

# HOUSE BILL REPORT

## ESSB 5435

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### As Reported by House Committee On: Appropriations

**Title:** An act relating to expanding participation in the Washington state deferred compensation program.

**Brief Description:** Addressing optional salary deferral programs.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Bailey and Schoesler).

**Brief History:**

**Committee Activity:**

Appropriations: 2/27/16, 2/29/16 [DPA].

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

- Authorizes the Department of Retirement Systems to offer a money-purchase retirement savings plan.
- Provides the State Investment Board with the authority to invest the money in the money-purchase retirement savings account.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 30 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Cody, Condotta, Dent, Fitzgibbon, Haler, Hansen, Harris, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Robinson, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Tharinger, Van Werven and Walkinshaw.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Chandler, Ranking Minority Member; Taylor.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Manweller.

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*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.*

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

**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 (DRS) which contracts with a vendor for recordkeeping and other administrative services. More than 1,000 employers and 53,000 employees participate in the DCP. Local governments are also authorized to offer deferred compensation programs to their employees through vendors rather than through the DCP. Approximately 55,000 members of state retirement plans administered by DRS are employed by 315 employers that do not currently 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. Currently, the 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. In 2014 the Legislature authorized the WSIB and local governments to offer participants the option of investing in individual securities.

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**Summary of Amended Bill:**

The DRS is authorized to offer a money-purchase retirement savings plan qualified under section 401(a) of the federal Internal Revenue Code. The WSIB is provided with the authority to invest money in the money-purchase retirement savings account in a manner consistent with its authority to invest money in the deferred compensation plan.

The bill is null and void if funding for the bill is not provided in the operating budget.

**Amended Bill Compared to Engrossed Substitute Bill:**

The original bill provided that beginning January 1, 2017, all new state employees that are eligible to participate in the DRS-administered deferred compensation plan will be enrolled in the plan at a 3-percent-of-pay contribution rate, unless they affirmatively elect not to participate, or participate at a different contribution level. The original bill also provided that local governments that participate in the DRS deferred compensation plan are provided the option of offering a similar opt-out feature beginning January 1, 2017.

The amended bill added a section making the bill null and void if funding is not provided in the operating budget.

**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. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) None.

**Persons Testifying:** None.

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