

compensation in accordance with the provisions of Title 51 RCW.

NEW SECTION. Sec. 5. Any person feeling himself aggrieved by the action of the department of social and health services in impounding his time loss compensation as provided in this 1973 act shall have the right to an administrative hearing, which hearing may be conducted by an examiner designated by the secretary for such purpose.

Any such person who desires a hearing shall, within thirty days after the notice to withhold and deliver has been mailed to or served upon the director of the department of labor and industries and said appellant, file with the secretary a notice of appeal from said action.

The hearings conducted shall be in accordance with chapter 34.04 RCW (Administrative Procedure Act).

NEW SECTION. Sec. 6. This act shall not apply to persons whose eligibility for benefits under Title 51, RCW, is based upon an injury or illness occurring prior to July 1, 1972.

NEW SECTION. Sec. 7. Sections 1 through 5 of this 1973 act are added to chapter 74.04 RCW.

Passed the House April 14, 1973.

Passed the Senate April 14, 1973.

Approved by the Governor April 23, 1973.

Filed in Office of Secretary of State April 24, 1973.

CHAPTER 103

[House Bill No. 376]

INVESTMENT ADVISORY COMMITTEE--

PUBLIC FUND INVESTMENT

AN ACT Relating to investments; amending section 8, chapter 267, Laws of 1971 ex. sess. and RCW 2.10.080; amending section 7, chapter 209, Laws of 1969 ex. sess. as amended by section 2, chapter 216, Laws of 1971 ex. sess. and RCW 41.26.070; amending section 2, chapter 297, Laws of 1961 and RCW 41.32.201; amending section 3, chapter 297, Laws of 1961 and RCW 41.32.202; amending section 3, chapter 104, Laws of 1965 ex. sess. and RCW 43.84.031; amending section 51.44.100, chapter 23, Laws of 1961 as last amended by section 2, chapter 92, Laws of 1972 ex. sess. and RCW 51.44.100; adding a new section to chapter 41.32 RCW; adding a new section to chapter 41.40 RCW; adding new sections to chapter 43.33 RCW; adding new sections to chapter 43.84 RCW; repealing section 20, chapter 80, Laws of 1947, section 6, chapter 274, Laws of

1955, section 1, chapter 297, Laws of 1961, section 3, chapter 14, Laws of 1963 ex. sess., section 2, chapter 81, Laws of 1965 ex. sess., section 6, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.200; repealing section 8, chapter 155, Laws of 1965, section 3, chapter 128, Laws of 1969 and RCW 41.40.071; repealing section 1, chapter 104, Laws of 1965 ex. sess., section 1, chapter 2, Laws of 1967 ex. sess. and RCW 43.84.011; creating a new section; and declaring an emergency.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Section 1. Section 8, chapter 267, Laws of 1971 ex. sess. and RCW 2.10.080 are each amended to read as follows:

(1) The state treasurer shall be the custodian of all funds and securities of the retirement system. Disbursements from this fund shall be made by the state treasurer upon receipt of duly authorized vouchers.

(2) The state treasurer is hereby authorized and directed to deposit any portion of the funds of the retirement system not needed for immediate use in the same manner and subject to all the provisions of law with respect to the deposit of state funds by such treasurer, and all interest earned by such portion of the retirement system's funds as may be deposited by the state treasurer in pursuance of authority herewith given shall be collected by him and placed to the credit of the retirement fund.

(3) The public employees' retirement board established by chapter 41.40 RCW shall have full power to invest or reinvest the funds of this system in those classes of investments authorized by ((REW 41:40:071 as now or hereafter amended)) sections 12 and 16 of this 1973 amendatory act.

(4) For the purpose of providing amounts to be used to defray the cost of administration and investment, the judicial retirement board shall ascertain at the beginning of each biennium and request from the legislature an appropriation sufficient to cover estimated expenses for the said biennium.

Sec. 2. Section 7, chapter 209, Laws of 1969 ex. sess. as amended by section 2, chapter 216, Laws of 1971 ex. sess. and RCW 41.26.070 are each amended to read as follows:

A fund is hereby created and established in the state treasury to be known as the Washington law enforcement officers' and fire fighters' retirement fund, and shall consist of all moneys paid into it in accordance with the provisions of this chapter, whether such moneys shall take the form of cash, securities, or other assets. The members of the retirement board shall be the trustees of these funds created by this chapter and the retirement board shall have full power to invest or reinvest these funds in the securities authorized by ((REW 41:40:071 as now or hereafter amended)) sections 12 and 16

of this 1973 amendatory act: PROVIDED, That the board shall authorize the state finance committee to execute all transactions in connection with the purchase, sale, or exchange of any investment that it has authorized pursuant to its statutory authority.

(1) The state treasurer shall be the custodian of all funds of the retirement system and all disbursements therefrom shall be paid by the state treasurer upon vouchers duly authorized by the retirement board and bearing the signature of the duly authorized officer of the retirement board.

(2) The state treasurer is hereby authorized and directed to deposit any portion of the funds of the retirement system not needed for immediate use in the same manner and subject to all the provisions of law with respect to the deposit of state funds by such treasurer, and all interest earned by such portion of the retirement system's funds as may be deposited by the state treasurer in pursuance of authority herewith given shall be collected by him and placed to the credit of the retirement fund or the retirement system expense fund.

(3) Into the retirement system fund shall be paid all moneys received by the retirement board, and paid therefrom shall be all refunds, adjustments, retirement allowances and other benefits provided for herein. All contributions by employers for the expense of operating the retirement system as provided for herein shall be transferred by the state treasurer from the retirement system fund to the retirement system expense fund upon authorization of the retirement board.

(4) There is hereby utilized for the purposes of this chapter, the retirement system expense fund, as provided for in RCW 41.40.080 and from which shall be paid the expenses of the administration of this retirement system.

(5) In order to reimburse the retirement system expense fund on an equitable basis the retirement board shall ascertain and report to each employer the sum necessary to defray its proportional share of the entire expense of the administration of this chapter during the ensuing biennium or fiscal year whichever may be required. Such sum is to be computed in an amount directly proportional to the estimated entire expense of the said administration as the ratio of monthly salaries of the employer's members bears to the total salaries of all members in the entire system. It shall then be the duty of all such employers to include in their budgets or otherwise provide the amounts so required.

(6) The retirement board shall compute and bill each employer at the end of each month for the amount due for that month to the retirement system expense fund and the same shall be paid as are its other obligations. Such computation as to each such employer shall

be made on a percentage rate of salary established by the board: PROVIDED, That the retirement board may at its discretion establish a system of billing based upon calendar year quarters in which event the said billing shall be at the end of each such quarter.

(7) For the purpose of providing amounts to be used to defray the cost of such administration, the retirement board shall ascertain at the beginning of each biennium and request from the legislature an appropriation from the retirement system expense fund sufficient to cover estimated expenses for the said biennium.

(8) RCW 41.26.060, 41.26.070 and 41.26.085 shall take effect commencing on January 1, 1972.

Sec. 3. Section 2, chapter 297, Laws of 1961 and RCW 41.32.201 are each amended to read as follows:

Any investments under ((REW 41.32.200)) section 12 of this 1973 amendatory act shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Sec. 4. Section 3, chapter 297, Laws of 1961 and RCW 41.32.202 are each amended to read as follows:

All securities purchased or held on behalf of funds, pursuant to ((REW 41.32.200)) section 12 and section 15 of this 1973 amendatory act, held or disbursed through the state treasury shall be in the physical custody of the state treasurer who may deposit with the fiscal agent of the state, or with a state depository, such of said securities as he shall consider advisable to be held in safekeeping by said agent or bank for collection of principal and interest, or of the proceeds of sale thereof.

Sec. 5. Section 3, chapter 104, Laws of 1965 ex. sess. and RCW 43.84.031 are each amended to read as follows:

Subject to the limitation of authority delegated by RCW ((43.84.044)) 43.84.031 through 43.84.061 and section 12 of this 1973 amendatory act, the state finance committee may by unanimous approval adopt procedural policies governing the management of said permanent trust funds((: PROVIDED; That all such bonds; notes or other obligations shall be purchased at the current market price and no sale or exchange shall be at a price less than the market price of the securities or investments to be sold or exchanged)).

Sec. 6. Section 51.44.100, chapter 23, Laws of 1961 as last amended by section 2, chapter 92, Laws of 1972 ex. sess. and RCW 51.44.100 are each amended to read as follows:

Whenever, in the judgment of the state finance committee, there shall be in the accident fund, medical aid fund, or in the

reserve fund, funds in excess of that amount deemed by such committee to be sufficient to meet the current expenditures properly payable therefrom, the committee may invest and reinvest such excess funds in ((national, state, county, municipal, or school district bonds, and shall exercise the same discretion and have the same authority with respect to the investment of such excess funds as is provided by law with respect to the investment of the state employees' retirement funds. The committee may, in addition, invest such excess funds in motor vehicle fund warrants issued to pay the costs of acquisition of real property or property rights therein necessary for the improvement of the state highway system when authorized by agreement between the committee and the state highway commission requiring repayment of the invested funds from any moneys in the motor vehicle fund available for state highway construction)) the manner prescribed by section 12 of this 1973 amendatory act, and not otherwise.

The state finance committee may ((from time to time inquire of savings and loan associations, commercial banks, mutual savings banks, credit unions and other institutions authorized to be lenders under the federally insured student loan act of the amount of loans each has outstanding to Washington state residents for the specific purpose of pursuing vocational training or retraining or reeducation. Upon such notification the state finance committee may, in addition to other investments authorized by this section,)) give consideration to the investment of excess funds in federally insured student loans made to persons in vocational training or retraining or reeducation programs. The state finance committee may make such investments by purchasing from savings and loan associations, commercial banks, mutual savings banks, credit unions and other institutions authorized to be lenders under the federally insured student loan act, organized under federal or state law and operating in this state loans made by such institutions to residents of the state of Washington particularly for the purpose of vocational training or reeducation: PROVIDED, That the state finance committee shall purchase only that portion of any loan which is guaranteed or insured by the United States of America, or by any agency or instrumentality of the United States of America: PROVIDED FURTHER, That the state finance committee is authorized to enter into contracts with such savings and loan associations, commercial banks, mutual savings banks, credit unions, and other institutions authorized to be lenders under the federally insured student loan act to service loans purchased pursuant to this section at an agreed upon contract price.

NEW SECTION. Sec. 7. There is hereby created the investment advisory committee to consist of seven members to be appointed as hereinafter provided:

- (1) One person shall be appointed annually by the Washington

public employees' retirement board. One person shall be appointed annually by the board of trustees of the Washington state teachers' retirement system. The original members appointed pursuant to this subsection shall serve for one year, measured from July 1 of the year in which the appointment is made.

(2) Four persons shall be appointed by the state finance committee, who shall be considered experienced and qualified in the field of investments and shall not during the term of their appointment have a financial interest in or be employed by any investment brokerage or mortgage servicing firm doing business with the state finance committee or retirement board. The original members appointed by the state finance committee shall serve as follows: One member shall serve a one-year term; one member shall serve for a term of two years; one member shall serve for a term of three years; and one member shall serve for a term of four years. All subsequent state finance committee appointees shall serve for terms of four years. All such appointive terms shall commence on July 1 of the year in which appointment is made.

(3) One member of the public pension commission or its successor who shall be one of the members appointed by the governor and who shall be appointed to the investment advisory committee by the members of the public pension commission for a two-year term from July 1 of each odd-numbered year.

All vacancies shall be filled for the unexpired term. Each member shall hold office until his successor has been appointed and any member may be reappointed for additional terms.

The investment advisory committee shall meet at least quarterly at such times as it may fix.

Each member shall receive fifty dollars for each day or portion thereof spent discharging his official duties as a member of the advisory committee and necessary expenses and other actual mileage or transportation costs as provided in RCW 43.03.060.

NEW SECTION. Sec. 8. No member of the investment advisory committee shall be liable for the negligence, default, or failure of any other person or other member of the committee to perform the duties of his office and no member of the committee shall be considered or held to be an insurer of the funds or assets of any retirement system nor shall any member be liable for actions performed with the exercise of reasonable diligence within the scope of his duly authorized activities as a member of the committee.

NEW SECTION. Sec. 9. In addition to its other powers and duties as may be prescribed by law, the investment advisory committee shall:

(1) Make recommendations as to general investment policies, practices and procedures to the board of the Washington public

employees' retirement system as constituted under RCW 41.40.030 and 41.26.050 and to the board of trustees of the Washington state teachers' retirement system, regarding those retirement funds for which they are designated trustees.

(2) Make recommendations as to general investment policies, practices and procedures regarding all other investment funds to the state finance committee.

Such boards of trustees and the state finance committee shall make the final decision regarding the advice and recommendations submitted by the investment advisory committee.

NEW SECTION. Sec. 10. The investment advisory committee, in addition to its other duties, shall review the investment transactions of the state finance committee four times each year and at such additional times as it determines.

The investment advisory committee shall prepare a written report of its activities during each quarter. Each report shall be submitted not more than thirty days after the end of the quarter to the state finance committee, each of the retirement systems, the public pension commission or its successor, the governor, and to any other person who has personally submitted a written request therefor.

NEW SECTION. Sec. 11. All accounts, files, and other records of the state finance committee and of each of the retirement systems are subject at any time or from time to time to such reasonable periodic, special, or other examinations by the investment advisory committee as the investment advisory committee deems necessary or appropriate.

NEW SECTION. Sec. 12. Except where otherwise specifically provided by law, the state finance committee and those boards otherwise responsible for the management of their respective funds shall have full power to invest and reinvest funds in the following classes of securities, and not otherwise:

(1) Bonds, notes, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, or those guaranteed by, or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof, or the obligation of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system.

(2) Bonds, debentures, notes, or other obligations issued, assumed, or unconditionally guaranteed by the international bank for reconstruction and development, the inter-American development bank, or by the federal national mortgage association; in addition to bonds, debentures, or other obligations issued by a federal land bank, or by a federal intermediate credit bank, under the act of

congress of July 17, 1961, known as the "Federal Farm Loan Act", (as from time to time amended).

(3) First mortgages on unencumbered real property which are insured by the federal housing administration under the national housing act (as from time to time amended) or are guaranteed by the veterans' administration under the servicemen's readjustment act of 1944 (as from time to time amended), or are otherwise insured or guaranteed by the United States of America, or by an agency or instrumentality thereof to the extent that the investor protection thereby given is essentially the same as that as provided under the foregoing federal enactments.

(4) Conventional fee simple or leasehold first mortgages on real property located within the state of Washington.

(5) Bonds or other evidences of indebtedness of this state or a duly authorized authority or agency thereof; bonds, notes, or other obligations of any municipal corporation, political subdivision or state supported institution of higher learning of this state, issued pursuant to the laws of this state; obligations of any public housing authority or urban redevelopment authority issued pursuant to the laws of this state relating to the creation or operation of a public housing or urban redevelopment authority.

(6) Bonds, notes, or other obligations issued, guaranteed or assumed by any other state or municipal or political subdivision thereof.

(7) Bonds, debentures, notes or other full faith and credit obligations issued, guaranteed, or assumed as to both principal and interest by the government of the Dominion of Canada, or by any province of Canada, or by any city of Canada, which has a population of not less than one hundred thousand inhabitants: PROVIDED, That the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder: PROVIDED FURTHER, That such securities are rated "A" or better by at least one nationally recognized rating agency.

(8) Bonds, debentures, notes, or other obligations of any corporation duly organized and operating in any state of the United States: PROVIDED, That such securities are rated "A" or better by at least one nationally recognized rating agency.

(9) Capital notes, debentures, or other obligations of any national or state commercial or mutual savings bank doing business in the United States of America.

(10) Equipment trust certificates issued by any corporation duly organized and operating in any state of the United States of America: PROVIDED, That the bonds or debentures of the company are rated "A" or better by at least one nationally recognized rating agency.

(11) Commercial paper: PROVIDED, That it is given the highest attainable rating by at least two nationally recognized rating agencies.

(12) Subject to the limitations hereinafter provided, those funds created under chapters 2.10, 2.12, 41.24, 41.26, 41.32, 41.40, and 43.43 RCW and the accident reserve fund created by RCW 51.44.010 may be invested in the common or preferred stock or shares, whether or not convertible as well as convertible bonds and debentures of corporations created or existing under the laws of the United States, or any state, district or territory thereof: PROVIDED, That:

(a) Those trustees responsible for the management of their respective funds shall contract with an investment counseling firm or firms or the trust department of a national or state chartered commercial bank having its principal office or a branch in this state and/or the staff of the state finance committee for the purpose of managing issues defined by subsection (12) of this section. The trustees shall receive advice which shall become part of the official minutes of the next succeeding meeting of the board. No investment counseling firm shall be engaged in buying, selling or otherwise marketing securities in which commissions or profit credits arising from these activities accrue to the firm during the time of its employment by the boards. Nothing in the preceding sentence shall be deemed to apply to the marketing of bonds, notes or other obligations of the United States or any agency thereof, or of a state or any municipal or political subdivision thereof by a bank in the normal course of its business.

(b) Stock investments to include convertible preferred stock investments, and investments in convertible bonds and debentures shall not exceed twenty-five percent of the total investments (cost basis) of the system: PROVIDED, That in the case of the accident reserve fund created by RCW 51.44.010 such stock investments shall not exceed ten percent of the total investments.

(c) Investment in the stock of any one corporation shall not exceed five percent of the common shares outstanding.

(d) No single common stock investment, based on cost, may exceed two percent of the assets of the total investments (cost basis) of the system.

(e) Such corporation has paid a cash and/or stock dividend on its common stock in at least eight of the ten years next preceding the date of investment, and the aggregate net earnings available for dividends on the common stock of such corporation for the whole of such period have been equal to the amount of such dividends paid, and such corporation has paid an earned cash and/or stock dividend in each of the last three years.

(f) In the case of convertible bond, debenture and convertible

preferred stock investments, the common stock into which such investments are convertible otherwise qualifies as an authorized investment under the provisions of this section.

(g) The common stock of any corporation concerned is registered on a national securities exchange provided in the "Securities Exchange Act of 1934" (as from time to time amended). Such registration shall not be required with respect to the following stocks:

(i) The common stock of a bank which is a member of the federal deposit insurance corporation and has capital funds represented by capital, surplus, and undivided profits of at least fifty million dollars.

(ii) The common stock of an insurance company which has capital funds, represented by capital, special surplus, and unassigned surplus of at least fifty million dollars.

(iii) Any preferred stock, as well as any convertible bond, debenture or preferred stock.

(iv) The common stock of Washington corporations meeting all the other qualifications except that of being registered on a national exchange.

(13) Investments in savings and loan associations organized under federal or state law, insured by the federal savings and loan insurance corporation, and operating in this state, including investment in their savings accounts, deposit accounts, bonds, debentures and other obligations or securities (except capital stock) which are insured or guaranteed by an agency of the federal government or by a private corporation approved by the state insurance commissioner and licensed to insure real estate loans in the state of Washington; savings deposits in commercial banks and mutual savings banks organized under federal or state law, insured by the federal deposit insurance corporation, and operating in this state: PROVIDED, That the investment of any one fund in the foregoing institutions shall not exceed the amount insured or guaranteed.

(14) Appropriate contracts of life insurance or annuities from insurers duly organized to do business in the state of Washington, if and when such purchase or purchases would in the judgment of the board be appropriate or necessary to carry out the purposes of this chapter.

Subject to the above limitations, the trustees of the several funds shall have the power to authorize the state finance committee to make purchases, sales, exchanges, investments and reinvestments, of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any money belonging to said funds.

NEW SECTION. Sec. 13. Investment counseling fees established

by contract shall be payable from the investment earnings derived from those assets being managed by investment counsel.

NEW SECTION. Sec. 14. Whenever there are surplus moneys available for investment in the permanent common school fund, the agricultural college permanent fund, the normal school permanent fund, the scientific school permanent fund, or the university permanent fund, the state finance committee shall have full power to invest or reinvest such funds in the manner prescribed by section 12 of this 1973 amendatory act, and not otherwise.

NEW SECTION. Sec. 15. There is added to chapter 41.32 RCW a new section to read as follows:

The board of trustees shall be the trustees of the several funds created by this chapter and shall have full power to authorize the state finance committee to invest and reinvest such funds in the manner prescribed by section 12 of this 1973 amendatory act, and not otherwise.

NEW SECTION. Sec. 16. There is added to chapter 41.40 RCW a new section to read as follows:

The members of the retirement board shall be the trustees of the several funds created by this chapter and the retirement board shall have full power to invest or reinvest, or to authorize the state finance committee to invest or reinvest, such funds in the manner prescribed by section 12 of this 1973 amendatory act, and not otherwise: PROVIDED, That the board shall authorize the state finance committee to execute all transactions in connection with the purchase, sale or exchange of any investment that it has authorized pursuant to its statutory authority.

NEW SECTION. Sec. 17. The following acts or parts of acts are each repealed:

(1) Section 20, chapter 80, Laws of 1947, section 6, chapter 274, Laws of 1955, section 1, chapter 297, Laws of 1961, section 3, chapter 14, Laws of 1963 ex. sess., section 2, chapter 81, Laws of 1965 ex. sess., section 6, chapter 150, Laws of 1969 ex. sess. and RCW 41.32.200;

(2) Section 8, chapter 155, Laws of 1965, section 3, chapter 128, Laws of 1969 and RCW 41.40.071; and

(3) Section 1, chapter 104, Laws of 1965 ex. sess., section 1, chapter 2, Laws of 1967 ex. sess. and RCW 43.84.011.

NEW SECTION. Sec. 18. Sections 6 through 11 of this 1973 amendatory act are hereby added to chapter 43.33 RCW.

NEW SECTION. Sec. 19. Sections 12 through 14 of this 1973 amendatory act are each hereby added to chapter 43.84 RCW.

NEW SECTION. Sec. 20. If any provision of this 1973 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the

provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 21. This act is necessary for the immediate preservation of the public peace, health and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House April 12, 1973.

Passed the Senate April 10, 1973.

Approved by the Governor April 23, 1973.

Filed in Office of Secretary of State April 24, 1973.

CHAPTER 104

[House Bill No. 418]

BANKS AND TRUST COMPANIES--

POWERS AND DUTIES

AN ACT Relating to banks and trust companies; amending section 30.04.120, chapter 33, Laws of 1955 and RCW 30.04.120; amending section 30.04.210, chapter 33, Laws of 1955 and RCW 30.04.210; amending section 30.08.010, chapter 33, Laws of 1955 as amended by section 3, chapter 136, Laws of 1969 and RCW 30.08.010; amending section 30.08.020, chapter 33, Laws of 1955 as last amended by section 1, chapter 118, Laws of 1959 and RCW 30.08.020; amending section 30.08.030, chapter 33, Laws of 1955 and RCW 30.08.030; amending section 30.08.040, chapter 33, Laws of 1955 and RCW 30.08.040; amending section 30.08.060, chapter 33, Laws of 1955 and RCW 30.08.060; amending section 30.08.095, chapter 33, Laws of 1955 as amended by section 4, chapter 136, Laws of 1969 and RCW 30.08.095; and adding new sections to chapter 33, Laws of 1955 and to chapter 30.04 RCW.

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

Section 1. Section 30.04.120, chapter 33, Laws of 1955 and RCW 30.04.120 are each amended to read as follows:

The shares of stock of every bank and trust company shall be deemed personal property. No such corporation shall hereafter make any loan or discount on the security of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; in which case the stocks so purchased or acquired shall be sold at public or private sale, or otherwise disposed of, within six months from the time of its purchase or