

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE SENATE BILL 5826**

Chapter 296, Laws of 2015

64th Legislature  
2015 Regular Session

WASHINGTON SMALL BUSINESS RETIREMENT MARKETPLACE

EFFECTIVE DATE: 7/24/2015

Passed by the Senate April 21, 2015  
Yeas 27 Nays 22

BRAD OWEN

**President of the Senate**

Passed by the House April 10, 2015  
Yeas 57 Nays 40

FRANK CHOPP

**Speaker of the House of Representatives**

Approved May 18, 2015 2:25 PM

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5826** as passed by Senate and the House of Representatives on the dates hereon set forth.

HUNTER G. GOODMAN

**Secretary**

FILED

May 18, 2015

**Secretary of State  
State of Washington**

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ENGROSSED SUBSTITUTE SENATE BILL 5826

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AS AMENDED BY THE HOUSE

Passed Legislature - 2015 Regular Session

State of Washington

64th Legislature

2015 Regular Session

By Senate Ways & Means (originally sponsored by Senators Mullet and Benton)

READ FIRST TIME 02/27/15.

1 AN ACT Relating to creating the Washington small business  
2 retirement marketplace; adding new sections to chapter 43.330 RCW;  
3 adding a new section to chapter 43.320 RCW; and creating a new  
4 section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that there is a  
7 retirement savings access gap in Washington; that Americans reach the  
8 median salary four years later than they did in 1980 and therefore  
9 have four fewer years of savings opportunities; and that one in six  
10 Americans retire in poverty. Employees who are unable to effectively  
11 build their retirement savings risk living on low incomes in their  
12 elderly years and are more likely to become dependent on state  
13 services. Further, small businesses, which employ more than forty  
14 percent of private sector employees in Washington, often choose not  
15 to offer retirement plans to employees due to concerns about costs,  
16 administrative burdens, and potential liability that they believe  
17 such plans would place on their business. In response, the  
18 legislature recognizes the work of the federal government in  
19 addressing these issues by establishing the myRA program: A safe,  
20 affordable, and accessible retirement vehicle designed to remove  
21 barriers to retirement savings. In addition, the legislature

1 recognizes that many private financial services firms in Washington  
2 currently offer high quality retirement options for small businesses  
3 and their employees.

4 The Washington small business retirement marketplace will remove  
5 barriers to entry into the retirement market for small businesses by  
6 educating small employers on plan availability and promoting, without  
7 mandated participation, qualified, low-cost, low-burden retirement  
8 savings vehicles and myRA. The marketplace furthers greater  
9 retirement plan access for the residents of Washington while ensuring  
10 that individuals participating in these retirement plans will have  
11 all the protections offered by the employee retirement income  
12 security act. Further, the Washington small business retirement  
13 marketplace will not pose any significant financial burden upon  
14 taxpayers. The Washington small business retirement marketplace will  
15 be the best way for Washington to close the retirement savings access  
16 gap, protect the fiscal stability of the state and its citizens well  
17 into the future, and further cement its place as a national leader in  
18 retirement and investor promotion and protection. The marketplace  
19 will educate and promote retirement saving among employees and in  
20 particular market to small employers with fifty or fewer employees.

21 NEW SECTION. **Sec. 2.** The definitions in this section apply  
22 throughout this subchapter unless the context clearly requires  
23 otherwise.

24 (1) "Approved plans" means retirement plans offered by private  
25 sector financial services firms that meet the requirements of this  
26 chapter to participate in the marketplace.

27 (2) "Balanced fund" means a mutual fund that has an investment  
28 mandate to balance its portfolio holdings. The fund generally  
29 includes a mix of stocks and bonds in varying proportions according  
30 to the fund's investment outlook.

31 (3) "Eligible employer" means a self-employed individual, sole  
32 proprietor, or an employer with fewer than one hundred qualified  
33 employees at the time of enrollment.

34 (4) "Enrollee" means any employee who is voluntarily enrolled in  
35 an approved plan offered by an eligible employer through the  
36 Washington small business retirement marketplace.

37 (5) "myRA" means the myRA retirement program administered by the  
38 United States department of the treasury that is available to all  
39 employers and employees with no fees or no minimum contribution

1 requirements. A myRA is a Roth IRA option and investments in these  
2 accounts are backed by the United States department of the treasury.

3 (6) "Participating employer" means any eligible employer with  
4 employees enrolled in an approved plan offered through the Washington  
5 small business retirement marketplace who chooses to participate in  
6 the marketplace and offers approved plans to employees for voluntary  
7 enrollment.

8 (7) "Private sector financial services firms" or "financial  
9 services firms" mean persons or entities licensed or holding a  
10 certificate of authority and in good standing by either the  
11 department of financial institutions or the office of the insurance  
12 commissioner and meeting all federal laws and regulations to offer  
13 retirement plans.

14 (8) "Qualified employee" means those workers who are defined by  
15 the federal internal revenue service to be eligible to participate in  
16 a specific qualified plan.

17 (9) "Target date or other similar fund" means a hybrid mutual  
18 fund that automatically resets the asset mix of stocks, bonds, and  
19 cash equivalents in its portfolio according to a selected time frame  
20 that is appropriate for a particular investor. A target date is  
21 structured to address a projected retirement date.

22 (10) "Washington small business retirement marketplace" or  
23 "marketplace" means the retirement savings program created to connect  
24 eligible employers and their employees with approved plans to  
25 increase retirement savings.

26 NEW SECTION. **Sec. 3.** (1) The Washington small business  
27 retirement marketplace is created.

28 (2) Prior to connecting any eligible employer with an approved  
29 plan in the marketplace, the director shall design a plan for the  
30 operation of the marketplace.

31 (3) The director shall consult with the Washington state  
32 department of retirement systems, the Washington state investment  
33 board, and the department of financial institutions in designing and  
34 managing the marketplace.

35 (4) The director shall approve for participation in the  
36 marketplace all private sector financial services firms that meet the  
37 requirements of section 2(7) of this act.

38 (5) A range of investment options must be provided to meet the  
39 needs of investors with various levels of risk tolerance and various

1 ages. The director must approve a diverse array of private retirement  
2 plan options that are available to employers on a voluntary basis,  
3 including life insurance plans that are designed for retirement  
4 purposes, and at least two types of plans for eligible employer  
5 participation: (a) A SIMPLE IRA-type plan that provides for employer  
6 contributions to participating enrollee accounts; and (b) a payroll  
7 deduction individual retirement account type plan or workplace-based  
8 individual retirement accounts open to all workers in which the  
9 employer does not contribute to the employees' account.

10 (6) Prior to approving a plan to be offered on the marketplace,  
11 the department must receive verification from the department of  
12 financial institutions and the office of the insurance commissioner  
13 (a) that the private sector financial services firm offering the plan  
14 meets the requirements of section 2(7) of this act; and (b) that the  
15 plan meets the requirements of this section excluding subsection (9)  
16 of this section which is subject to federal laws and regulations. The  
17 director may remove approved plans that no longer meet the  
18 requirements of this chapter.

19 (7) The financial services firms participating in the marketplace  
20 must offer a minimum of two product options: (a) A target date or  
21 other similar fund, with asset allocations and maturities designed to  
22 coincide with the expected date of retirement and (b) a balanced  
23 fund. The marketplace must offer myRA.

24 (8) In order for the marketplace to operate, there must be at  
25 least two financial services firms offering approved plans on the  
26 marketplace; however, nothing in this subsection shall be construed  
27 to limit the number of private sector financial services firms with  
28 approved plans from participating in the marketplace.

29 (9) Approved plans must meet federal law or regulation for  
30 internal revenue service approved retirement plans.

31 (10) The approved plans must include the option for enrollees to  
32 roll pretax contributions into a different individual retirement  
33 account or another eligible retirement plan after ceasing  
34 participation in a plan approved by the Washington small business  
35 retirement marketplace.

36 (11) Financial services firms selected by the department to offer  
37 approved plans on the marketplace may not charge the participating  
38 employer an administrative fee and may not charge enrollees more than  
39 one hundred basis points in total annual fees and must provide  
40 information about their product's historical investment performance.

1 (12) Participation in the Washington small business retirement  
2 marketplace is voluntary for both eligible employers and qualified  
3 employees.

4 (13) Enrollment in any approved plan offered in the marketplace  
5 is not an entitlement.

6 NEW SECTION. **Sec. 4.** (1) The director shall contract with a  
7 private sector entity to:

8 (a) Establish a protocol for reviewing and approving the  
9 qualifications of all private sector financial services firms that  
10 meet the qualifications to participate in the marketplace;

11 (b) Design and operate an internet web site that includes  
12 information about how eligible employers can voluntarily participate  
13 in the marketplace;

14 (c) Develop marketing materials about the marketplace that can be  
15 distributed electronically, posted on agency web sites that interact  
16 with eligible employers, or inserted into mail from the department of  
17 revenue, department of labor and industries, employment security  
18 department, the office of minority and women's business enterprises,  
19 department of licensing, and secretary of state's division of  
20 corporations;

21 (d) Identify and promote existing federal and state tax credits  
22 and benefits for employers and employees that are related to  
23 encouraging retirement savings or participating in retirement plans;  
24 and

25 (e) Promote the benefits of retirement savings and other  
26 information that promotes financial literacy.

27 (2) The director shall address how rollovers are handled for  
28 eligible Washington employers that have workers in other states, and  
29 whether out-of-state employees with existing IRA's can roll them into  
30 the plans offered through the Washington small business retirement  
31 marketplace.

32 (3) The director shall direct the entity retained pursuant to  
33 subsection (1) of this section to assure that licensed professionals  
34 who assist their eligible business clients or employees to enroll in  
35 a plan offered through the Washington small business retirement  
36 marketplace may receive routine, market-based commissions or other  
37 compensation for their services.

38 (4) The director shall ensure by rule that there is objective  
39 criteria in the protocol provided in subsection (1)(a) of this

1 section and that the protocol does not provide unfair advantage to  
2 the private sector entity which establishes the protocol.

3 (5) The director shall encourage the participation of private  
4 sector financial services firms in the marketplace.

5 NEW SECTION. **Sec. 5.** In addition to any appropriated funds, the  
6 director may use private funding sources, including private  
7 foundation grants, to pay for marketplace expenses. On behalf of the  
8 marketplace, the department shall seek federal and private grants and  
9 is authorized to accept any funds awarded to the department for use  
10 in the marketplace.

11 NEW SECTION. **Sec. 6.** The department shall not expose the state  
12 of Washington as an employer or through administration of the  
13 marketplace to any potential liability under the federal employee  
14 retirement income act of 1974. As such, the department is  
15 specifically prohibited from offering and operating a state-based  
16 retirement plan for businesses or individuals who are not employed by  
17 the state of Washington.

18 NEW SECTION. **Sec. 7.** Using funds specifically appropriated for  
19 this purpose, and funds provided by private foundations or other  
20 private sector entities, the director may provide incentive payments  
21 to participating employers that enroll in the marketplace.

22 NEW SECTION. **Sec. 8.** The director shall report biennially to  
23 the legislature on the effectiveness and efficiency of the Washington  
24 small business retirement marketplace, including the levels of  
25 enrollment and the retirement savings levels of participating  
26 enrollees that are obtained in aggregate on a voluntary basis from  
27 private sector financial services firms that participate in the  
28 marketplace.

29 NEW SECTION. **Sec. 9.** The director shall adopt rules necessary  
30 to allow the marketplace to operate as authorized by this subchapter.  
31 As part of the rule development process, the director shall consult  
32 with organizations representing eligible employers, qualified  
33 employees, private and nonprofit sector retirement plan  
34 administrators and providers, organizations representing private  
35 sector financial services firms, and any other individuals or

1 entities that the director determines relevant to the development of  
2 an effective and efficient method for operating the marketplace. The  
3 rules must be proposed by January 1st of the year of implementation  
4 and rules shall not be adopted until after the end of the regular  
5 legislative session of that year.

6 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.320  
7 RCW to read as follows:

8 The department of financial institutions, annually, or upon  
9 request of the department of commerce, must review individual  
10 retirement account products proposed for inclusion in the Washington  
11 small business retirement marketplace to confirm that the products  
12 comply with the requirements of section 3 of this act, except for  
13 those requirements that pertain to federal laws and regulations.

14 NEW SECTION. **Sec. 11.** If any part of this act is found to be in  
15 conflict with federal requirements that are a prescribed condition to  
16 the allocation of federal funds to the state, the conflicting part of  
17 this act is inoperative solely to the extent of the conflict and with  
18 respect to the agencies directly affected, and this finding does not  
19 affect the operation of the remainder of this act in its application  
20 to the agencies concerned. Rules adopted under this act must meet  
21 federal requirements that are a necessary condition to the receipt of  
22 federal funds by the state.

23 NEW SECTION. **Sec. 12.** Sections 1 through 9 of this act are each  
24 added to chapter 43.330 RCW and codified with the subchapter heading  
25 of "Washington small business retirement marketplace."

Passed by the Senate April 21, 2015.

Passed by the House April 10, 2015.

Approved by the Governor May 18, 2015.

Filed in Office of Secretary of State May 18, 2015.