
Higher Education Committee

SSB 6468

Brief Description: Requiring state research universities to adopt policies governing investment of university funds.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Schoesler, Tom, Murray, Harper, Conway and Shin).

Brief Summary of Substitute Bill

- Requires the regents of state research universities to adopt policies governing investments of university funds, and to provide for preparation of annual investment performance reports.

Hearing Date: 2/16/12

Staff: Jill Reinmuth (786-7134).

Background:

Governing boards of institutions of higher education generally have full control of the institution and its property, except as otherwise provided. Institutions and other state agencies that manage and invest public funds are required to establish certain policies and procedures. For example, the University of Washington (UW) must have policies addressing conflicts of interest for private funds in which the institution's endowment is invested. These policies must be in compliance with the Ethics in Public Service Act, and posted on the UW's web site. Also, the State Investment Board must establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk.

The Ethics in Public Service Act prohibits certain state officers and employees from having an interest in any property, security, equity, or debt instruments, with exceptions for specific permissible investments. These officers and employees are the ones who are responsible for the investment of funds and who act in a decision-making, advisory, or policy-influencing capacity

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with respect to investments. Agencies responsible for the investment of funds must adopt policies governing approval of investments and criteria to be considered in the approval process.

The Uniform Prudent Management of Institutional Funds Act provides guidelines for the management, investment, and expenditure of funds held by certain institutions, including governmental organizations that hold funds exclusively for educational purposes. Institutions are subject to a prudent investor standard of conduct. In managing and investing institutional funds, institutions must act with good faith and the care of an ordinarily prudent person. Institutions also must consider the purposes of the institution and the funds, as well as other factors.

Summary of Bill:

The regents of state research universities are required to adopt policies governing investments of university funds. The policies must be publicly available.

The policies must address investment objectives, asset allocation, investment parameters and guidelines, and the delegation of authority over investments. The policies also must address certain personal and institutional conflicts of interest, and be consistent with the state Uniform Prudent Management of Institutional Funds Act.

The regents are also required to provide for preparation of publicly available investment performance reports that describe asset allocations and investment performance. The reports must be prepared at least annually and be publicly available.

Appropriation: None.

Fiscal Note: Requested on February 15, 2012.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.