

HOUSE BILL REPORT

SB 6328

As Passed House:
March 7, 2014

Title: An act relating to deferred compensation plans.

Brief Description: Concerning deferred compensation plans.

Sponsors: Senators Roach and Kline.

Brief History:

Committee Activity:

Appropriations: 2/24/14, 2/27/14 [DP].

Floor Activity:

Passed House: 3/7/14, 98-0.

Brief Summary of Bill

- Authorizes the Washington State Deferred Compensation Program and local government deferred compensation programs to offer individual securities as an investment option.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 30 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Christian, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, G. Hunt, Jinkins, Kagi, Lytton, Morrell, Parker, Pettigrew, Schmick, Seaquist, Springer, Sullivan, Taylor and Tharinger.

Staff: David Pringle (786-7310).

Background:

The Washington State Deferred Compensation Program (DCP) is a supplemental tax-deferred savings program under section 457 of the federal Internal Revenue Code (IRC) offered to state employees and to the employees of local governments that elect to participate

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in the DCP. It is administered by the Department of Retirement Systems, which contracts with a vendor for record keeping and other administrative services. More than 1,000 employers and 53,000 employees participate in the DCP. Local governments are also authorized to offer deferred compensation programs to their employees through vendors rather than through the DCP.

The Washington State Investment Board (WSIB) is responsible for establishing investment policy; developing participant investment options; and managing investment funds of the self-directed retirement and savings programs, including the selection and monitoring of investment options offered to the DCP participants. In making these decisions the WSIB acts as a plan fiduciary. State law permits the DCP and local government deferred compensation programs to deposit or invest funds in a credit union, savings and loan association, bank, mutual savings bank, shares of an investment company, or fixed and/or variable annuity contracts from any insurance company or investment company licensed to conduct business in the state. Currently, the WSIB has 19 investment options for the DCP participants: savings pool, bond fund, socially responsible balanced fund, four equity index funds, and 12 retirement date strategy fund options.

Some employer retirement savings plans offered under IRC section 401(k) and some government deferred compensation programs under IRC section 457 also offer a brokerage account option that gives plan participants access to a range of investment alternatives available on the market, in addition to standard options. The investment options can include individual securities.

Summary of Bill:

Investment in individual securities is added to the list of investment options authorized for the DCP and for local government deferred compensation programs.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Last fall, a hard-working corrections officer in King County found out that the county could no longer offer the individual securities option in the deferred compensation program. This option has been offered by King County for about 10 years, until it was found that it was not allowed by state law. Only about 125 out of 7,000 employees choose this kind of investment option in the deferred compensation program, but the county would like to continue to offer it. For the few employees that choose it, this is a good option.

(Opposed) None.

Persons Testifying: Senator Roach, prime sponsor; Chris Vance, King County Corrections Guild; and Genesee Adkins, King County.

Persons Signed In To Testify But Not Testifying: None.