

balance of the premium for the current policy year; and that if the loan is made or repaid on a date other than the anniversary of the policy, the insurer shall be entitled to interest for the portion of the current policy year at the rate of interest specified in the policy.

(3) Such policy may further provide that if the interest on the loan is not paid when due, it shall be added to the existing indebtedness and shall bear interest at the same rate; and that if and when the total indebtedness on the policy, including interest due or accruing, equals or exceeds the amount of the loan value thereof which would otherwise exist at such time, the policy shall terminate in full settlement of such indebtedness and become void; except, that it shall be stipulated in the policy that no such termination shall be effective prior to the expiration of at least thirty days after notice of the pendency of the termination was mailed by the insurer to the insured and the assignee, if any, at their respective addresses last of record with the insurer.

(4) The insurer shall provide in any policy issued on or after the operative date of RCW 48.23.350 that the making of any loan, other than a loan to pay premiums, may be deferred for not exceeding six months after the application for the loan has been received by it.

NEW SECTION. Sec. 2. This 1977 amendatory act shall not impair the terms and conditions of any policy of life insurance in force prior to the effective date of this 1977 amendatory act.

Passed the House March 17, 1977.

Passed the Senate June 4, 1977.

Approved by the Governor June 15, 1977.

Filed in Office of Secretary of State June 15, 1977.

CHAPTER 251

[Substitute House Bill No. 619]

INVESTMENT OF PUBLIC FUNDS

AN ACT Relating to investments; amending section 7, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 41.50.050; amending section 10, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 41.50.080; amending section 7, chapter 103, Laws of 1973 1st ex. sess. as amended by section 112, chapter 34, Laws of 1975-'76 2nd ex. sess. and RCW 43.33.050; amending section 9, chapter 103, Laws of 1973 1st ex. sess. as amended by section 26, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 43.33.070; amending section 2, chapter 17, Laws of 1975-'76 2nd ex. sess. and RCW 43.84.150; adding a new section to chapter 41.26 RCW; adding a new section to chapter 41.50 RCW; adding a new section to chapter 41.40 RCW; and adding new sections to chapter 43.33 RCW.

Be it enacted by the Legislature of the State of Washington:

Section 1. Section 7, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 41.50.050 are each amended to read as follows:

The director shall:

(1) Have the authority to organize the department into not more than two divisions, each headed by an assistant director;

(2) Have free access to all files and records of various funds assigned to the department (~~for investment purposes~~) and inspect and audit the files and records as deemed necessary;

(3) With the assistance of the state finance committee, prepare written reports at least quarterly summarizing the investment ((and bond management)) activities of the department, which reports shall be sent to the governor, to the senate ways and means committee((s of)), the house ((and senate, to members of the finance advisory)) appropriations committee, to all agencies having a direct financial interest in the investment of funds ((or issuance and sale of bonds by the director)), and to other persons on request;

(4) Employ personnel to carry out the general administration of the department;

(5) Submit an annual written report of the activities of the department to the governor and the legislature, including recommendations for statutory changes the director believes to be desirable;

(6) Adopt such rules and regulations as are necessary to carry out the powers, duties, and functions of the department pursuant to the provisions of chapter 34.04 RCW.

Sec. 2. Section 10, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 41.50.080 are each amended to read as follows:

The director and the state finance committee, with the approval of the respective boards, shall provide for the investment of all funds of the Washington public employees' retirement system, the teachers' retirement system, the Washington law enforcement officers' and fire fighters' retirement system, the Washington state patrol retirement system, the Washington judicial retirement system, and the judges' retirement fund, pursuant to RCW 43.84.150, and ((shall authorize)) may sell or exchange investments acquired in the exercise of that authority: PROVIDED, That the method of granting approval shall be determined by each board, respectively, in its sole discretion. The state finance committee ((to)) shall execute all such transactions. Nothing in this section or any other provision of law shall be construed to grant the director any investment powers other than as to funds of those retirement systems designated in this section.

Sec. 3. Section 7, chapter 103, Laws of 1973 1st ex. sess. as amended by section 112, chapter 34, Laws of 1975-'76 2nd ex. sess. and RCW 43.33.050 are each amended to read as follows:

There is hereby created the investment advisory committee to consist of ((seven)) eight 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)) Five 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))~~ The state actuary appointed under RCW 44.44.010 who shall serve for the period while holding the office of the state actuary.

No member during the term of his or her appointment or for two years thereafter shall have a financial interest in or be employed by any investment brokerage or mortgage servicing firm doing business with the state finance committee.

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 travel expenses as provided in RCW 43.03.050 and 43.03.060 as now existing or hereafter amended.

Sec. 4. Section 9, chapter 103, Laws of 1973 1st ex. sess. as amended by section 26, chapter 105, Laws of 1975-'76 2nd ex. sess. and RCW 43.33.070 are each amended to read as follows:

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 state finance committee and the director of retirement systems regarding those retirement funds for which the various retirement boards are designated trustees;

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

The director of retirement systems and the state finance committee shall make the final decision regarding the advice and recommendations submitted by the investment advisory committee.

Sec. 5. Section 2, chapter 17, Laws of 1975-'76 2nd ex. sess. and RCW 43.84-.150 are each amended to read as follows:

Except where otherwise specifically provided by law, the state finance committee and the director of retirement systems with the approval of those boards otherwise responsible for the management of their respective funds shall have full power to invest and reinvest funds over which they have investment authority in the following classes of ((securities)) investments, and not otherwise, and to sell or exchange investments acquired in the exercise of that authority: PROVIDED, That the method of granting approval to the state finance committee and the director of retirement systems shall be determined by each board, respectively, in its sole discretion:

(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, the Asian 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))~~ The state finance committee and the director of retirement systems may, with the approval of the respective boards, either have the finance committee's staff manage the classes of investments defined by subsection (12) of this section or they may 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))~~ state finance committee and the director of retirement systems shall receive advice which shall become part of the official minutes of the next succeeding meeting of the ((board)) committee and respective boards. 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))~~ 51.44.030 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 and in each of the last three 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.

(15) Any obligation, equipment trust certificate, or interest in any obligation arising out of any transaction involving the sale of any equipment by, or the lease of any equipment from, any corporation engaged in the business of transportation or manufacturing, with its principal place of business located in Washington state, or by or from any wholly owned subsidiary of any such corporation, provided that either (a) the obligation shall be secured by ownership of the equipment or by a first mortgage or other security interest creating a first lien on such equipment or (b) the obligation shall be guaranteed by the United States government or any agency or instrumentality thereof or by a foreign government or any agency or instrumentality thereof or by any province of Canada.

(16) The sale of call options or the repurchase of sold call options where such options are fully covered by common stocks owned by the funds.

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. 6. There is added to chapter 43.33 RCW a new section to read as follows:

The state treasurer may cause any securities in which the state finance committee deals to be registered in the name of a nominee without mention of any fiduciary relationship, except that adequate records shall be maintained to identify the actual owner of the security so registered. The securities so registered shall be held in the physical custody of the state treasurer or his or her designee or designees.

With respect to the securities, the nominee shall act only upon the order of the state treasurer who shall act only on the direction of the state finance committee. All rights to the dividends, interest, and sale proceeds from the securities and all voting rights of the securities shall be vested in the actual owners of the securities, and not in the nominee.

NEW SECTION. Sec. 7. There is added to chapter 41.50 RCW a new section to read as follows:

Any investments under RCW 43.84.150 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.

NEW SECTION. Sec. 8. There is added to chapter 41.26 RCW a new section to read as follows:

Any investments under RCW 43.84.150 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.

NEW SECTION. Sec. 9. There is added to chapter 41.40 RCW a new section to read as follows:

Any investments under RCW 43.84.150 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.

NEW SECTION. Sec. 10. There is added to chapter 43.33 RCW a new section to read as follows:

The state finance committee shall prepare written reports at least quarterly summarizing the investment and bond management activities of the finance committee, which reports shall be sent to the governor, to the senate ways and means committee, the house appropriations committee, to members of the investment advisory committee, to all retirement boards, and other agencies having a direct financial interest in the investment of funds or issuance and sale of bonds by the committee, and to other persons on written request.

NEW SECTION. Sec. 11. There is added to chapter 43.33 RCW a new section to read as follows:

Any investments made by the state finance committee 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.

Passed the House June 4, 1977.

Passed the Senate June 2, 1977.

Approved by the Governor June 15, 1977.

Filed in Office of Secretary of State June 15, 1977.

CHAPTER 252

[House Bill No. 653]

LAND DEVELOPMENT ACT—IMPROVEMENTS—PAYMENTS IN ADDITION TO PURCHASE PRICE

AN ACT Relating to the Land Development Act; and adding a new section to chapter 12, Laws of 1973 1st ex. sess. and to chapter 58.19 RCW.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Section 1. There is added to chapter 12, Laws of 1973 1st ex. sess. and to chapter 58.19 RCW a new section to read as follows:

It shall be unlawful for the developer to sell a lot or parcel within a development if the terms of the sale require that the purchaser pay any sum in addition to the purchase price for constructing, completing, or maintaining improvements to the development unless the sums are to be paid directly to:

- (1) A governmental agency;
- (2) A person who is not affiliated with the developer, in trust, and on terms acceptable to the director; or
- (3) An association comprised solely of persons who have purchased lots in the development, or their assignees.

The terms which require the payment of any additional sum shall be set forth in the public offering statement.

Passed the House April 23, 1977.

Passed the Senate June 6, 1977.

Approved by the Governor June 15, 1977.

Filed in Office of Secretary of State June 15, 1977.

CHAPTER 253

[House Bill No. 703]

MOTOR VEHICLE WRECKERS

AN ACT Relating to motor vehicle wreckers; amending section 46.80.010, chapter 12, Laws of 1961 and RCW 46.80.010; amending section 46.80.020, chapter 12, Laws of 1961 as last amended by section 1, chapter 7, Laws of 1971 ex. sess. and RCW 46.80.020; amending section 46.80.030, chapter 12, Laws of 1961 as last amended by section 2, chapter 7, Laws of 1971 ex. sess. and RCW 46.80.030; amending section 46.80.070, chapter 12, Laws of 1961 as last amended by section 5, chapter 7, Laws of 1971 ex. sess. and RCW 46.80.070; amending section 46.80.080, chapter 12, Laws of 1961 as last amended by section 6, chapter 7, Laws of 1971 ex. sess. and RCW 46.80.080; amending section 46.80.090, chapter 12, Laws of 1961 as last amended by section 7, chapter 7,