

SENATE BILL REPORT

SB 5152

As Reported By Senate Committee On:
Ways & Means, February 22, 2001

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: Senators Fraser, Carlson, Franklin, Long, Honeyford and Jacobsen; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/21/01, 2/22/01 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5152 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: Pete Cutler (786-7454)

Background: Legislation passed in 1995 created both the Employee Retirement Benefits Board (ERBB) and the Teachers Retirement System (TRS) Plan 3, which included a new state-administered defined contribution account as part of TRS. 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 September 2000 a new School Employees' Retirement System (SERS) Plan 3 was opened, and in the 2000 session a new PERS Plan 3 was created, effective in March of 2002.

The ERBB originally had authority to select the investment options to be provided to Plan 3 members and Deferred Compensation Plan (DCP) participants. In 1998, when the assets of the DCP were placed in trust status with the State Investment Board (SIB), the ERBB duties were amended to provide that the SIB would select investment options offered to Plan 3 members, and to DCP participants, based on the advice of the ERBB.

The ERBB includes 11 members appointed by the Governor, plus the director of the Department of Retirement Systems (DRS) who is the ERBB chair. Three members each represent the PERS, TRS, and SERS retirement systems, and two members must have experience in defined contribution plan administration.

The administration of the defined contribution accounts and self-directed investment options in TRS 3 and SERS 3 has required DRS and SIB to sort out the appropriate allocation of record keeping, accounting, and reporting functions, without explicit and detailed guidance from the Legislature.

Summary of Substitute Bill: One 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 roles of the SIB and DRS with regard to the DCP and TRS Plan 3, SERS Plan 3, and PERS Plan 3 defined contribution account are clarified.

Substitute Bill Compared to Original Bill: The substitute bill does not make the ERBB trustees of the deferred compensation program (DCP), and provides more specifics regarding the division of the roles and responsibilities of the Department of Retirement Systems and the State Investment Board with regard to the DCP and the defined contribution accounts for TRS Plan 3, SERS Plan 3, and PERS Plan 3.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 19, 2001.

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

Testimony For: This bill will help clarify the respective roles and responsibilities of DRS and SIB with regard to the state's defined contribution plans.

Testimony Against: None.

Testified: Jim Parker, Executive Director, SIB; John Charles, Director, DRS.