

POLICY NUMBER: 1.05.100**EFFECTIVE DATE:** 11/19/20**TITLE:** Delegation of Authority**SUPERSEDES:** 11/16/17**BOARD ADOPTED:** 11/19/20**REVIEWED:**

PURPOSE

This policy defines the delegation of the Washington State Investment Board's (WSIB) authority to the Executive Director for the efficient and effective conduct of Board business and sanctions the further delegation of authority by the Executive Director to WSIB staff for day-to-day activities, providing guidelines under which those activities can be delegated. This policy also cites the statutory authority for delegation to external investment managers and advisors the authority to purchase or otherwise acquire, sell, or otherwise dispose of or manage investments or investment properties on behalf of the WSIB.

POLICY**Part 1 – RCW 43.33A.030 - Delegation of Authority to the Executive Director**

RCW [43.33A.030](#) provides in part: "The board may delegate any of its powers and duties to its executive director as deemed necessary for efficient administration and when consistent with the purposes" of the board's enabling legislation.

With the exception of the specific delegation authorized by RCW [43.33A.030](#) and [43.33A.035](#), the Board may not delegate its authority to any person or entity other than the Executive Director. In addition, the Board may elect at any time to supersede or modify the authority delegated here for the purpose of a particular decision, event, or transaction without changing this policy. In exercising his/her delegated authority, the Executive Director will provide the Board with the information and reports necessary for the Board to fulfill its fiduciary duty to monitor and review the actions of the WSIB staff.

The Executive Director, or his/her designee, is authorized to act on behalf of the WSIB as follows:

1. Delegation of Authority – Administration**a. Operations**

The Executive Director is authorized to administer the day-to-day operations of the WSIB. As agency head, the Executive Director has all the powers and authority normally vested in similar positions in other state agencies to include, but not be limited to, the hiring and termination of employees and the commitment of funds necessary to the efficient conduct of WSIB business. In carrying out these duties, the Executive Director must ensure compliance with Board policies and directives, as well as applicable federal and state laws and regulations.

b. Contract Awards

All contracts, both competitive and sole source, must be processed according to applicable state laws and regulations. The Executive Director is authorized to negotiate and enter into contracts as follows:

- i. Investment-related services (e.g., external money managers, investment consultants, and advisors)

The delegation of authority to external investment managers and advisors by contract is set forth in RCW 43.33A.035 (see Part 2). All such contract awards must be approved by the Board. The Board will review, consider, and make final contract award selection(s); stipulate special provisions, terms, or conditions of the contract; and approve the award of a contract. For any given contract award, modification, or extension, the Board may delegate all required approvals to the Executive Director. The Executive Director may approve no-cost time extensions for which the service provider is eligible under the original contract terms. The Executive Director is authorized to act on behalf of the Board to terminate contracts upon notification to the Board Chair (or Vice Chair in the Chair's absence, or Committee Chair if neither the Board Chair or Vice Chair are available) in advance of any termination and will report any action to the Board.

- ii. Legal services

Pursuant to RCW 43.10.067 the authority to appoint outside counsel to represent the WSIB resides exclusively with the Office of the Attorney General. The Board delegates to the Executive Director the authority for ongoing coordination with the Office of the Attorney General in those respects, as well as oversight and periodic reporting to the Board of relevant activity by such outside counsel.

- iii. Operations-related services

Contracts pertaining to the day-to-day operations (e.g., leases, personal services contracts, interagency agreements, memoranda of understanding, procurement and maintenance agreements) shall be consistent with state practices and executed by the Executive Director. The Executive Director shall exercise his/her discretion regarding the need for legal review of those contracts.

- c. *Risk Management*

The Executive Director is authorized to administer a risk management program. The Executive Director will ensure that an effective process of enterprise risk management, risk governance, and appropriate risk culture is in place. The Executive Director will report the most significant risks and response to these risks to the Board for review. Risk appetite statements will be subject to periodic review and approval by the Board.

2. Delegation of Authority – Investments

- a. Asset Allocation

The Executive Director is authorized to make day-to-day asset allocation decisions necessary to comply with the asset allocation policies adopted by the Board. The Executive Director will report asset allocation decisions to the Board for review on a quarterly basis.

- b. Fixed Income/Equities/Cash

The Executive Director is authorized to execute investment transactions internally, consistent with policies and directives adopted by the Board. In addition, the Executive Director is authorized to monitor the actions by any external fund manager to ensure compliance with the terms and conditions of the

contract between the manager and the Board. The performance of all internally and externally managed funds will be subject to periodic review by the Board.

c. Private Equity Investments

The Executive Director will have full authority to manage private equity investments subject to reporting, monitoring, and general oversight of the Board. The Executive Director is authorized to execute investment transactions internally, consistent with policies and directives adopted by the Board. The delegated authority includes, but is not limited to, withholding or executing and entering into agreements, consents or approvals of transactions, waivers, amendments, modifications, extensions and dissolutions of investment agreements or investment vehicles, and disposition of holdings in investments. It also includes representation of the Board in advisory or other meetings related to investment vehicle meetings such as limited partnership meetings and limited liability company investors meetings.

d. Real Estate Investments

The Executive Director will have full authority to manage real estate assets subject to reporting, monitoring, and general oversight by the Board. The Executive Director is authorized to execute investment transactions internally, consistent with policies and directives adopted by the Board. The delegated authority includes, but is not limited to, withholding or executing and entering into agreements, consents or approvals of transactions, waivers, amendments, modifications, extensions and dissolutions of investment agreements or investment vehicles, and disposition of holdings in investments. It also includes representation of the Board in advisory or other meetings related to investment vehicle meetings such as limited partnership meetings and limited liability company investors meetings.

e. Tangible Assets Investments

The Executive Director is delegated the full authority to manage tangible asset investments subject to general reporting, monitoring, and oversight by the Board. The Executive Director is authorized to execute investment transactions internally, consistent with policies and directives adopted by the Board. The delegated authority includes, but is not limited to, withholding or executing and entering into agreements, consents or approvals of transactions, waivers, amendments, modifications, extensions and dissolutions of investment agreements or investment vehicles, and disposition of holdings in investments. It also includes representation of the Board in advisory or other meetings related to investment vehicle meetings such as limited partnership meetings and limited liability company investors meetings.

f. Innovation Portfolio Investments

The Executive Director will have full authority to manage innovation portfolio investments subject to reporting, monitoring, and general oversight of the Board. The Executive Director is authorized to execute investment transactions internally, consistent with policies and directives adopted by the Board. The delegated authority includes, but is not limited to, withholding or executing and entering into agreements, consents or approvals of transactions, waivers, amendments, modifications, extensions and dissolutions of investment agreements or investment vehicles, and disposition of holdings in investments. It also includes representation of the Board in advisory or other meetings related

to investment vehicle meetings such as limited partnership meetings and limited liability company investors meetings.

g. Annual Business Plans and Budgets

The Executive Director will have full authority to approve annual budgets and annual business plans related to private market investments provided the budgets and plans are consistent with the provisions of existing agreements and good business practices.

3. Delegation of Authority - Legal Action

a. General

When the Board is named as a defendant in a legal action or finds it necessary to initiate legal action to protect the interests of its beneficiaries, directions to the assistant attorney general and/or contracted legal counsel (as applicable) must be approved by the Board in advance of any official action. In emergent circumstances, the Executive Director is authorized to act on behalf of the Board with the advice of the assistant attorney general and/or contracted legal counsel if appointed special assistant attorney general for that case (as appropriate). The Executive Director will notify the Board Chair in advance of any action and will report any action at the next Board meeting.

b. Class Action Lawsuits

The Executive Director is authorized to participate in class action lawsuits and foreign group actions on behalf of the Board so that it may share in any distribution from the settlement, unless he/she determines that legal action by the Board, independent of a class action lawsuit, is advisable. He/she may consult with the assistant attorney general as deemed necessary.

4. Delegation of Authority - Monthly Defined Contribution Valuation

The Executive Director will have full authority to declare monthly unit values for the portfolios or funds in defined contribution type plans that have an investment option invested in the defined benefit portfolio of the retirement funds. The declared unit values shall represent an approximation of portfolio or fund values based upon valuation data (e.g., regarding both publicly traded securities and privately held securities such as private placements, real estate, private equity) most recently provided to and known by the Executive Director at the time that a value is declared. The unit values thus declared will be communicated to the Department of Retirement Systems for participant account valuing and recordkeeping purposes.

Part 2 – RCW 43.33A.035 - Delegation of Authority to External Investment Advisors and Managers

RCW 43.33A.035 provides: "The board or its executive director may delegate by contract to private sector or other external advisors or managers the discretionary authority, as fiduciaries, to purchase or otherwise acquire, sell, or otherwise dispose of or manage investments or investment properties on behalf of the board, subject to investment or management criteria established by the board or its executive director. Such criteria relevant to particular investments or class of investment applicable under the board's contract with an advisor or manager must be incorporated by reference into the contract."

External investment management contract awards will be approved by the Board unless prior authority for such approval is delegated by the Board to the executive director.

Part 3 - Further Delegation of Authority by the Executive Director

As provided in RCW 43.33A.030: "Subject to guidelines established by the board, the board's executive director may delegate to board staff any of the executive director's powers and duties" The Executive Director, while retaining responsibility for all delegated authority he/she may exercise, may further delegate the authority (including signature authority) necessary to WSIB staff to conduct day-to-day activities, through written delegation. This provision includes, but is not limited to, the types of authority listed in Part 1 above.

POLICY REVIEW

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

Policy Adopted 6/29/81

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