

HOUSE BILL REPORT

HJM 4011

As Passed House:

March 12, 2003

Brief Description: Requesting the state investment board to develop policies to invest more funds in Washington firms.

Sponsors: By Representatives Veloria, Skinner, Eickmeyer, Santos, Rockefeller, Chase, Linville, Upthegrove and Edwards.

Brief History:

Committee Activity:

Trade & Economic Development: 2/18/03, 2/21/03 [DP].

Floor Activity:

Passed House: 3/12/03, 63-29.

Brief Summary of Bill

- Requests that the State Investment Board develop a policy to encourage prudent investment of the private equity funds under its management and care in more Washington companies.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 7 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Skinner, Ranking Minority Member; Blake, Chase, McCoy and Pettigrew.

Minority Report: Do not pass. Signed by 4 members: Representatives McDonald, Assistant Ranking Minority Member; Condotta, Kristiansen and Priest.

Staff: Tracey Taylor (786-7196).

Background:

The Washington State Investment Board (SIB) is charged with establishing investment policies and procedures designed exclusively to maximize return at a prudent level of risk for 33 funds. These funds include retirement, self-directed defined contribution, deferred compensation, industrial insurance funds, permanent funds and other funds. The total

assets under the SIB's management are \$49.165 billion. The SIB is comprised of 15 members, 10 voting and five nonvoting members. The SIB has over 130 investment managers under contract.

The SIB is required to consider investments not in isolation, but in the context of the investment of the particular fund as a whole and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited for that fund.

Washington investments represent 3.3 percent of the total investments of the SIB. This includes public equity and debt held in 118 Washington companies, real estate investment in 30 Washington properties and private equity ownership in 69 Washington-based companies.

Summary of Bill:

Requests that the SIB develop a policy to encourage prudent investment of the private equity funds under its management and care in more Washington companies.

Appropriation: None.

Fiscal Note: Not Requested.

Testimony For: This memorial recognizes the symbiotic relationship between state employees and a vibrant state economy. The cost of capital has a dramatic impact on the profitability of firms and has significant competitive implications. This is a good first step to ask the Board to review a policy that is decades old.

Testimony Against: None.

Testified: Joe Dear, Washington State Investment Board; and Glenn Gregory, Obsidian Investment Advisors, LC and Tabor 100.