

# SENATE BILL REPORT

## SB 6635

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As Passed Senate, February 11, 1998

**Title:** An act relating to clarifying the trusteeship role of the state investment board and the employee retirement benefits board.

**Brief Description:** Administering the deferred compensation plan.

**Sponsors:** Senators Sellar, Bauer, Long and Fraser; by request of Department of Retirement Systems.

**Brief History:**

**Committee Activity:** Government Operations: 2/2/98 [DP].  
Passed Senate, 2/11/98, 46-0.

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS

**Majority Report:** Do pass.

Signed by Senators McCaslin, Chair; Haugen, Horn, Patterson and T. Sheldon.

**Staff:** Genevieve Pisarski (786-7488)

**Background:** Contributions and earnings in the state deferred compensation program are the property of the state or local government employers until paid to participants. The Department of Retirement Systems administers the program. The Employee Retirement Benefits Board selects self-directed investment options for the program. Changes to federal law now require government employers to hold their deferred compensation assets in trust.

**Summary of Bill:** Assets in the Deferred Compensation Program (DCP) are placed in trust for participants and their beneficiaries. The voting members of the Washington State Investment Board (WSIB) are the trustees. The Employee Retirement Benefits Board (ERBB) recommends self-directed investment options that reflect participant preferences to the WSIB, which considers these recommendations and selects options. WSIB manages DCP investments according to participant directions and applicable laws. ERBB, WSIB, and the state are not liable to participants for dissatisfaction with returns on self-directed investments or losses that occur despite reasonable efforts to implement participant directions. Additional changes for consistency with trust requirements and technical corrections are made.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** January 1, 1999 is the deadline to comply with Internal Revenue Code trust requirements. The fiduciary role is clarified and responsibilities are assigned logically. Both boards approve. The State Investment Board has staff, infrastructure, and policies to fulfill the fiduciary duty of trustee. It invests approximately \$40 billion and the fund will benefit from relationship pricing.

**Testimony Against:** None.

**Testified:** PRO: Senator George Sellar, prime sponsor; John Charles, Department of Retirement Systems; James Parker, Washington State Investment Board.