

# FINAL BILL REPORT

## SB 6192

---

C 14 L 98

Synopsis as Enacted

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

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

**Senate Committee on Financial Institutions, Insurance & Housing**  
**House Committee on Financial Institutions & Insurance**

**Background:** The State Investment Board was created in 1981. The board has the responsibility for safeguarding and investing public trust funds and retirement funds.

The board is held to a certain prudence standard in its investment activities. The current standard requires the board to make investments using the same judgment and care that a prudent individual would use in managing his or her own private affairs, not for speculation but for investment, considering probable safety and probable income return.

The current standard could be interpreted as applying to each individual investment on a stand-alone basis without regard to consideration of the entire portfolio of investments.

Investments must be diversified to the extent that no single holding may exceed 3 percent of the cost or 6 percent of the market value of the total assets of any fund.

**Summary:** The prudence standard, or the standard of judgment and care, is modified to allow contemplation of the entire portfolio and an integrated investment strategy. In addition, the board is directed to use the care, skill, prudence and diligence of a prudent person acting in a like capacity familiar with such matters. This standard would appear to be a measurement against other investment fund managers rather than individuals.

The diversification requirements of current law are moved to the section describing the prudence standard. Other technical changes are made to reflect the new language and relocation of the diversification requirement.

**Votes on Final Passage:**

Senate	48	0
House	95	0

**Effective:** June 11, 1998