member or employee in question believes, or has reason to believe is:

1. Or will be the subject of Board action under the Open Public Meetings Act.
2. One to which the Board is or will be a party.
3. One in which the Board has a direct and substantial proprietary interest.

A transaction involving the Board does not include the following: preparation, consideration, or enactment of legislation (including appropriation of moneys in a budget), the performance of legislative duties by a member or employee; or a claim, case, lawsuit, or similar matter if the member or employee did not participate in the underlying transaction involving the Board that is the basis for the claim, case, or lawsuit. Rulemaking is not a transaction involving the Board.

## **Recusal Required**

A Board member or employee must recuse themselves if the following circumstances apply or are likely to apply:

1. The Board member or employee is beneficially interested, directly or indirectly, in an investment decision, investment agreement, procurement, contract, sale, lease, purchase, or any other acquisition or disposal of an asset, goods or services made by, through, or under the supervision of the WSIB, in whole or in part.
2. The Board member or employee either owns a beneficial interest in, or is an officer, agent, employee or member of, an entity that is engaged in a transaction involving the WSIB.
3. The Board member or employee accepts, directly or indirectly, any compensation, gratuity, or reward from any person or entity beneficially interested in such investment decision, investment agreement, contract, sale, lease, purchase, or any other acquisition or disposal of assets, goods, or services.
4. A Board member or employee's discussion or vote is motivated by something other than the best interests of the WSIB, its members, and beneficiaries in violation of that person's duty of loyalty.

5. A Board member or employee is soliciting or has been solicited for employment by a person or entity doing business with the WSIB and the Board member or employee is considering the recruitment. Recruitment by an affiliate of a person or entity doing business with the WSIB also requires recusal.

### **Scope of Recusal**

If recusal is required, the Board member or employee shall:

1. Recuse him or herself from all discussions or deliberations.
2. Recuse him or herself from any vote or recommendation.
3. Refrain from attempting to influence any other Board member or employee.

A Board member subject to recusal must disclose the reasons for recusal when a matter involving a conflict of interest is presented at a Board or Committee meeting. The recusal shall be recorded in the meeting minutes. If recusal by an employee is required, the employee shall immediately notify the Chief Executive Officer (CEO), who shall implement appropriate screening procedures.

If recusal is required, such recusal does not prohibit the Board member or employee from using his or her general expertise to educate and provide general information on the subject area to other Board members or employees.

### **Prohibited Actions**

No Board member or employee shall borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which the WSIB has a business relationship, except and unless such entities are normally engaged in such lending in the usual course of their business, and then only on terms offered to others under similar circumstances.

No Board member or employee may have an interest, financial or otherwise, direct or indirect, or engage in a business or transaction or professional activity, or incur an obligation of any nature that is in conflict with the proper discharge of the Board member's or employee's duties.

### **Additional Responsibilities of Board Members and Employees**

All Board members must certify in writing that they have read, understand, and will comply with the Board's ethics policies by their first Board meeting and annually thereafter. The Board's ethics policies are this policy, Gifts 2.00.102, Confidentiality and Use of Position 2.00.103, Personal Investments 2.00.104, Travel Reimbursement by Investment Partners and Others 2.00.105, and Sanctions for Violations 2.00.106 All employees must certify in writing that they have read, understand, and will comply with the Board's ethics policies and related administrative policies within one week of employment start date and annually thereafter. All Board members and employees must attend training on the Ethics in Public Services Act, the Board's ethics policies, and related administrative policies annually. The CEO is responsible for Board member and employee compliance with the certification and training requirements.

### **POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.