

RCW 19.05.040 Governing board. (1) The governing board shall design and administer the program for the exclusive benefit of individual participants and beneficiaries with the care and skill of a knowledgeable, prudent individual.

(2) The governing board is comprised of 15 members as follows:

(a) The president of the senate shall appoint one member from each of the two largest caucuses of the senate;

(b) The speaker of the house of representatives shall appoint one member from each of the two largest caucuses of the house of representatives;

(c) The state treasurer;

(d) The director of the department or the director's designee; and

(e) The following members representing the diversity and geography of the state, appointed by the governor:

(i) One member representing the securities industry;

(ii) One member representing the insurance industry;

(iii) One member who is a certified financial planner recommended by the national association of insurance and financial advisors of Washington;

(iv) One member representing the interests of small, independent businesses in Washington;

(v) One member representing the interests of minority-owned and women-owned businesses in Washington;

(vi) One member representing the Washington asset building coalition;

(vii) One member representing a retirement advocacy organization;

(viii) One member representing covered employees; and

(ix) One member representing covered employers.

(3) (a) The legislative member from the majority caucus of the house of representatives shall convene the initial meeting of the governing board. The governing board shall choose cochairs selected from the legislative membership for the design stage of the program until July 1, 2027. The governing board shall provide recommendations in the legislative report about who should be the chair of the governing board once the program is operational after July 1, 2027.

(b) After July 1, 2027, the legislative members of the governing board serve in an ex officio, advisory role to the governing board.

(4) Members who are appointed by the governor serve three-year terms and may be appointed for a second three-year term at the discretion of the governor. Members who are appointed by the governor may serve up to two terms over the course of their lifetime. The governor may stagger the terms of the appointed members.

(5) The governing board may appoint work groups to support the design and administration of the program. Work groups do not serve a voting function on the governing board and may include individuals who are not members of the governing board. Any work group established by the governing board is a class one group under RCW 43.03.220. Work group members receive compensation accordingly.

(6) Other state agencies must provide appropriate and reasonable assistance to the program as needed, including gathering data and information, in order for the governing board to carry out the purposes of this chapter. The governing board may reimburse the other state agencies from the administrative account for reasonable expenses incurred in providing appropriate and reasonable assistance.

(7) (a) The governing board must begin meeting in 2025.

(b) The governing board may conduct meetings remotely by teleconference or videoconference, including to obtain a quorum and to take votes on any measure.

(c) Each voting governing board member has one vote. The powers of the governing board must be exercised by a majority of all voting members present at the meeting of the governing board, whether in person or remotely. A quorum is required to convene a meeting of the governing board and to act on any measure before the governing board.

(8) The governing board shall establish, design, develop, implement, maintain, and oversee the program in accordance with this chapter and best practices for retirement saving vehicles.

(9) Staff support for the governing board shall be provided by:

(a) The department of financial institutions, until no later than June 30, 2027. The department of financial institutions may contract with a third-party entity to provide assistance or expertise during the program outreach and education, design, and implementation stage if approved by the governing board; and

(b) The administrative agency, beginning no later than July 1, 2027.

(10) The governing board shall conduct an outreach and education initiative regarding the design and implementation of the program. The governing board shall consult, educate, and receive feedback from covered employers and covered employees regarding the program design and implementation. The outreach and education initiative must ensure that diverse employer and employee communities are consulted, that interpreters are provided, and that written documents and materials are translated. In order to facilitate accessibility for diverse affected businesses and employees, the governing board shall work with the various state commissions to develop culturally and linguistically responsive outreach and education plans.

(11) Regarding investments, the governing board:

(a) Has the sole responsibility for contracting with outside firms to provide investment management for the program funds and manage the performance of investment managers under those contracts;

(b) Must adopt an investment policy statement and ensure that the investment options offered, including default investment options, are consistent with the objectives of the program. The menu of investment options may encompass a range of risk and return opportunities and must take the following into account:

(i) The nature and objectives of the program;

(ii) The diverse needs of individual participants;

(iii) The desirability of limiting investment choices under the program to a reasonable number; and

(iv) The extensive investment choices available to participants outside of the program.

(12) Regarding the design of the program, the governing board must:

(a) Ensure the program is designed and operated in a manner that will not cause it to be subject to or preempted by the federal employment retirement income security act of 1974, as amended, and that any employer that is not a covered employer shall have no reporting or registration obligation or requirement to take any action under the program other than to claim an exemption from coverage by the program;

(b) Design and operate the program to:

(i) Minimize costs to individual participants, covered employers, and the state;

(ii) Minimize the risk that covered employees will exceed applicable annual contribution limits;

(iii) Facilitate and encourage employee participation in the program and participant saving;

(iv) Maximize simplicity, including ease of administration for covered employers and ease of use for individual participants;

(v) Provide a simple process for covered employees to opt out of the program at any time or modify their payroll deductions;

(vi) Maximize portability of individual accounts;

(vii) Maximize financial security in retirement; and

(viii) Maximize the availability of funds to individual participants with a goal of having funds available within three business days following the remittance of payroll deductions by covered employers, if feasible;

(c) Design the program to be compliant with all applicable requirements under the internal revenue code, including requirements for favorable tax treatment of IRAs, and any other applicable law or regulation;

(d) Consult with the department of financial institutions, the department, the office of minority and women's business enterprises, and the office of the secretary of state to create a strategy to educate and inform covered employers about employer administrative duties under this chapter, including the development of culturally relevant and responsive approaches centered in cultural humility with outreach to employers that are considered socially vulnerable, historically marginalized, or face cultural or language barriers to participate in workplace retirement savings programs;

(e) Launch the program by July 1, 2027. The board may stagger implementation in stages after that date, which may include phasing in implementation based on the size of employers, or other factors.

(13) The governing board may adopt rules to govern the program, including to govern the following:

(a) Employee registration and enrollment process;

(b) Employee alternative election procedure including, but not limited to, the method in which a participating individual may opt out of participation at any time, change their contribution rate, opt out of auto-escalation, make nonpayroll contributions, and make withdrawals;

(c) Contribution limits, the initial automatic default contribution rate, and the automatic default escalation rate;

(d) Outreach, marketing, and educational initiatives or publication of online resources, encouragement of participation, retirement savings, and sound investment practices. Outreach, marketing, and educational initiatives must promote cultural humility and engage culturally relevant and responsive approaches while including special consideration for socially vulnerable communities historically, or are known to often be, excluded from, marginalized by, or face barriers to participation in workplace retirement savings programs; and

(e) A process in which individuals who are not covered employees may participate in the program, including unemployed individuals, self-employed individuals, and other independent contractors.

(14) The governing board shall develop:

(a) Information regarding the program;

(b) The following disclosures:

(i) A description of the benefits and risks associated with making contributions under the program;

(ii) Instructions about how to obtain additional information about the program;

(iii) A description of the tax consequences of an IRA, which may consist of or include the disclosure statement required to be distributed by the trustee under the internal revenue code and treasury regulations thereunder;

(iv) A statement that covered employees seeking financial advice should contact their own financial advisers, that covered employers are not in a position to provide financial advice, and that covered employers are not liable for decisions covered employees make under this chapter;

(v) A statement that the program is not an employer-sponsored retirement plan;

(vi) A statement that the covered employee's IRA established under the program is not guaranteed by the state;

(vii) A statement that the program is voluntary for covered employees, and a covered employee may opt out of the program at any time; and

(viii) A statement that neither a covered employer nor the state will monitor or has an obligation to monitor the covered employee's eligibility under the internal revenue code to make contributions to an IRA or to monitor whether the covered employee's contributions to the IRA established for the covered employee exceed the maximum permissible IRA contribution; that it is the covered employee's responsibility to monitor such matters; and that the state, the program, and the covered employer have no liability with respect to any failure of the covered employee to be eligible to make IRA contributions or any contribution in excess of the maximum IRA contribution;

(c) Information, forms, and instructions to be furnished to covered employees, at such times as the governing board determines, that provide the covered employee with the procedures for:

(i) Making contributions to the covered employee's IRA established under the program, including a description of the automatic enrollment rate, the automatic escalation rate and frequency, the right to elect to make no contribution or to change the contribution rate under the program, and how to opt out of the program at any time;

(ii) Making an investment election with respect to the covered employee's IRA established under the program, including a description of the default investment fund; and

(iii) Making transfers, rollovers, withdrawals including instructions on how to access funds, and other distributions from the covered employee's IRA.

(15) The governing board must evaluate options to assist covered employees and employers to identify private sector providers of financial advice, to the extent feasible and unless prohibited by state or federal laws. The governing board must consider options including, but not limited to, a website established and maintained by the governing board.

(16) The governing board may create or enter into, on behalf of the program, a consortium, alliance, joint venture, partnership, compact, or contract with another state or states or their programs or boards.

(17) The governing board must collect administrative fees to defray the costs of administering the program. If the governing board creates or enters into a joint program agreement, as provided in

subsection (16) of this section, the rate of the administrative fee for covered employees may not exceed the rate charged to covered employees of another state participating in the same program.

(18) The governing board, its members, and the administrative agency are not individually or collectively insurers of the funds or assets of the investment fund or individual accounts. Neither the governing board nor the administrative agency is liable for the action or inaction of the other.

(19) The governing board, its members, and the administrative agency are not individually or collectively liable to the state, to the fund, or to any other person as a result of their activities as members or staff, whether ministerial or discretionary, except for willful dishonesty or intentional violation of law. The governing board, its members, and the administrative agency may purchase liability insurance.

(20) The governing board shall submit progress reports to the appropriate committees of the legislature, in accordance with RCW 43.01.036.

(a) The first preliminary report is due December 1, 2025, and must include feedback to the legislature on the proposed timeline set forth under this chapter and progress on outreach initiatives and program implementation.

(b) The final report on program design and implementation recommendations is due December 1, 2026, and must include the following:

(i) A comprehensive summary of outreach activities conducted by the governing board to receive feedback on design elements and implementation for the program, including:

(A) Types of outreach conducted;

(B) Specific calendar dates and time frames in which outreach occurred;

(C) Covered employers and covered employees who were contacted;

(D) Subject matters discussed regarding the program and proposed program structure;

(E) The types of retirement account programs covered employers and covered employees preferred;

(F) Explanations of concerns received during the outreach activities and how those concerns were addressed;

(ii) Recommendations on whether the legislature should make changes to the program's structure or whether any statutory changes need to occur; and

(iii) Recommendations regarding the governing board structure, including who should chair the governing board and what entity should serve as the administrative agency that provides staff support to the governing board once the program is established and operational. The governing board shall consider a potential new agency, an existing state agency, or the office of a stand-alone statewide elected official for the administrative agency.

(c) Annual reports including program updates and program information must begin December 1, 2028, and include information on:

(i) Participation;

(ii) Account performance;

(iii) Board decisions; and

(iv) Any recommendations to the legislature regarding the program.

(21) The governing board may consult with the state investment board and the department of financial institutions regarding program design and implementation.

(22) The governing board shall assure any administrative contract services for the program provide culturally responsive and relevant supports rooted in cultural humility while including special considerations for socially vulnerable communities historically, or are known to often be, excluded from, marginalized by, or face barriers to participation in workplace retirement savings programs. [2024 c 327 s 4.]

Conflict with federal requirements—2024 c 327: See note following RCW 19.05.020.