

# SENATE BILL REPORT

## SB 5679

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As of February 15, 1995

**Title:** An act relating to prohibiting investment of public pension and retirement funds in business firms manufacturing tobacco products.

**Brief Description:** Prohibiting certain investments in tobacco products.

**Sponsors:** Senators Oke and Pelz; by request of State Treasurer.

**Brief History:**

**Committee Activity:** Financial Institutions & Housing: 2/16/95.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

**Staff:** Catherine Mele (786-7470)

**Background:** The Legislature created the Washington State Investment Board in 1981 to administer public trust and retirement funds. There are 14 members that serve on the board: one representative of retired public employees, one representative of retired law enforcement officers and fire fighters, one representative of retired teachers, the State Treasurer, a member of the state House of Representatives, a member of the state Senate, a representative of retired state employees, the Director of the Department of Labor and Industries, the Director of Retirement Systems, and five nonvoting members appointed by the State Investment Board with experience in making investments.

The State Investment Board manages 23 funds which total approximately \$26 billion. These funds are characterized in three classes: retirement, insurance, and permanent.

Current law provides that the State Investment Board establish investment policies and procedures that are designed exclusively to maximize return at a prudent level of risk. However, for Labor and Industries accident, medical aid, and reserve funds, investment policies and procedures are designed to limit fluctuations in industrial insurance premiums, and subject to that purpose, to maximize returns at a prudent level of risk.

In addition, the State Investment Board must act with the degree of judgment and care that persons of prudence, discretion, and intelligence exercise in the management of their own investment affairs considering the safety of capital and the probable income derived.

It is suggested that State Investment Board should be prohibited from investing public pension and retirement funds in business firms that manufacture tobacco products.

**Summary of Bill:** On and after January 1, 1996, the State Investment Board is prohibited from making additional or new investments of public pension funds in business firms that manufacture tobacco products.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.