

# SENATE BILL REPORT

## SB 6215

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As of January 23, 2018

**Title:** An act relating to compensation and administrative expenses of the Washington state investment board.

**Brief Description:** Addressing the compensation and administrative expenses of the Washington state investment board.

**Sponsors:** Senators Mullet and Fain.

**Brief History:**

**Committee Activity:** Ways & Means: 1/23/18.

**Brief Summary of Bill**

- Exempts all employees of the Washington State Investment Board (SIB) from classified service under state civil service laws.
- Provides that compensation for all SIB personnel, rather than just the executive director, the director's confidential assistant, and investment officers, would be determined by the SIB.
- Removes the appropriation requirement for expenditures from the SIB expense account, used for administrative and compensation costs, and limits expenditures from the expense account to 0.03 percent of total assets managed by the SIB.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Amanda Cecil (786-7460)

**Background:** The SIB was established by the Legislature in 1981 to oversee the long-term investment of the state's pension, industrial insurance, and trust funds. These investments are managed by a staff employed by SIB, as well as outside investment advisors under contract with the SIB. The administrative and investment expenses of SIB are paid from the State Investment Board Expense Account (expense account), which is funded from the investment earnings of the funds managed by SIB, subject to legislative appropriation. As of September

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

30, 2017, the total assets under management by the SIB were \$124.6 billion, the largest portion of which are the \$95.1 billion in the defined benefit retirement plan funds.

The Executive Director and investment officers employed by SIB are exempt from state civil service laws. Their compensation is determined by a board. Of the approximately 95 employees of SIB, about half fall into the exempt category. The other half are subject to state civil service laws. The Legislature authorized SIB to establish a retention pool as part of the expense account to grant salary increases to address recruitment and retention issues and to reward performance with incentive compensation. The compensation level for the investment officers may not exceed the average paid by state funds of a similar size, based on a biennial salary survey. Each year, the salary increases granted by SIB from the retention pool compensation may be up to 30 percent, but the resulting compensation must not exceed the average total compensation paid by other public funds of a similar size. Disbursements from the retention pool are made from legislative appropriations on authorization of the executive director or a designee.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Substitute):** Compensation for employees that is established by SIB, must be done in consultation with the director of the Office of Financial Management who shall review increases to ensure that they are fair and reasonable. Compensation for investment officers is limited to the average of total compensation provided by state or other public funds of similar size that are managed within the United States. Provisions related to incentive pay from the retention pool are removed.

The requirement that administrative expenses of the SIB, paid for through the expense account, be appropriated by the Legislature is removed. Administrative expenses may be paid without appropriation, limited in any fiscal year to 0.0225 percent of the total assets managed by the SIB, unless authorized by the Legislature.

The executive director of SIB must report annually to the Pension Funding Council on the board's budget and expenditures.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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