

# FINAL BILL REPORT

## HJR 4202

---

---

Synopsis as Enacted

**Brief Description:** Investing state investment board funds.

**Sponsors:** Representatives H. Sommers, Sehlin, Benson, Hatfield and McIntire by request of State Investment Board.

**House Committee on Financial Institutions & Insurance**  
**Senate Committee on Labor, Commerce & Financial Institutions**

**Background:**

The Legislature created the Washington State Investment Board (SIB) 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 establish investment policies and procedures that are designed to maximize return at a prudent level of risk. The SIB manages 31 funds which total approximately \$56 billion.

The Washington State Constitution prohibits the state from lending its credit to private businesses or from having interests in the stock of a company. Unless specifically exempted from these restrictions, the investment of state funds is effectively limited to government securities and certificates of deposits.

Of the state funds under SIB management, the public pension or retirement funds, industrial insurance funds, the Guaranteed Education Tuition program funds, the Developmental Disabilities Endowment Trust, and the common school permanent fund may be invested in a more diversified range of securities, such as a mixture of corporate bonds and stocks.

The SIB, however, invests in a growing number of other funds, including four permanent funds, the state emergency reserve fund, and other smaller state trusts which are not

exempted from constitutional restrictions.

**Summary:**

A proposed constitutional amendment is submitted to the people for approval that would exempt funds under the investment authority of the State Investment Board from the investment restrictions imposed by the state constitution. The effect of such an amendment will be to allow the SIB to freely invest state funds in accordance with its fiduciary duties, and will eliminate the requirement that certain funds be invested only in government securities.

**Votes on Final Passage:**

House 96 1  
Senate 45 2 (Senate amended)  
House 94 0 (House concurred)