
Appropriations Committee

HB 2341

Brief Description: Concerning the retirement strategy funds in the plan 3 and the deferred compensation programs.

Sponsors: Representatives Fitzgibbon, Stokesbary, Ormsby and Volz; by request of Select Committee on Pension Policy.

Brief Summary of Bill

- Provides the Washington State Investment Board (SIB) authority to include commingled funds managed by the SIB in the retirement strategy funds offered to members of the Plans 3 and the Deferred Compensation Plan offered by the Washington State Retirement Systems.

Hearing Date: 1/22/20

Staff: David Pringle (786-7310).

Background:

The Washington State Investment Board (SIB) was created in 1981 to administer public trust and retirement funds. The SIB has 14 members: one active member of the Public Employees Retirement System (PERS), one active member of the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), one active member of the Teachers' Retirement System (TRS), the State Treasurer, a member of the Washington House of Representatives, a member of the Washington Senate, a representative of retired state employees, the director of the Department of Labor and Industries, the director of the Department of Retirement Systems, and five nonvoting members appointed by the SIB with experience in making investments.

The SIB must establish investment policies and procedures that are designed to maximize return at a prudent level of risk. It manages funds which total approximately \$140 billion, the largest part of which is the Commingled Trust Fund (CTF) which is made up of the pension funds of the Washington state retirement system funds. The CTF is a broadly diversified portfolio including

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public equities, private equities, fixed income, real estate, and tangible assets and other investments, designed by the SIB and staff to fulfill the statutory objective of maximizing investment return at a prudent level of risk.

Some retirement plans offer members a choice of investment options, including the defined contribution portion of the PERS, TRS, and School Employees Retirement System (SERS) Plans 3, and the Deferred Compensation Plan (DCP). The SIB develops investment options for participants in these plans, including a type of retirement strategy fund called a Target Date Fund, that typically has a mix of investment assets that change as a member approaches the target retirement date for that fund – typically chosen by employees based upon age and estimated retirement date.

The Plans 3 permit members to invest in the CTF, while DCP participants cannot.

Summary of Bill:

Retirement strategy funds offered by the SIB in the Plans 3 and the DCP may include investment in a SIB commingled fund. The unit values of such commingled funds must be declared no less than monthly, according to the internal procedures of the SIB.

Appropriation: None.

Fiscal Note: Available.

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