

ESSB 5192 - H COMM AMD

By Committee on Appropriations

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that an examination
4 of in-state investment opportunities within the context of the state
5 investment board's overall investment strategy for diversification and
6 maximizing returns is an appropriate role of the state investment
7 board.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.33A RCW
9 to read as follows:

10 (1) Consistent with the board's responsibility, investments are
11 made in accordance with RCW 43.33A.110 mandating investment aimed at
12 maximizing return at a prudent level of risk, and RCW 43.33A.140
13 establishing duties of diversification and care. Subject to these
14 standards, the board shall examine economically targeted investments in
15 Washington as potential investments for funds managed by the board.
16 Economically targeted investments shall be made in accordance with the
17 board's asset allocation policies and included within existing asset
18 categories while conforming to all of the laws, policies, and
19 procedures governing the state investment board.

20 (2) Subject to available resources, the board will establish a
21 program to facilitate exchange of information between its private
22 equity general partners and appropriate parties with knowledge of
23 quality, economically targeted investment opportunities. This program
24 will also include a clearinghouse function aimed at receiving
25 information on potential economically targeted investments.

26 (3) The state investment board will provide a report on activity
27 relating to economically targeted investments at least annually. This
28 report will be distributed to the members of the state investment

1 board, organizations representing board beneficiaries, the legislature,
2 and the governor and may be included in the report provided for in RCW
3 43.33A.150.

4 (4) As used in this section, "economically targeted investments"
5 means investments having the primary objective of investment return to
6 funds managed by the board and the collateral objective of assisting
7 the regional economy and the economic well-being of the state of
8 Washington, its localities, and residents.

9 **Sec. 3.** RCW 43.33A.020 and 2002 c 303 s 1 are each amended to read
10 as follows:

11 There is hereby created the state investment board to consist of
12 fifteen members to be appointed as provided in this section.

13 (1) One member who is an active member of the public employees'
14 retirement system and has been an active member for at least five
15 years. This member shall be appointed by the governor, subject to
16 confirmation by the senate, from a list of nominations submitted by
17 organizations representing active members of the system. The initial
18 term of appointment shall be one year.

19 (2) One member who is an active member of the law enforcement
20 officers' and fire fighters' retirement system and has been an active
21 member for at least five years. This member shall be appointed by the
22 governor, subject to confirmation by the senate, from a list of
23 nominations submitted by organizations representing active members of
24 the system. The initial term of appointment shall be two years.

25 (3) One member who is an active member of the teachers' retirement
26 system and has been an active member for at least five years. This
27 member shall be appointed by the superintendent of public instruction
28 subject to confirmation by the senate. The initial term of appointment
29 shall be three years.

30 (4) The state treasurer or the assistant state treasurer if
31 designated by the state treasurer.

32 (5) A member of the state house of representatives. This member
33 shall be appointed by the speaker of the house of representatives.

34 (6) A member of the state senate. This member shall be appointed
35 by the president of the senate.

1 (7) One member who is a retired member of a state retirement system
2 shall be appointed by the governor, subject to confirmation by the
3 senate. The initial term of appointment shall be three years.

4 (8) The director of the department of labor and industries.

5 (9) The director of the department of retirement systems.

6 (10) One member who is an active member of the school employees'
7 retirement system and has at least five years of service credit. This
8 member shall be appointed by the superintendent of public instruction
9 subject to confirmation by the senate. The initial term of appointment
10 shall be three years.

11 (11) Five nonvoting members appointed by the state investment board
12 who are considered experienced and qualified in the field of
13 investments.

14 The legislative members shall serve terms of two years. The
15 initial legislative members appointed to the board shall be appointed
16 no sooner than January 10, 1983. The position of a legislative member
17 on the board shall become vacant at the end of that member's term on
18 the board or whenever the member ceases to be a member of the senate or
19 house of representatives from which the member was appointed.

20 After the initial term of appointment, all other members of the
21 state investment board, except ex officio members, shall serve terms of
22 three years and shall hold office until successors are appointed.
23 Members' terms, except for ex officio members, shall commence on
24 January 1 of the year in which the appointments are made. Beginning
25 January 1, 2003, the five nonvoting members are appointed by the state
26 investment board for a two-year term and may be reappointed for
27 additional terms.

28 Members may be reappointed for additional terms. Appointments for
29 vacancies shall be made for the unexpired terms in the same manner as
30 the original appointments. Any member may be removed from the board
31 for cause by the member's respective appointing authority."

32 Correct the title.

EFFECT: The striking amendment has the following effects:

Compared to the striking amendment adopted by the House Committee on Financial Institutions and Insurance:

Removes language expanding the fiduciary roles and responsibilities of the State Investment Board (SIB).

Restores current law regarding SIB membership, except that beginning January 1, 2003, the terms of the nonvoting members remain reduced from three years to two.

Eliminates the SIB audit committee.

Compared to the Senate bill:

Eliminates the technology investment account and replaces it with the requirement that the board examine economically targeted investments in Washington as potential investments for state trust funds. The goal of this requirement is to both obtain maximum investment return while at the same time assisting regional economies and generally serving the economic well-being of this state.

Requires that the board create a program to facilitate the exchange of information between its private equity general partners and appropriate parties with knowledge of potential economically targeted investment opportunities.

Eliminates the Audit and Accountability Committee.

Eliminates the two new voting members added to the board by the bill, thus leaving the board with fifteen members.

Eliminates the involvement of the Department of Community, Trade, and Economic Development in the investment activities of the board.

Allows nonvoting members to be appointed for two-year terms and to be reappointed.

Deletes the section changing the quorum requirement to a majority of the voting members, thus retaining the current rule that a quorum consists of six members.

Deletes the emergency clause that would make the bill effective immediately upon passage by the legislature.

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