

# HOUSE BILL REPORT

## HB 2877

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to authorizing payment of regulated company stock in lieu of a portion of salary for educational employees.

**Brief Description:** Authorizing payment of regulated company stock in lieu of a portion of salary for educational employees.

**Sponsors:** Representative Moeller.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 1/25/10, 1/26/10 [DP].

#### **Brief Summary of Bill**

- Permits members of the board of directors of a school district, the Teachers' Retirement System, the Superintendent of Public Instruction, and Educational Service District Superintendents to purchase regulated company stock held in a custodial account, as well as tax deferred annuities for employees' federal Internal Revenue Service qualified section 403(b) accounts.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick and Seaquist.

**Staff:** David Pringle (786-7310).

#### **Background:**

The board of directors of a school district, the Teachers' Retirement System, the Superintendent of Public Instruction, and Educational Service District Superintendents are

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permitted to establish tax-deferred annuities for their employees through the establishment of a deferral program under the provisions of federal law commonly referred to as 403(b) plans.

A 403(b) plan is a tax-advantaged salary deferral retirement program for employees of educational institutions and certain other non-profit organizations. The 403(b) plans must be sponsored by the institution, which then acts in the capacity of a fiduciary. The employer is responsible for establishing the plan and selecting the plan investments. Once the plan has been established, the employee defers a portion of his/her annual salary into the fund. Among the types of investments that are permitted in 403(b) accounts are annuity and variable annuity contracts with insurance companies and custodial accounts that consist of mutual funds which meet the definition of qualified regulated company stock. The later of these is called a 403(b) (7) account. The 403(b) plan requirements do not permit investment in individual stocks. If offered by an employer, 403(b) plans must be made available to all employees.

State law permits Washington educational employers to establish 403(b) programs, but limits the types of investments to tax deferred annuity contracts.

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**Summary of Bill:**

The board of directors of a school district, the Teachers' Retirement System, the Superintendent of Public Instruction, and Educational Service District Superintendents are authorized to provide the option to purchase certain mutual funds qualified as regulated company stock held in a custodial account, as well as tax deferred annuities for employees' federal Internal Revenue Service qualified section 403(b) accounts.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill has a long history. The issue was brought to me by my school district to resolve some ambiguity in the law regarding the ability of school district employees to invest in 401-K and other retirement accounts.

(Opposed) None.

**Persons Testifying:** Representative Moeller, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.