

HOUSE BILL REPORT

SB 6226

As Passed House

March 4, 1992

Title: An act relating to investment of the moneys of the firemen's pension fund.

Brief Description: Changing the standards for the investment of the moneys of the firemen's pension fund.

Sponsor(s): Senators McCaslin, Madsen and Conner.

Brief History:

Reported by House Committee on:

State Government, February 26, 1992, DP;

Passed House, March 4, 1992, 95-0.

**HOUSE COMMITTEE ON
STATE GOVERNMENT**

Majority Report: *Do pass.* Signed by 10 members: Representatives Anderson, Chair; Pruitt, Vice Chair; McLean, Ranking Minority Member; Bowman, Assistant Ranking Minority Member; Chandler; R. Fisher; Grant; Moyer; O'Brien; and Sheldon.

Staff: Linda May (786-7135).

Background: Some 40 cities in Washington have Municipal Firemen's Pensions boards. These boards were established in cities which had paid fire departments prior to the establishment of the centralized Law Enforcement Officers and Fire Fighters (LEOFF) Retirement System in 1969. These boards oversee the collection of contributions, the investment of funds, and the distribution of pensions and benefits to members vested under these pension programs.

Statute describes the kinds of investments which are appropriate for the funds held by these boards. Cities have been interpreting this statute broadly and have been investing these funds in a variety of securities. Recently, however, an informal attorney general opinion has brought into question the boards' authority to make certain kinds of investments. The focus of debate has been on whether these boards may invest in corporate bonds.

Summary of Bill: Existing language describing appropriate investments for funds held by Municipal Firemen's Pension boards is deleted. New language directs the boards to invest funds in a manner consistent with the management of pension funds by cities and towns. Specifically authorized are investments in U.S., state, and municipal corporation securities, and in corporate bonds.

Fiscal Note: Not requested.

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

Testimony For: The bill seeks to address questions raised by the attorney general concerning investment of these pension funds. Cities have been investing these funds in corporate bonds for 25 years, have been through several audits, and thought they were acting in compliance with the law. This change will clarify that these funds can be invested in the same way as other investment funds held by cities, including investment in corporate bonds.

Testimony Against: None.

Witnesses: Stan Finkelstein, Association of Washington Cities; and Dan Clements, City of Renton (both in favor).