

### 5. ORGANIZATION AND ROLE DEFINITION

#### WSIB Members

The Board is comprised of 15 members. Ten are voting members, which include three ex-officio members, two legislators (one from the House of Representatives and one from the Senate), and five members from different Washington public employee pension plans. Five members are non-voting, appointed by the Board, and directed by statute to be “experienced and qualified in the field of investments” (RCW 42.52.020).

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

A list of current Board members, representation, and terms of appointment is included in Appendix B.

#### Positions on the Board

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

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

#### WSIB Staffing

The WSIB is a Washington state agency. Senior management, a confidential secretary, and investment officer positions are state officers and their positions are exempt from Washington’s civil service laws. All other positions are classified civil service positions. All WSIB staff are state officers or employees.

#### The Executive Director

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

Statute provides for the selection of an Executive Director by the Board, with confirmation by the State Finance Committee. The Board may delegate such authority as it deems appropriate to the Executive Director. Subject to guidelines established in statute and by the Board, the Executive Director may further delegate to Board staff any of the Executive Director’s powers and duties, including the power to make investment decisions and execute investment and other contractual obligations on behalf of the Board.

## **INTRODUCTION: BACKGROUND INFORMATION**

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.

### **Organization**

The WSIB organization is structured similar to most investment management organizations, with the Board and management providing firm-wide leadership; and major operating units for investment management; operations, risk control, financial management, and administration; and institutional relations or client services.

The Investment Division is comprised of investment professionals making and managing investments in five major asset classes: fixed income, public equity, tangible assets, real estate, and private equity. The division is also served by a senior investment officer who is the primary position analyzing portfolio risk and developing asset allocation. The division deploys both internal and external investment management strategies.

The Operations Division provides a number of services in support of the investment function, including trade settlement, cash management, private market funding, cash and stock distributions, foreign and domestic tax matters, and investment compliance monitoring. It provides firm-wide risk management, innovation and technology systems management, human resources, finance, and administrative services.

The Institutional Relations Division oversees essential areas of strategic communications and related duties that are typically found in a client services division of an investment management organization. This includes performance reporting, corporate governance, proxy voting activities, and managing interactions and relationships with external entities to ensure transparency and dissemination of accurate and timely information.

### **Legal Counsel**

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

In addition, the AGO and the WSIB contract for outside legal services for investment and other specialized services to augment the legal services made available through the AGO.

### **Consultants, Advisors, Managers**

## INTRODUCTION: BACKGROUND INFORMATION

### *Reason for Hiring Outside Managers*

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

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 WSIB a depth of highly skilled persons to perform specific tasks and to extend the capability of the WSIB. 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 voting Board members decide 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 an open, competitive procurement process. The Executive Director oversees and approves all competitive procurements. The procurement document lists the requirements and services to be provided. Procurements are advertised and sent to a broad number of potential bidders.

After the proposals are received, they are reviewed and evaluated by staff. Consultants may assist with the evaluation of the proposals received. Staff selects a group of finalists based upon a variety of factors, including cost. Interviews are conducted by staff, the Board, or one of the Board's Committees. The final selection is typically made or approved by the Board.

### **References:**

Members of the State Investment Board	Appendix B
State Investment Board Organizational Charts	Appendix E
Outline of Specifications for Non-Voting Members	Appendix G