
HOUSE BILL 2743

State of Washington**56th Legislature****2000 Regular Session**

By Representatives Ruderman, Edwards, Schual-Berke, Campbell, Cody, Pennington, Kessler, Van Luven, McIntire, Lovick, Dickerson, Kagi, Dunshee, Cooper, Murray, Kastama, Santos, Kenney, Voloria, Anderson, O'Brien, Hurst, Edmonds and Rockefeller

Read first time 01/19/2000. Referred to Committee on Appropriations.

1 AN ACT Relating to prohibiting investment of public pension and
2 retirement funds in business firms manufacturing tobacco products;
3 amending RCW 43.33A.110, 43.33A.130, 43.33A.140, and 43.84.150; adding
4 a new section to chapter 43.33A RCW; and creating a new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature has committed substantial
7 state resources to maintaining and improving the health of the
8 residents of the state of Washington. The surgeon general of the
9 United States has concluded that the use of tobacco is harmful to our
10 health and the environmental protection agency has found that second-
11 hand tobacco smoke causes cancer and respiratory disease. Recently the
12 attorney general of the state of Washington has been involved in
13 extensive litigation against tobacco companies.

14 In Washington, nearly eight hundred fifty thousand adults smoke
15 cigarettes, and another seventy-five thousand use smokeless tobacco.
16 Each year eight thousand Washington residents die prematurely from
17 smoking-related diseases, including heart disease, stroke, cancer,
18 emphysema, asthma, and bronchitis. Every person who dies from tobacco
19 products loses an average of eleven and one-half years of life. The

1 medical costs related to tobacco use more than doubled between 1987 and
2 1993. The direct medical costs related to smoking in Washington are
3 estimated at seven hundred six million dollars annually. Between 1980
4 and 1993, Washington's medicaid expenses attributable to smoking
5 totaled more than one billion one hundred million dollars.

6 The legislature finds that direct or indirect investment of public
7 pension and retirement funds in business firms that manufacture tobacco
8 is inconsistent with its goals of maintaining and improving the health
9 of Washington residents while making health care affordable.
10 Accordingly, the legislature intends to prohibit the investment of
11 public pension and retirement funds in business firms that manufacture
12 tobacco.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.33A RCW
14 to read as follows:

15 (1)(a) On or after January 1, 2001, the state investment board
16 shall not make additional or new investments of public pension and
17 retirement funds in the stocks, bonds, securities, or other evidence of
18 indebtedness or ownership of business firms manufacturing tobacco
19 products.

20 (b) Beginning January 1, 2001, the state investment board shall
21 liquidate all investments of public pension and retirement funds in
22 stocks, bonds, securities, or other evidence of indebtedness or
23 ownership of business firms manufacturing tobacco products.

24 (2) The definitions in this section apply throughout this chapter.

25 (a) "Business firm" means any corporation operating as a for-profit
26 entity and organized under the laws of a state of the United States and
27 includes its subsidiaries or affiliates if involved in the manufacture
28 of tobacco products.

29 (b) "Manufacture tobacco" means maintaining facilities, including
30 plant and equipment, for growing tobacco and manufacturing tobacco
31 products.

32 **Sec. 3.** RCW 43.33A.110 and 1994 c 154 s 310 are each amended to
33 read as follows:

34 The state investment board may make appropriate rules and
35 regulations for the performance of its duties. Subject to the
36 prohibitions in section 2 of this act, the board shall establish
37 investment policies and procedures designed exclusively to maximize

1 return at a prudent level of risk. However, in the case of the
2 department of labor and industries' accident, medical aid, and reserve
3 funds, the board shall establish investment policies and procedures
4 designed to attempt to limit fluctuations in industrial insurance
5 premiums and, subject to this purpose, to maximize return at a prudent
6 level of risk. The board shall adopt rules to ensure that its members
7 perform their functions in compliance with chapter 42.52 RCW. Rules
8 adopted by the board shall be adopted pursuant to chapter 34.05 RCW.

9 **Sec. 4.** RCW 43.33A.130 and 1999 c 228 s 1 are each amended to read
10 as follows:

11 The state treasurer may cause any securities in which the state
12 investment board deals to be registered in the name of a nominee
13 without mention of any fiduciary relationship, except that adequate
14 records shall be maintained to identify the actual owner of the
15 security so registered. The securities so registered shall be held in
16 the physical custody of the state treasurer, the federal reserve
17 system, the designee of the state treasurer, or, at the election of the
18 designee and upon approval of the state treasurer, the Depository Trust
19 Company of New York City or its designees.

20 With respect to the securities, the nominee shall act only upon the
21 order of the state investment board. All rights to the dividends,
22 interest, and sale proceeds from the securities and all voting rights
23 of the securities are vested in the actual owners of the securities,
24 and not in the nominee. The voting rights of the securities shall be
25 publicly exercised by the board in compliance with section 2 of this
26 act.

27 **Sec. 5.** RCW 43.33A.140 and 1998 c 14 s 1 are each amended to read
28 as follows:

29 Subject to the prohibitions in section 2 of this act, the state
30 investment board shall invest and manage the assets entrusted to it
31 with reasonable care, skill, prudence, and diligence under
32 circumstances then prevailing which a prudent person acting in a like
33 capacity and familiar with such matters would use in the conduct of an
34 activity of like character and purpose.

35 The board shall:

36 (1) Consider investments not in isolation, but in the context of
37 the investment of the particular fund as a whole and as part of an

1 overall investment strategy, which should incorporate risk and return
2 objectives reasonably suited for that fund; and

3 (2) Diversify the investments of the particular fund unless,
4 because of special circumstances, the board reasonably determines that
5 the purposes of that fund are better served without diversifying.
6 However, no corporate fixed-income issue or common stock holding may
7 exceed three percent of the cost or six percent of the market value of
8 the assets of that fund.

9 **Sec. 6.** RCW 43.84.150 and 1998 c 14 s 4 are each amended to read
10 as follows:

11 Except under section 2 of this act and where otherwise specifically
12 provided by law, the state investment board shall have full power to
13 invest, reinvest, manage, contract, or sell or exchange investments
14 acquired. Investments shall be made in accordance with RCW 43.33A.140
15 and investment policy duly established and published by the state
16 investment board.

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