

SENATE BILL REPORT

SB 5954

**AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,
APRIL 4, 1991**

Brief Description: Maximizing investment return on state funds.

SPONSORS: Senators von Reichbauer and Pelz.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; Johnson, Vice Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, Vognild, and West.

Staff: Benson Porter (786-7470)

Hearing Dates: April 2, 1991; April 4, 1991

BACKGROUND:

The State Investment Board was established in 1981 and is responsible for the investment decisions for certain state retirement system funds. The board is comprised of 14 members, which includes five non-voting members. The nine voting members of the board are the trustees of the funds overseen by the board, and the board may only delegate its powers and duties to its executive director. Voting members except for the legislative members can serve as the board's chairperson.

The compensation levels for the investment officers employed by the board are currently established by the State Personnel Board. The State Investment Board currently employs six of the seven authorized investment officers and has requested authorization for an additional four investment officers in this year's budget request. Concern has been expressed that the state's personnel system does not provide sufficient compensation to attract and maintain persons with sufficient investment expertise. Concern has also been expressed about the lack of confirmation of the current executive director and the potential existence of direct or indirect conflicts of interest.

SUMMARY:

The Legislature recognizes that administrative flexibility and increased public accountability of the State Investment Board will reduce the need for appropriations from the state general fund to supplement inadequate investment returns.

The State Investment Board is increased from 14 to 18 members by adding the State Actuary, a member of the State Patrol retirement system, and two additional legislators to represent all four caucuses. All voting board members are required to take and sign an oath of office. This oath must be filed with the Secretary of the Senate's office. The executive director of the State Investment Board must be confirmed by the Senate.

The State Investment Board must prepare an annual report detailing the board's operations, investments, and administrative costs. The board is authorized to set the salaries of staff investment officers. The meeting quorum requirement is changed to two-thirds of the voting members (i.e., 9 of 13), and the board can take action with the affirmative vote of five members.

Each voting board member that misses three consecutive regularly scheduled meetings without a valid excuse is considered to have resigned. Any member with a direct or indirect conflict of interest must disclose such interest to the other board members and the disclosure must be included in the written minutes.

Only those board members who represent specific retirement systems or retirees may serve as chairperson or vice-chairperson.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one