

SENATE BILL REPORT

SB 6328

As of January 29, 2014

Title: An act relating to deferred compensation plans.

Brief Description: Concerning deferred compensation plans.

Sponsors: Senators Roach and Kline.

Brief History:

Committee Activity: Ways & Means: 1/28/14.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Pete Cutler (786-7474)

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 in the program. It is administered by the Department of Retirement Systems which contracts with a vendor for record keeping and other administrative services. More than 1000 employers and 53,000 employees participate in 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 DCP participants. In making these decisions it acts as a plan fiduciary. State law permits the DCP 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 WSIB has 19 investment options for 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) also offer a brokerage window 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.

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.

Summary of Bill: Investment in individual securities is added to the list of investment options authorized for the DCP.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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