
HOUSE BILL 2627

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By Representatives McIntire, Dunshee, Gombosky, Kenney, Esser, Quall, Jarrett, Benson, Lantz, Murray, Hurst, Veloria, Kagi, McDermott, Cooper, Chase, Anderson and Santos

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1 AN ACT Relating to creating the Washington voluntary accounts
2 program; reenacting and amending RCW 43.84.092; and adding a new
3 chapter to Title 41 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that many workers do
6 not have access to an employment-based retirement plan. Workers who
7 are unable to build up pensions and savings risk living on low incomes
8 in their old age and are more likely to become dependent on state
9 services. The Washington voluntary accounts program will provide
10 employers a simple and inexpensive way to offer an employee benefit.
11 These accounts will provide tax incentives for workers and employers,
12 if they participate.

13 NEW SECTION. **Sec. 2.** The definitions in this section apply
14 throughout this chapter unless the context clearly requires otherwise.

15 (1) "Program" means the Washington voluntary accounts program
16 created under section 3 of this act.

17 (2) "Director" means the director of the department of retirement
18 systems.

1 (3) "Participating employee" means any employee in this state
2 employed by a participating employer, if that employee chooses to
3 participate in the program.

4 (4) "Participating employer" means any private employer, with a
5 place of business in this state, that chooses to participate in the
6 program for the benefit of its employees in this state.

7 NEW SECTION. **Sec. 3.** The Washington voluntary accounts program is
8 created. The director may adopt rules as necessary to implement this
9 chapter.

10 NEW SECTION. **Sec. 4.** (1) Each participating employer is
11 authorized to contract with a participating employee to defer a portion
12 of that employee's income, in accordance with the internal revenue
13 service code.

14 (2) Participating employees shall self-direct the investment of the
15 deferred portion of their income through the selection of investment
16 options as set forth in subsection (3) of this section.

17 (3) The director may provide those plans determined to be in the
18 interests of participating employees. In addition to the types of
19 investments described in this section, the state investment board, with
20 respect to the program, shall invest the deferred portion of
21 participating employees' income, without limitation as to amount, in
22 accordance with RCW 43.84.150, 43.33A.140, and 41.50.780, and pursuant
23 to investment policy established by the state investment board for the
24 program. The state investment board shall provide a set of options for
25 participants to choose from for investment of the deferred portion of
26 their income.

27 NEW SECTION. **Sec. 5.** (1) The Washington voluntary accounts
28 program principal account is created in the state treasury.

29 (2) The amount of compensation deferred by participating employees
30 under agreements entered into under section 3 of this act shall be paid
31 into the Washington voluntary accounts program principal account and
32 shall be sufficient to cover costs of administration and staffing in
33 addition to such other amounts as determined by the director. The
34 account shall be used to carry out the purposes of this chapter.
35 Private employers shall cooperate with the department in providing
36 employees with the opportunity to participate.

1 (3) All moneys in the Washington voluntary accounts program
2 principal account and the Washington voluntary accounts program
3 administrative account, all property and rights purchased therewith,
4 and all income attributable thereto, shall be held in trust by the
5 state investment board, as set forth under RCW 43.33A.030, for the
6 exclusive benefit of the Washington voluntary accounts program
7 participants and their beneficiaries. Neither the employee
8 participant, nor the employee participant's beneficiary or
9 beneficiaries, nor any other designee, has any right to commute, sell,
10 assign, transfer, or otherwise convey the right to receive any payments
11 under the program. These payments and rights are nonassignable and
12 nontransferable. Unpaid accumulated deferrals are not subject to
13 attachment, garnishment, or execution and are not transferable by
14 operation of law in event of bankruptcy or insolvency, except to the
15 extent otherwise required by law.

16 (4) The state investment board has the full power to invest moneys
17 in the Washington voluntary accounts program principal account and the
18 Washington voluntary accounts program administrative account in
19 accordance with RCW 43.84.150, 43.33A.140, and 41.50.770, and
20 cumulative investment directions received under this chapter. All
21 investment and operating costs of the state investment board associated
22 with the investment of the program assets shall be paid under RCW
23 43.33A.160 and 43.84.160. With the exception of these expenses, one
24 hundred percent of all earnings from these investments shall accrue
25 directly to the Washington voluntary accounts program principal
26 account.

27 (5)(a) No state board, commission, or agency, or any officer,
28 employee, or member is liable for any loss or deficiency resulting from
29 participant investments selected under this chapter.

30 (b) The state investment board, or any officer, employee, or member
31 is not liable for any loss or deficiency resulting from reasonable
32 efforts to implement investment directions under this chapter.

33 (6) The Washington voluntary accounts program administrative
34 account is created in the state treasury. All expenses of the
35 department pertaining to the Washington voluntary accounts program
36 including staffing and administrative expenses shall be paid out of the
37 Washington voluntary accounts program administrative account. Any
38 excess balances credited to this account over administrative expenses
39 disbursed from this account shall be transferred to the Washington

1 voluntary accounts program principal account at such time and in such
2 amounts as may be determined by the director with the approval of the
3 director of financial management. Any deficiency in the Washington
4 voluntary accounts program administrative account caused by an excess
5 of administrative expenses disbursed from this account shall be
6 transferred to this account from the Washington voluntary accounts
7 program principal account.

8 (7)(a)(i) The director shall keep or cause to be kept full and
9 adequate accounts and records of the assets of each individual
10 participant, obligations, transactions, and affairs of the program.
11 The department shall account for and report on the investment of
12 program assets or may enter into an agreement with the state investment
13 board for accounting and reporting.

14 (ii) The director's duties related to individual participant
15 accounts include conducting the activities of trade instruction,
16 settlement activities, and direction of cash movement and related wire
17 transfers with the custodian bank and outside investment firms.

18 (iii) The director has sole responsibility for contracting with any
19 recordkeepers for individual participant accounts and shall manage the
20 performance of recordkeepers under those contracts.

21 (b)(i) The director's duties under (a)(ii) of this subsection do
22 not limit the authority of the state investment board to conduct its
23 responsibilities for asset management and balancing of program funds.

24 (ii) The state investment board has sole responsibility for
25 contracting with outside investment firms to provide investment
26 management for program funds and shall manage the performance of
27 investment managers under those contracts.

28 (c) The state treasurer shall designate and define the terms of
29 engagement for the custodial banks.

30 **Sec. 6.** RCW 43.84.092 and 2001 2nd sp.s. c 14 s 608, 2001 c 273 s
31 6, 2001 c 141 s 3, and 2001 c 80 s 5 are each reenacted and amended to
32 read as follows:

33 (1) All earnings of investments of surplus balances in the state
34 treasury shall be deposited to the treasury income account, which
35 account is hereby established in the state treasury.

36 (2) The treasury income account shall be utilized to pay or receive
37 funds associated with federal programs as required by the federal cash
38 management improvement act of 1990. The treasury income account is

1 subject in all respects to chapter 43.88 RCW, but no appropriation is
2 required for refunds or allocations of interest earnings required by
3 the cash management improvement act. Refunds of interest to the
4 federal treasury required under the cash management improvement act
5 fall under RCW 43.88.180 and shall not require appropriation. The
6 office of financial management shall determine the amounts due to or
7 from the federal government pursuant to the cash management improvement
8 act. The office of financial management may direct transfers of funds
9 between accounts as deemed necessary to implement the provisions of the
10 cash management improvement act, and this subsection. Refunds or
11 allocations shall occur prior to the distributions of earnings set
12 forth in subsection (4) of this section.

13 (3) Except for the provisions of RCW 43.84.160, the treasury income
14 account may be utilized for the payment of purchased banking services
15 on behalf of treasury funds including, but not limited to, depository,
16 safekeeping, and disbursement functions for the state treasury and
17 affected state agencies. The treasury income account is subject in all
18 respects to chapter 43.88 RCW, but no appropriation is required for
19 payments to financial institutions. Payments shall occur prior to
20 distribution of earnings set forth in subsection (4) of this section.

21 (4) Monthly, the state treasurer shall distribute the earnings
22 credited to the treasury income account. The state treasurer shall
23 credit the general fund with all the earnings credited to the treasury
24 income account except:

25 (a) The following accounts and funds shall receive their
26 proportionate share of earnings based upon each account's and fund's
27 average daily balance for the period: The capitol building
28 construction account, the Cedar River channel construction and
29 operation account, the Central Washington University capital projects
30 account, the charitable, educational, penal and reformatory
31 institutions account, the common school construction fund, the county
32 criminal justice assistance account, the county sales and use tax
33 equalization account, the data processing building construction
34 account, the deferred compensation administrative account, the deferred
35 compensation principal account, the department of retirement systems
36 expense account, the drinking water assistance account, the drinking
37 water assistance administrative account, the drinking water assistance
38 repayment account, the Eastern Washington University capital projects
39 account, the education construction fund, the emergency reserve fund,

1 the federal forest revolving account, the health services account, the
2 public health services account, the health system capacity account, the
3 personal health services account, the state higher education
4 construction account, the higher education construction account, the
5 highway infrastructure account, the industrial insurance premium refund
6 account, the judges' retirement account, the judicial retirement
7 administrative account, the judicial retirement principal account, the
8 local leasehold excise tax account, the local real estate excise tax
9 account, the local sales and use tax account, the medical aid account,
10 the mobile home park relocation fund, the multimodal transportation
11 account, the municipal criminal justice assistance account, the
12 municipal sales and use tax equalization account, the natural resources
13 deposit account, the oyster reserve land account, the perpetual
14 surveillance and maintenance account, the public employees' retirement
15 system plan 1 account, the public employees' retirement system combined
16 plan 2 and plan 3 account, the public health supplemental account, the
17 Puyallup tribal settlement account, the resource management cost
18 account, the site closure account, the special wildlife account, the
19 state employees' insurance account, the state employees' insurance
20 reserve account, the state investment board expense account, the state
21 investment board commingled trust fund accounts, the supplemental
22 pension account, the teachers' retirement system plan 1 account, the
23 teachers' retirement system combined plan 2 and plan 3 account, the
24 tobacco prevention and control account, the tobacco settlement account,
25 the transportation infrastructure account, the tuition recovery trust
26 fund, the University of Washington bond retirement fund, the University
27 of Washington building account, the volunteer fire fighters' and
28 reserve officers' relief and pension principal fund, the volunteer fire
29 fighters' and reserve officers' administrative fund, the Washington
30 fruit express account, the Washington judicial retirement system
31 account, the Washington law enforcement officers' and fire fighters'
32 system plan 1 retirement account, the Washington law enforcement
33 officers' and fire fighters' system plan 2 retirement account, the
34 Washington school employees' retirement system combined plan 2 and 3
35 account, the Washington state health insurance pool account, the
36 Washington state patrol retirement account, the Washington State
37 University building account, the Washington State University bond
38 retirement fund, the Washington voluntary accounts program
39 administrative account, the Washington voluntary accounts program

1 principal account, the water pollution control revolving fund, and the
2 Western Washington University capital projects account. Earnings
3 derived from investing balances of the agricultural permanent fund, the
4 normal school permanent fund, the permanent common school fund, the
5 scientific permanent fund, and the state university permanent fund
6 shall be allocated to their respective beneficiary accounts. All
7 earnings to be distributed under this subsection (4)(a) shall first be
8 reduced by the allocation to the state treasurer's service fund
9 pursuant to RCW 43.08.190.

10 (b) The following accounts and funds shall receive eighty percent
11 of their proportionate share of earnings based upon each account's or
12 fund's average daily balance for the period: The aeronautics account,
13 the aircraft search and rescue account, the county arterial
14 preservation account, the department of licensing services account, the
15 essential rail assistance account, the ferry bond retirement fund, the
16 grade crossing protective fund, the high capacity transportation
17 account, the highway bond retirement fund, the highway safety account,
18 the motor vehicle fund, the motorcycle safety education account, the
19 pilotage account, the public transportation systems account, the Puget
20 Sound capital construction account, the Puget Sound ferry operations
21 account, the recreational vehicle account, the rural arterial trust
22 account, the safety and education account, the special category C
23 account, the state patrol highway account, the transportation equipment
24 fund, the transportation fund, the transportation improvement account,
25 the transportation improvement board bond retirement account, and the
26 urban arterial trust account.

27 (5) In conformance with Article II, section 37 of the state
28 Constitution, no treasury accounts or funds shall be allocated earnings
29 without the specific affirmative directive of this section.

30 NEW SECTION. **Sec. 7.** Sections 1 through 5 of this act constitute
31 a new chapter in Title 41 RCW.

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