

HOUSE BILL REPORT

HB 1585

As Reported By House Committee On:
Financial Institutions & Insurance

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

Brief Description: Authorizing the state investment board to delegate certain powers and duties.

Sponsors: Representatives Huff, L. Thomas, Clements, H. Sommers, Wolfe and Carlson; by request of State Investment Board.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/10/97, 2/24/97 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Benson; Constantine; 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 representative of retired public employees, one representative of retired law enforcement officers and firefighters, 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 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 establish investment policies and procedures that are designed to maximize return at a prudent level of risk.

The State Investment Board manages 23 funds which total approximately \$35 billion. The funds are divided into three classes: retirement, insurance, and permanent. The

board has the authority to hire an executive director for a three-year term. The board may delegate to the executive director any of its powers or duties. The State Investment Board utilizes external investment advisors and managers that possess specialized skills in various investment markets.

Summary of Substitute Bill: The State Investment Board's executive director is permitted to delegate to his or her staff, powers or duties given to the executive director by the board. The powers that may be delegated include the ability to make and execute investment decisions on behalf of the board. The board or the executive director is permitted to give private sector investment advisors and managers authority to make, manage, or dispose of investments according to criteria established by the board or the executive director.

Substitute Bill Compared to Original Bill: Authority is removed which would allow the executive director to delegate to staff the ability to enter into investment contracts with the private sector.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill clarifies the authority of the State Investment Board to delegate authority to its executive director and for the executive director to delegate authority to staff. It also clarifies the authority of the board and executive director to contract with private sector managers and advisors.

Testimony Against: None.

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