

Fiscal Estimate Narratives

INV 12/1/2005

LRB Number	05-3079/1	Introduction Number	SB-462	Estimate Type	Original
Description The Investment Board and services of minority financial advisers and minority investment firms					

Assumptions Used in Arriving at Fiscal Estimate

Current law urges SWIB to place 5% of its broker commissions with minority brokers. When investing the assets it manages, SWIB has a fiduciary duty to make investments that are solely in the best long-term financial interest of participants of the funds. This includes selecting brokers who can secure the best execution when trading securities and who also produce quality, in-depth research that is vital to SWIB's operation. Within the confines of its fiduciary responsibilities, SWIB met or exceeded the 5% goal four of the past six years. Brokerage commissions are not an appropriated expense as they are paid from the proceeds of sales or purchases of securities.

SB 462 would increase the 5% goal to 10%. Based on past experience and changes in the marketplace and investment strategies, it is unlikely that SWIB would ever reach or exceed the 10% goal and still fulfill its fiduciary duty.

Long-Range Fiscal Implications