

FINAL BILL REPORT

ESSB 5435

C 112 L 16
Synopsis as Enacted

Brief Description: Addressing optional salary deferral programs.

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

Senate Committee on Ways & Means
House Committee on Appropriations

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.

Summary: Beginning no later than January 1, 2017, persons newly hired by the state on a full-time basis, other than student employees, 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. Also beginning no later than January 1, 2017, any county, municipality, or other political subdivision offering the state DCP may choose to administer the plan with the same opt-out feature for new employees. DRS is also authorized to offer a money-purchase retirement

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savings plan under section 401(a) of the IRC. The bill is contingent on funding being provided in the 2016 Supplemental Budget.

Votes on Final Passage:

Senate	49	0	
House	94	3	(House amended)
Senate	49	0	(Senate concurred)

Effective: June 9, 2016