

SENATE BILL REPORT

SHB 1185

As Reported By Senate Committee On:
Law & Justice, March 16, 1995

Title: An act relating to investment of trust funds.

Brief Description: Revising regulations for the investment of trust funds.

Sponsors: House Committee on Law & Justice (originally sponsored by Representatives Hickel and Costa).

Brief History:

Committee Activity: Law & Justice: 3/16/95 [DPA].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass as amended.

Signed by Senators Smith, Chair; Haugen, Johnson, Long, McCaslin, Roach and Schow.

Staff: Dick Armstrong (786-7460)

Background: Current Washington law on the investment of trust assets is contained in the Investment of Trust Funds Act. This act contains provisions analogous to the Uniform Prudent Investor Act, drafted by the National Conference of Commissioners on Uniform State Laws.

A committee of the Washington State Bar Association has reviewed existing state law on investing trust assets, in light of the uniform act, and recommends that some modifications be made to state law.

The recommendations primarily reflect a codification of existing case law and a clarification of the statutes.

Summary of Amended Bill: The Investment of Trust Funds Act is amended to codify existing case law and to clarify the statutes governing the investment of trust monies.

A fiduciary has a duty to invest trust funds solely in the interest of the beneficiaries and a duty to act impartially in making investment decisions if the trust has more than one beneficiary. In addition, the fiduciary has a duty to diversify trust assets unless the fiduciary reasonably determines the purposes of the trust are better served without diversification because of special circumstances.

A fiduciary who invests and manages trust funds owes a duty to the beneficiaries to comply with the act. The requirements of the act may be expanded, restricted, eliminated, or otherwise altered by provisions of the trust instrument. "General economic conditions" is

added to the factors to be considered in managing the trust assets under the total asset management approach.

Amended Bill Compared to Substitute Bill: Technical amendments are made to ensure that the bill does not apply to public retirement systems.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The striking amendment is the same as passed the Senate. The Bar Association supports the striking amendment.

Testimony Against: None.

Testified: Doug Lawrence, WSBA.