

SENATE BILL REPORT

SB 5251

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, January 30, 1997

Title: An act relating to investment of state funds in corporations doing business in Northern Ireland.

Brief Description: Encouraging investment of state funds in corporations doing business in Northern Ireland that practice the MacBride principles.

Sponsors: Senators Heavey, Sellar, Newhouse, Brown, Patterson and Franklin.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/29/97, 1/30/97 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Winsley, Chair; Finkbeiner, Heavey, Kline and Prentice.

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 who 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 the Department of Retirement Systems; and five nonvoting members appointed by the State Investment Board with experience in making investments.

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

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

In addition, the State Investment Board has a statutory duty to act with a degree of judgment and care that persons of prudence, discretion, and intelligence exercise in the management of their own affairs considering the safety of capital and the income derived.

The MacBride principles ask companies in Northern Ireland to increase the presence of under represented religious groups in their work force; take security measures to protect employees

while they are traveling to and from work; ban provocative religious or political symbols at work; and set up timetables to implement a host of training and outreach efforts.

It is suggested that the State Investment Board should monitor the employment practices of the companies in which the board has investments in Northern Ireland, and that the board should stop future investment of public money in companies which it finds do not conform to the MacBride principles.

Summary of Bill: On January 1 of each year the board must make a list of the companies in which it has invested that operate in Northern Ireland. The board is to determine if these companies have followed the MacBride principles. Whenever it has the opportunity, the board is to support shareholder resolutions that encourage the MacBride principles. For future investment, the board is encouraged to consider whether or not a company follows the MacBride principles before investing in that company.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Applying the MacBride Principles to investments made by the State Investment Board is a nonviolent way to help end discrimination in Northern Ireland. The situation in Northern Ireland today is a continuing bloody conflict which has consumed an entire generation of young people for more than 27 years, and it is sad that it continues. One of the fundamental underlying causes of the conflict, which has been identified by reputable observers across the world, is economic inequality and the pervasive discrimination which has existed throughout the lifetime of Northern Ireland. This discrimination has most deeply affected the Catholic Nationalist community in the north of Ireland. In a effort to relieve the situation, which has been described as akin to economic apartheid, the MacBride Principles were created. The State of Washington can send a message that it does not tolerate bigotry in any form if it adopts the MacBride Principles and applies them to investments in Northern Ireland. This will help the predicament of Catholics in Ireland who are 2.2 times more likely to be unemployed as Protestants.

Testimony Against: Washington State has a leadership position in world trade. Washington is a leader because we avoid taking sides in other nations' fights, and we offer assistance to both sides in resolving disputes. There is significant progress being made in Ireland. Both sides of this issue have testified in the past before the Legislature and stated that measures like this one are not helpful. Such policies may even discourage investment in a country where they view economic development and job creation as a key to permanent peace. We can help Northern Ireland by continuing to be a trade partner and building an economic base. Washington as a state, and the State Investment Board should stay out of these disputes. The MacBride Principles are in direct conflict with the statutory mandate of the State Investment Board which is to maximize returns at a prudent level of risk. Addressing social issues has not been part of the State Investment Board's mandate, since its focus is on performance and it works solely for the economic benefit of the plan participants.

Testified: PRO: Oliver Kearney, EQUALITY; Fr. Desmond Wilson, Springhill Community House; Edward Fitzpatrick, Exec. Deputy Comptroller, City of New York; Kay McKenna, Chris Boyle, Sean O'Rourke, Paul McGuigan, Charles McAleese, WA State McBride Principles Campaign; Kevin O'Sullivan, Thurston County Assessor; Patrick McDonald; Dan Saxton, United Assoc. of Plumbers & Pipefitters; Ralph Munro, Secretary of State; James F. Parker, Washington State Investment Board (con).