

HOUSE BILL REPORT

SB 6192

As Passed House:

February 27, 1998

Title: An act relating to the operation of the state investment board.

Brief Description: Providing for the operation of the state investment board.

Sponsors: Senators Sellar, Snyder and Winsley; by request of State Investment Board.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/19/98 [DP].

Floor Activity:

Passed House: 2/27/98, 95-0.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

Staff: Charlie Gavigan (786-7340).

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 active member of the Public Employees Retirement System, one active member of the Law Enforcement Officers and Firefighters Retirement System, one active member of the Teachers Retirement System, 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 the Department of Retirement Systems, and five nonvoting members appointed by the State Investment Board with experience in making investments.

Washington law requires that the State Investment Board (SIB) establish investment policies and procedures that are designed to maximize return at a prudent level of risk. The statutory standard of care required of the SIB traditionally is referred to as the prudent person standard.

Summary of Bill: The standard of care for State Investment Board investments is modified. The SIB must make investment decisions based on what a prudent investor reasonably would do in a similar situation. The investment decision is looked at in terms of the whole portfolio. The SIB should diversify the investments of its funds unless special circumstances exist which reasonably make the fund better served without diversifying.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This modernized the current statute as recommended by the state auditor. This clarifies state law to conform to the board's current practices. The prudent investor standard is more appropriate for large funds than is the older prudent person standard.

Testimony Against: None.

Testified: James Parker, State Investment Board (supports).