

SENATE BILL REPORT

SB 5259

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, February 9, 1999

Title: An act relating to the state investment board.

Brief Description: Authorizing the state investment board to establish additional commingled trust funds.

Sponsors: Senators Snyder, Sellar, Prentice and Winsley; by request of State Investment Board.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/4/99, 2/9/99 [DP].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Gardner, Hale, Heavey, Rasmussen, T. Sheldon and Winsley.

Staff: Susan Jones (786-7784)

Background: The Legislature created the Washington State Investment Board (SIB) in 1981. The SIB is responsible for safeguarding and investing public trust funds and retirement funds.

Currently, a single SIB commingled trust fund has been created in the state treasury for the purpose of grouping various investment funds under the SIB's authority. Commingled trust funds may provide investment advantages by creating a single, large investment fund from a number of modestly-sized individual funds.

The SIB currently utilizes the commingled trust fund for nine retirement funds. Earnings, losses, market changes and each fund's value are accounted for separately. The SIB has 18 other funds, some of which it may be appropriate to group for investment purposes. It may be advantageous to authorize the SIB to create additional commingled trust funds so that it may group similar funds with a common investment purpose.

Summary of Bill: The SIB is authorized to establish more than one commingled trust fund in the state treasury. Combining funds does not change the nature, character or purpose of a fund.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The SIB has 27 funds under its jurisdiction. Nine retirement funds are grouped in a commingled trust fund for investment purposes, although the accounting for each fund is done separately and distinctly. The current statute only allows the SIB to have one commingled fund. Having the ability to have other commingled funds for some of the smaller funds with similar investment goals may provide better investment opportunities and rates of return for these funds. Examples of smaller funds were given. All of these funds are invested in fixed income securities. Buying large blocks of securities will result in lower costs and better returns. The SIB would determine the fund stakeholder's preference before commingling the funds.

Testimony Against: None.

Testified: James Parker, Director of State Investment Board (pro).