

HOUSE BILL REPORT

HB 2429

As Passed Legislature

Title: An act relating to the operation of the state investment board.

Brief Description: Providing for the operation of the state investment board.

Sponsors: Representatives Huff, H. Sommers, Carlson, Wolfe and L. Thomas; by request of State Investment Board.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/26/98 [DP].

Floor Activity:

Passed House: 2/13/98, 98-0.

Passed Legislature.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 10 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser and Wensman.

Minority Report: Do not pass. Signed by 1 member: Representative Sullivan.

Staff: Charlie Gavigan (786-7340).

Background: The Legislature created the Washington State Investment Board in 1981 to administer public trust and retirement funds. Washington law requires that the State Investment Board (SIB) establish investment policies and procedures that are designed to maximize return at a prudent level of risk. The statutory standard of care required of the SIB traditionally is referred to as the prudent person standard.

Summary of Bill: The standard of care for State Investment Board investments is modified. The SIB must make investment decisions based on what a prudent investor reasonably would do in a similar situation. The investment decision is looked at in terms of the whole portfolio. The SIB should diversify the investments of its funds unless

special circumstances exist which reasonably make the fund better served without diversifying.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This modernizes the current statute as recommended by the State Auditor. This clarifies state law to conform to the board's current practices. The prudent investor standard is more appropriate for large funds than is the older prudent person standard.

Testimony Against: None.

Testified: James Parker, State Investment Board (supports).