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**Consumer Protection & Business  
Committee**

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**HB 1632**

**Brief Description:** Evaluating retirement options for Washington consumers.

**Sponsors:** Representatives Reeves, Duerr and Springer.

**Brief Summary of Bill**

- Requires the Department of Commerce to study the retirement preparedness of Washington residents and the feasibility of establishing a state-sponsored retirement savings program.

**Hearing Date:** 2/3/23

**Staff:** Megan Mulvihill (786-7304).

**Background:**

Some private sector employers provide their employees with retirement benefits, such as 401(k) plans, while other employers may provide no retirement benefits to their employees. Private sector employers offering retirement plans to their employees must comply with the Employee Retirement Income Security Act (ERISA). In order to qualify for tax benefits available for both employers and employees, employers must maintain adequate record keeping, fairness, and funding in their retirement plans as specified by ERISA.

Private sector employees must participate in Social Security, and also have federally regulated personal retirement investment options available, such as the Individual Retirement Account (IRA); the Payroll Deduction IRA; and the Savings Incentive Match Plan for Employees, known as SIMPLE IRA, a retirement plan for small employers that allows for employer contributions.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

The Washington Small Business Retirement Marketplace (Marketplace) was created by the Legislature in 2015 and is operated by the Department of Commerce (Commerce). The Marketplace provides a range of investment options that are state approved, but not state-sponsored, including a SIMPLE IRA plan, a payroll deduction IRA, and workplace-based IRAs open to all workers in which the employer does not contribute to the employee's account. Only self-employed individuals, sole proprietors, and employers with fewer than 100 qualified employees are eligible to participate in the Marketplace, but employers are not required to participate. Washington has a statutory prohibition that prohibits the state from offering and operating a state-based retirement plan for business and individuals who are not employed by the state.

State-sponsored retirement plans provide a retirement option, often a Roth IRA, that is overseen by the state. Some states have adopted state-mandated retirement plans, which require eligible employers to offer their employees a retirement option. Employers can choose to offer either the state-sponsored retirement plan or an alternative.

### **Summary of Bill:**

Commerce must study, directly or through a contract, the retirement preparedness of Washington residents and the feasibility of establishing a state-sponsored retirement program. Commerce may convene a group of stakeholders to assist and provide insight into the feasibility and preferred structure of a state-sponsored retirement program. Commerce must report the findings to the Legislature by September 30, 2023. The report must include:

- an examination of potential retirement savings options for self-employed individuals, part-time employees, and full-time employees whose employers do not offer a retirement savings plan;
- estimates of the impact on the state budget and on taxpayers from shortfalls in retirement savings or income;
- the level of interest by Washington employers in participating in a state retirement program;
- an examination of the impact of retirement savings on income and wealth inequality;
- likely costs to start up a state-sponsored retirement program, an estimate of the time for the program to reach self-sufficiency, and potential funding options;
- the experience of other states that have implemented state-sponsored retirement programs for employers and employees, as well as program impacts on the market for retirement plan products and services;
- an evaluation of the feasibility and benefits of interstate partnerships and cooperative agreements with similar state-sponsored retirement programs established in other jurisdictions;
- an assessment of potential changes in enrollment in a joint state-sponsored retirement program if potential participants are concurrently enrolled in the federal "saver's credit" program;
- the appropriate state agency and potential structure for implementing a state-sponsored retirement program; and

- recommendations for statutory changes or appropriations for establishing a state-sponsored retirement program.

**Appropriation:** None.

**Fiscal Note:** Requested on January 27, 2023.

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