

HOUSE BILL REPORT

SSB 5146

As Reported By House Committee On:
Appropriations

Title: An act relating to state investment board membership.

Brief Description: Requiring that the position as the retired member of the state investment board rotate among retired representatives of the public employees' retirement system, the law enforcement officers' and fire fighters' retirement system, and the teachers' retirement system.

Sponsors: Senate Committee on Government Operations (originally sponsored by Senators Winsley, Fraser, Roach, Anderson and Patterson).

Brief History:

Committee Activity:

Appropriations: 4/3/97, 4/5/97 [DP].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 16 members: Representatives Huff, Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; Benson; Carlson; Crouse; Dyer; Grant; Linville; Lisk; Mastin; McMorris; Parlette; Regala; D. Schmidt and Sehlin.

Minority Report: Do not pass. Signed by 14 members: Representatives Alexander, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Chopp; Cody; Cooke; Keiser; Kenney; Kessler; Lambert; Sheahan; Talcott and Tokuda.

Staff: Jeff Olsen (786-7157).

Background: The Washington State Investment Board manages an investment portfolio consisting of pension, insurance, and permanent funds currently valued in excess of \$34 billion. The board establishes investment policies and procedures designed to maximize return on these funds at a prudent level of risk. Examples of funds invested include Retirement Systems, Industrial Insurance, University of Washington Self-Insurance, Deferred Compensation, and Health Care Authority Insurance Funds.

Board membership consists of the following nine voting members:

- (1) an active member of the Public Employees' Retirement System (PERS);
- (2) an active member of the Law Enforcement Officers' and Fire Fighters' Retirement system (LEOFF);
- (3) an active member of the Teachers' Retirement System (TRS);
- (4) the state treasurer;
- (5) a member of the state House of Representatives;
- (6) a member of the state Senate;
- (7) a retired member of a state retirement system;
- (8) the director of the Department of Labor and Industries; and
- (9) the director of the Department of Retirement Systems.

In addition to the nine voting members, the board appoints five nonvoting members who are experienced in the investment field.

Summary of Bill: The member of the Washington State Investment Board representing a retired member of a state retirement system rotates among the Teachers' Retirement System, Public Employees' Retirement System, and the Law Enforcement Officers' and Fire Fighters' Retirement System.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: There has not been a retired member of the TRS on the Washington State Investment Board since its inception in 1981. The TRS members represent approximately 30 percent of the members and retirement assets managed by the board. The Washington State Retired Teachers Association (WSRTA) supports the bill because it allows predictability in board representation for its members.

Testimony Against: The past three retiree members have been from separate and distinct entities, so apparently the current system works. There are twice as many PERS retirees than TRS. Under this proposal, it is possible that school district representation could occur in succeeding terms with a TRS and PERS (classified employee) representative. In addition, the rotation process proposed is counter to a recent performance audit finding with concerns of board member turnover and its impact on continuity and stability.

Testified: Bruce Reeves and Mark Gjurasic, WSRTA (pro); and Gus Schwartz, Retired Public Employees Council of Washington (con).