

HOUSE BILL REPORT

2E2SSB 5740

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to creating the secure choice retirement savings program.

Brief Description: Creating the secure choice retirement savings program.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Mullet, Hobbs, Conway and Van De Wege).

Brief History:

Committee Activity:

Consumer Protection & Business: 3/19/19, 4/2/19 [DPA], 2/25/20, 2/26/20 [DPA].

**Brief Summary of Second Engrossed Second Substitute Bill
(As Amended by Committee)**

- Changes the name of the Washington Small Business Retirement Marketplace to the Secure Choice Retirement Savings Program (Program).
- Requires the Director of the Department of Commerce to approve plans for inclusion in the Program that are completely voluntary and plans that have auto-enrollment and auto-escalation features.
- Allows participating financial services firms to charge participating employers reasonable, market-based fees.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass as amended. Signed by 13 members: Representatives Kirby, Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Blake, Duerr, Dufault, Johnson, J., Ryu, Santos, Volz, Walen and Ybarra.

Staff: Serena Dolly (786-7150).

Background:

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.

The Washington Small Business Retirement Marketplace (Marketplace) is operated by the Department of Commerce (Department) and allows self-employed individuals and employers with fewer than 100 employees to participate in retirement plans. Participation in the Marketplace is completely voluntary.

The Marketplace must provide a range of investment options to meet the needs of investors with various levels of risk tolerance. Options include a simple individual retirement account (IRA) plan for employer contributions to participating enrollee accounts, payroll deduction IRA-type plans, and workplace-based IRAs open to all workers in which the employer does not contribute to employees' accounts.

The Department approves private financial service firms to offer approved plans on the Marketplace. Participating financial services firms must offer two types of plans: one with a target date or other similar fund and one with a balanced fund. Participating financial services firms may not charge employers an administrative fee and may not charge enrollees more than 100 basis points in total annual fees. Participating financial services firms may charge enrollees a de minimis fee for new or low balance accounts in amounts agreed upon by the Department and the financial services firms.

The Marketplace must offer the myRA plan, which is a federal government sponsored plan similar to a Roth IRA. The myRA plan was designed to help low-income and middle-income workers who do not have access to a 401(k) or pension at work to start saving for retirement by investing in a risk adverse, interest-bearing account backed by the United States Treasury. The myRA plan was closed in 2018.

The Department is required to submit biennial reports to the Legislature on the effectiveness and efficiency of the Marketplace.

Summary of Amended Bill:

The Marketplace is renamed the Secure Choice Retirement Savings Program (Program). The Department must approve plans for inclusion in the Program that are completely voluntary for employees and plans that have auto-enrollment and auto-escalation features. To participate in the Program, financial services firms are no longer required to offer two specific types of plans and may offer fund options chosen by an employer or employee. Participating financial services firms may charge the participating employer reasonable, market-based fees so long as the fees are disclosed and transparent to employees and employers. The Program is not required to offer myRA.

Amended Bill Compared to Second Engrossed Second Substitute Bill:

Second Engrossed Second Substitute Senate Bill 5740 creates the Program at the Employment Security Department (ESD). The Program is designed for employees who work for employers that do not offer a retirement plan. Covered employers are required to deduct a percentage of wages paid to employees to be invested in an IRA established for each

employee under the Program. Employees who do not wish to participate in the Program must affirmatively opt out.

The amended version strikes all of the language in the underlying bill and changes the name of the Marketplace to the Secure Choice Retirement Savings Program. The Department must approve plans for inclusion in the Program that are completely voluntary for employees and plans that have auto-enrollment and auto-escalation features. To participate in the Program, financial services firms are no longer required to offer two specific types of plans and may offer fund options chosen by an employer or employee. Participating financial services firms may charge the participating employer reasonable, market-based fees so long as the fees are disclosed and transparent to employees and employers.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Some types of workers, especially low-income workers, do not have access to retirement accounts. This Program will help people in the service sector. Firms do not want to offer retirement plans for low balance accounts because they lose money on low value plans. The Program does not take money from employees. Instead it places the money into a savings account. Individual Retirement Acts can be used to buy a house. The original concept was a bipartisan idea. Workers are 15 times more likely to save if their employer offers a retirement program. This type of program has been successfully operated in other states, including Oregon. Workers can opt out, but seven of 10 Oregon workers have stayed in the program. Many people will fall into public assistance without retirement savings. This Program can help change the narrative of people entering retirement without savings.

(Opposed) This Program is not necessary. The private sector already provides products to the workers targeted in the bill. At least 37 states have looked at this type of legislation and rejected it. Oregon has spent more than \$5 million to set up their program with a total cost expected at \$23 million. The Program will have costs to the state. Some states are seeing similar programs fail, and workers are withdrawing contributions immediately. Plans in the Marketplace are fully compliant with the Employee Retirement Income Security Act (ERISA). Plans under this Program would be specifically designed to not be covered by the ERISA and have no accountability. Litigation on California's program is ongoing. The National Federation of Independent Business has had concerns with this type of proposal and was able to negotiate with the ESD and the American Association of Retired Persons to make the House bill version more palatable, including limits on how often contribution elections could be changed.

Persons Testifying: (In support) Senator Mullet, prime sponsor; and Doug Shadel, American Association of Retired Persons.

(Opposed) Mel Sorensen, American Council of Life Insurers; and Patrick Connor, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: None.