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**SUBSTITUTE SENATE BILL 5675**

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**State of Washington**

**65th Legislature**

**2017 Regular Session**

**By** Senate Financial Institutions & Insurance (originally sponsored by Senators Mullet and Angel)

READ FIRST TIME 02/16/17.

1 AN ACT Relating to the minimum operating requirements and the  
2 review of plans necessary to be included in the small business  
3 retirement marketplace; and amending RCW 43.330.735 and 43.330.750.

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

5 **Sec. 1.** RCW 43.330.735 and 2015 c 296 s 3 are each amended to  
6 read as follows:

7 (1) The Washington small business retirement marketplace is  
8 created.

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

12 (3) The director shall consult with the Washington state  
13 department of retirement systems, the Washington state investment  
14 board, and the department of financial institutions in designing and  
15 managing the marketplace.

16 (4) The director shall approve for participation in the  
17 marketplace all private sector financial services firms that meet the  
18 requirements of RCW 43.330.732(7).

19 (5) A range of investment options must be provided to meet the  
20 needs of investors with various levels of risk tolerance and various  
21 ages. The director must approve a diverse array of private retirement

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

10 (6)(a) Prior to approving a plan to be offered on the  
11 marketplace, the department must receive verification from the  
12 department of financial institutions ~~((and))~~ or the office of the  
13 insurance commissioner:

14 ~~((a))~~ (i) That the private sector financial services firm  
15 offering the plan meets the requirements of RCW 43.330.732(7); and

16 ~~((b))~~ (ii) That the plan meets the requirements of this section  
17 excluding subsection (9) of this section which is subject to federal  
18 laws and regulations. ~~((The director may remove approved plans that  
19 no longer meet the requirements of this chapter.))~~

20 (b) If the plan includes either life insurance or annuity  
21 products, or both, the office of the insurance commissioner may  
22 request that the department of financial institutions conduct the  
23 plan review as provided in (a)(ii) of this subsection prior to  
24 submitting its verification to the department.

25 (c) The director may remove approved plans that no longer meet  
26 the requirements of this chapter.

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

32 (8) In order for the marketplace to operate, there must be at  
33 least two ~~((financial services firms offering))~~ approved plans on the  
34 marketplace; however, nothing in this subsection shall be construed  
35 to limit the number of private sector financial services firms with  
36 approved plans from participating in the marketplace.

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

39 (10) The approved plans must include the option for enrollees to  
40 roll pretax contributions into a different individual retirement

1 account or another eligible retirement plan after ceasing  
2 participation in a plan approved by the Washington small business  
3 retirement marketplace.

4 (11) Financial services firms selected by the department to offer  
5 approved plans on the marketplace may not charge the participating  
6 employer an administrative fee and may not charge enrollees more than  
7 one hundred basis points in total annual fees and must provide  
8 information about their product's historical investment performance.  
9 Financial services firms may charge enrollees a de minimis fee for  
10 new and/or low balance accounts in amounts negotiated and agreed upon  
11 by the department and financial services firms. The director shall  
12 limit plans to those with total fees the director considers  
13 reasonable based on all the facts and circumstances.

14 (12) Participation in the Washington small business retirement  
15 marketplace is voluntary for both eligible employers and qualified  
16 employees.

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

19 **Sec. 2.** RCW 43.330.750 and 2015 c 296 s 9 are each amended to  
20 read as follows:

21 The director shall adopt rules necessary to allow the marketplace  
22 to operate as authorized by this subchapter. As part of the rule  
23 development process, the director shall consult with organizations  
24 representing eligible employers, qualified employees, private and  
25 nonprofit sector retirement plan administrators and providers,  
26 organizations representing private sector financial services firms,  
27 and any other individuals or entities that the director determines  
28 relevant to the development of an effective and efficient method for  
29 operating the marketplace. (~~The rules must be proposed by January~~  
30 ~~1st of the year of implementation and rules shall not be adopted~~  
31 ~~until after the end of the regular legislative session of that~~  
32 ~~year.)) The director or the director's designee may take the actions  
33 necessary to ensure this act is implemented on the effective date of  
34 this section.~~

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