

# HOUSE BILL REPORT

## HB 1214

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to the composition and responsibilities of the employee retirement benefits board.

**Brief Description:** Reconfiguring and changing the duties of the employee retirement benefits board.

**Sponsors:** Representatives H. Sommers, Lambert, Doumit and Delvin.

**Brief History:**

**Committee Activity:**

Appropriations: 2/1/01, 2/8/01 [DPS].

**Brief Summary of Substitute Bill**

- Clarifies certain administrative and investment duties of the Department of Retirement Systems and the State Investment Board.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 32 members: Representatives Sehlin, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; Lisk, Republican Vice Chair; Alexander, Benson, Boldt, Buck, Clements, Cody, Cox, Dunshee, Fromhold, Gombosky, Grant, Kagi, Keiser, Kenney, Kessler, Lambert, Linville, Mastin, McIntire, Mulliken, Pearson, Pflug, Ruderman, D. Schmidt, Schual-Berke, Talcott and Tokuda.

**Staff:** Andrea Hardy (786-7349).

**Background:**

Legislation passed in 1995 created both the Employee Retirement Benefits Board (ERBB) and Teachers Retirement System (TRS) plan 3, a state-administered defined contribution retirement plan. Prior to 1996, the only defined contribution plan administered by the state was the Judicial Retirement Account, made available to judges who opted to join the

Public Employees Retirement System (PERS). In 2000 a new School Employees' Retirement System (SERS) plan 3 was established, and a new PERS plan 3 was created, effective in March of 2002.

The ERBB originally had authority to select the Plan 3 and Deferred Compensation Plan (DCP) investment options. When trusteeship of the DCP was transferred to the State Investment Board (SIB), the ERBB statute was also amended to provide that trusteeship of the DCP funds be placed with the SIB, and that the SIB would select investment options, based on the advice of the ERBB.

The ERBB provides guidance to the SIB regarding plan 3 and DCP investment options, and selects, in coordination with DRS, the payment distribution options for TRS plan 3 and the DCP.

The ERBB includes 11 members appointed by the Governor: Three members each for the PERS, TRS, and SERS retirement systems, and two people with experience in defined contribution pension systems. The DRS director serves as the ERBB chair.

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**Summary of Substitute Bill:**

A DCP participant is added to the membership of the ERBB. Duplicative language from the DCP statute regarding treatment of deficiencies in the DCP fund is eliminated. The duties of the SIB and DRS with regard to DCP administration and investment are clarified, as are the duties of the SIB and DRS with regard to TRS plan 3, SERS plan 3, and PERS plan 3 administration and investment.

**Substitute Bill Compared to Original Bill:**

The original bill transferred trusteeship of the deferred compensation funds to the ERBB; the substitute bill leaves trusteeship of the funds with the SIB. The substitute bill also adds language clarifying DRS authority.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Based on the recommendation of the State Auditor, the Joint Committee on Pension Policy has studied and recommended to the Legislature the proposed substitute house bill clarifying the duties and responsibilities of the SIB and the DRS.

With the agreement of all parties, the bill gives the statutory authority to the DRS with regard to working with the investment managers with whom the SIB contracts.

**Testimony Against:** None.

**Testified:** Jim Parker, State Investment Board; and John Charles, Department of Retirement Systems.