

SENATE BILL REPORT

SB 6271

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, February 3, 2000

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

Brief Description: Increasing the size of the state investment board.

Sponsors: Senators Prentice, Winsley and Patterson; by request of State Treasurer and Superintendent of Public Instruction.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 1/27/2000, 2/3/2000 [DPS, DNP].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 6271 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Gardner, Rasmussen, West and Winsley.

Minority Report: Do not pass.

Signed by Senators Deccio, Hale, Heavey and T. Sheldon.

Staff: Susan Jones (786-7784)

Background: The State Investment Board is responsible for the investment of certain state trust and retirement system funds. The board is composed of 14 members, nine of whom vote and five of whom act in an advisory capacity regarding investments. The voting board members represent state agencies, the State Treasurer, the Legislature, and certain retirement systems.

Representatives from the retirement systems include members of the public employees' retirement system, the teachers' retirement system, and law enforcement officers' and the fire fighters' retirement system.

A new retirement system was created in 1998 for classified school district employees. On September 1, 2000, these employees will be transferred from PERS II to the School Employees' Retirement System (SERS). They have the option of staying in SERS II or transferring into SERS III. New classified school district employees will be in SERS III. SERS does not have a representative on the board. In addition, local government employers, such as counties and cities, do not have a representative on the board.

Summary of Substitute Bill: Three members of the following four retirement systems are appointed to the SIB on a rotating basis: (1) the Public Employees' Retirement System, (2) Law Enforcement Officers' and Fire Fighters' Retirement System, (3) the Teachers' Retirement System, and (4) the School Employees' Retirement System (SERS). The SERS member is appointed by the Superintendent of Public Instruction.

Substitute Bill Compared to Original Bill: The original bill added two new board members to the SIB. The new members would have been an active member of SERS and a local government employer. The substitute bill does not increase the membership and a member of SERS will be rotated with three other members of certain retirement systems.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2001.

Testimony For: There are approximately 46,000 classified school district employees. SERS is the third largest retirement system and should be represented on the board. Local government employees make up about 30 percent of active participation in the retirement systems and the employer contribution is approximately one-half of the contributions. The employer contribution is based on investment return. Therefore, the local government employers should have a seat on the board. We recognize the interest in not opening up the board because there are so many who wish to have a seat at the table. Each request should be judged on its merits, not on a blanket response that closes the door to anyone regardless of the merits of their case.

Testimony Against: Many retirement systems and other funds do not have representation on the board. The board members have a fiduciary duty to all those whose fund are managed by the board. Adding members may make it more difficult to obtain a quorum. The board currently functions well and allows time for public comment.

Testified: PRO: Michael Murphy, State Treasurer; Ken Kanikeberg, Office of Superintendent of Public Instruction; Jim Justin, Association of Cities; Doug Nelson, Public School Employees of Washington; CON: James Parker, State Investment Board.