

SENATE BILL REPORT

SB 5435

As of February 2, 2016

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

Brief Description: Expanding participation in the Washington state deferred compensation program.

Sponsors: Senators Bailey and Schoesler.

Brief History:

Committee Activity: Ways & Means: 2/17/15.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

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 1000 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 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 WSIB and local governments to offer participants the option of investing in 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: Beginning no later than January 1, 2017, all counties, cities, and other political subdivisions that participate in one or more of the state retirement systems administered by DRS must offer the DCP as an option to eligible employees. Beginning no later than January 1, 2016, persons newly hired by the state must be enrolled in the DCP unless the employee elects to waive participation. Persons who participate in the plan without selecting a deferral amount or investment option must contribute 3 percent of pay which must be invested in a default option selected by WSIB in consultation with the director of DRS.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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