

SENATE BILL REPORT

HJR 4202

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, March 22, 2001

Brief Description: Investing state investment board funds.

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

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 3/20/01, 3/22/01 [DPA, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Deccio, Fairley, Franklin, Honeyford, Patterson, Regala and Winsley.

Minority Report: Do not pass.

Signed by Senators Benton and Hochstatter.

Staff: Joanne Conrad (786-7472)

Background: The Washington State Investment Board is responsible for investment and management of more than \$50 billion in various state funds, including retirement funds, deferred compensation, industrial insurance, and several types of trust funds. In recent years, the board's responsibilities have increased, as laws have been enacted adding to the types of trust funds managed by the board. Questions have arisen regarding the permissible scope of investments for some of the managed funds.

The state Constitution prohibits the state from corporate stock ownership. This has been interpreted to mean that the state funds managed by the State Investment Board cannot be invested in equities.

However, some state funds have been specifically exempted from these investment restrictions, through constitutional amendment. Public pension and industrial insurance funds, for example, may invest in equities.

Summary of Amended Bill: A proposed state constitutional amendment is submitted to voters at the next general election, broadening the authority of the Washington State Investment Board to invest in equities on behalf of any funds or accounts placed by law under the authority of the board, including funds held in trust for the benefit of persons with developmental disabilities.

Amended Bill Compared to Original Bill: The developmental disabilities trust fund is added to funds that may invest in equities.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect upon ratification by qualified voters at a general election.

Testimony For: This will be a global fix– and prevent having to obtain voter approval each time a new fund is added to the State Investment Board’s management.

Testimony Against: None.

Testified: Jim Parker, WA State Investment Board.