

SENATE BILL REPORT

ESJR 8209

As Passed Senate, March 6, 2001

Brief Description: Investing state investment board funds.

Sponsors: Senators Snyder, West, Prentice, Winsley and Rossi; by request of State Investment Board.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/6/01 [DP, DNP].

Passed Senate: 3/6/01, 43-3.

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fairley, Franklin, Patterson, Rasmussen, Regala, West and Winsley.

Minority Report: Do not pass.

Signed by Senator 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 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.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Allowing all funds under State Investment Board management to invest in equities is good modern portfolio practice, and will avoid the necessity of voter approval on a fund-by-fund basis.

Testimony Against: None.

Testified: Jim Parker, State Investment Board; Mike Murphy, State Treasurer.