HOUSE BILL ANALYSIS

SB 6192

*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.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: February 19, 1998

Bill Analysis Prepared by: Charlie Gavigan, Counsel (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 <u>person</u> 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 <u>investor</u> 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.

Rulemaking Authority: None specified .