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**Financial Institutions &  
Insurance Committee**

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**ESSB 5192**

**Brief Description:** Managing the state's investments.

**Sponsors:** Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senators Zarelli and Oke).

**Brief Summary of Engrossed Substitute Bill**

- Adds two additional voting members to the State Investment Board (board).
- Requires the board to create a technology investment account for the purpose of making investments in technology businesses and to encourage the growth of such businesses in Washington.
- Requires the board to create an Audit and Accountability Committee.
- Changes the quorum requirement from six voting board members to a "majority" of the voting board members.

**Hearing Date:** 3/28/03.

**Staff:** Thamas Osborn (786-7129).

**Background:**

The Legislature created the State Investment Board (board) in 1981 to administer public trust and retirement funds. There are 15 members that serve on the board:

1. One active member of the Public Employees' Retirement System (appointed by the Governor for an initial term of one year);
2. One active member of the Law Enforcement Officers' and Firefighters' Retirement System (appointed by the Governor from a list of nominations submitted by other active members; the initial term is two years);
3. One active member of the Teachers' Retirement System (appointed by the Superintendent of Public Instruction for an initial term of three years);
4. The State Treasurer;
5. A member of the state House of Representatives (appointed by the Speaker of the House

- for a two year term);
6. A member of the state Senate (appointed by the President of the Senate for a two year term);
  7. A retired member of the state retirement system (appointed by the Governor for an initial two year term);
  8. The Director of the Department of Labor and Industries;
  9. The Director of the Department of Retirement Systems;
  10. One active member of the School Employees' Retirement System (appointed by the Superintendent of Public Instruction for an initial three year term); and
  11. Five non-voting members that are experienced and qualified with respect to investments (appointed by the board).

With the exception of the ex officio, legislative and non-voting members, after the initial appointment term all board members serve terms of three years.

A quorum to conduct the business of the board consists of at least six voting members. No action may be taken by the board without the affirmative vote of at least six voting members serving on the board.

The board is responsible for the investment of approximately \$47.9 billion involving 33 funds, including state retirement, industrial insurance, deferred compensation and various trust funds. Approximately 3.3 percent of these assets are currently invested in Washington. The board is required to conduct its investment activities according to policies and procedures designed to maximize return at a prudent level of risk.

### **Summary of Bill:**

Creation of technology investment account. The board is required to use a portion of its investment portfolio to create a "technology investment account" (account) for the purpose of investing in technology businesses. The investments and earnings made under the account must be accounted for separately from other investments made by the board. In making investments under the account, the board is required to give priority to those investments that are most likely to help attract technology businesses to this state or which will assist such businesses already located here.

Administration and marketing of the technology investment account. The board must employ an experienced, full-time staff person to do research and make recommendations to the board regarding investment opportunities in technology businesses that have substantial financial ties to this state or which have the potential for making a significant economic contribution to this state.

The Department of Community, Trade, and Economic Development is responsible "in coordination with the board" for actively marketing the account to businesses seeking to locate or expand in Washington.

Creation of Audit and Accountability Committee. The board is required to create an Audit and Accountability Committee to be appointed by the board's chairperson and which must consist of five voting members.

Appointments to the State Investment Board. Two additional members are added to the board, for a total of seventeen members. The two additional board members are as follows: (1) the Governor or his designee; and (2) a member appointed by the Governor from a list of nominees submitted by cities and counties participating in pension systems supported by the board. The particular roles and responsibilities of each of the seventeen board members are defined.

With the exception of non-voting, legislative, and ex officio members, all board members serve terms of three years and hold office until successors are appointed. The five non-voting members serve for a term determined by the Audit and Accountability Committee, but which cannot exceed two years.

Quorum requirement. A quorum consists of a majority of the voting members. No action may be taken by the board without the affirmative vote of a majority of the voting members of the board.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.