

SENATE BILL REPORT

SB 6383

As of January 22, 2020

Title: An act relating to the retirement strategy funds in the plan 3 and the deferred compensation programs.

Brief Description: Concerning the retirement strategy funds in the plan 3 and the deferred compensation programs.

Sponsors: Senators Conway, Schoesler and Mullet; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/23/20.

Brief Summary of Bill

- Authorizes the State Investment Board to include commingled funds in the retirement strategy funds available to members of the Plans 3 and the Deferred Compensation Plan offered by the Washington State Retirement Systems.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: The State Investment Board (SIB) manages funds which total approximately \$140 billion, the largest part of which is the Commingled Trust Fund (CTF) which is made up of the pension funds of the Washington State retirement system funds. CTF is a broadly diversified portfolio including public equities, private equities, fixed income, real estate, and tangible assets and other investments, designed by the SIB and staff to fulfill the statutory objective of maximizing investment returns at a prudent level of risk.

The Public Employees' Retirement System (PERS) Plan 3, the School Employees' Retirement System (SERS) Plan 3, and the Teachers' Retirement System (TRS) Plan 3, collectively referred to as the Plans 3, have both a defined benefit (DB) and defined contribution (DC) component. Members can choose to self-direct their investments for the

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DC component from options that are made available by SIB or to have their money invested by SIB as part of the CTF.

The Deferred Compensation Program (DCP) is an optional program that allows members to make additional pretax contributions to a retirement savings plan. DCP also allows members to self-direct their DCP investments from options made available by SIB. DCP funds are not considered eligible for investment in the CTF.

One of the options made available by SIB for members of the Plans 3 and DCP is a type of retirement strategy fund called a target date fund, which typically have a mix of investment assets that change as a member approaches their targeted retirement date. Members can pick a retirement date, and the asset mix of the fund transitions over time from more aggressive in the early years, to less aggressive investments as the member gets closer to retirement. Members who do not select an option are defaulted into a target date fund aligned with their expected retirement date.

SIB must declare the value of the accounts under its management and credit member accounts with a rate of return based on the changes in value.

SIB, its members, and employees are not liable for any loss or deficiency related to the DC portion of a Plans 3 member's account.

Summary of Bill: Retirement strategy funds offered by SIB in the Plans 3 and DCP may include investment in the CTF.

The frequency of account valuation is changed from monthly to not less than monthly.

The limitation of liability for SIB, its members and employees is expanded to include DCP investments.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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