

SENATE BILL REPORT

SB 6067

As of February 28, 2007

Title: An act relating to creating the Washington voluntary retirement accounts program.

Brief Description: Creating the Washington voluntary retirement accounts program.

Sponsors: Senators Hobbs, Keiser, Fraser, Weinstein, Regala, Pridemore, Spanel, Rasmussen and Kohl-Welles.

Brief History:

Committee Activity: Ways & Means: 2/28/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: All regular employees of the state are members of one of the plans of the state retirement system plans. The plans include the Public Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Teachers' Retirement System, and others. These plans are administered by the Department of Retirement Systems (DRS), which also administers these plans for covered local government employers and employees.

Private employers take a variety of approaches to pension plans. Some provide their employees with pension benefits similar to the state retirement plans administered by DRS, and some provide no pension plan to their employees. Private employers may also provide employees the opportunity to participate in other retirement plans, such as 401(k) savings plans.

Private employers offering pension plans to their employees must comply with an extensive body of federal law and regulation—the Employee Retirement Income Security Act, commonly referred to as "ERISA." Governmental plans, operated by a government for its own employees, are generally exempt from ERISA rules. For a private employer, however, in order to qualify for the tax benefits available for both employers and employees, employers must meet ERISA standards for record-keeping, fairness of rules, and funding adequacy in their pension plans.

Privately employed individuals participate in Social Security, and also have federally-regulated personal retirement investment opportunities such as the Individual Retirement Account (IRA). Banks, investment firms, and financial planners advise and assist individuals in planning and investing for retirement.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The Washington Voluntary Retirement Accounts Program (WVRA) is created, subject to funding being specifically provided for it in the operating budget.

The Director of the DRS is required to develop a plan for the WVRA and seek approval to offer the plan on a tax-qualified basis to private-sector workers in Washington. The plan must include the option for enrollees to roll pretax contributions into an individual retirement account or other eligible retirement plan after ceasing participation in the WVRA.

The Director of the DRS is authorized to implement the WVRA directly or by contract, to adopt rules necessary to implement the program, and manage the enrollment in the WVRA to operate within appropriated funding levels.

A WVRA Partnership Program Account is created for monies used to administer the WVRA program on a non-appropriated, but allotted, basis. Any nonstate funds collected for the WVRA program must be deposited in the account, and monies in the account must be used exclusively for the WVRA program.

Private employers are required to provide employees with the opportunity to enroll in the WVRA, and to contract with enrolled employees to defer or contribute portions of employee compensation for contributions to the WVRA in accordance with program rules.

The Director of the DRS will report to the relevant committees of the Legislature every two years on the effectiveness and efficiency of the program, including on the levels of enrollment, the financial status of the plan, and the retirement savings levels of participating enrollees.

Appropriation: None.

Fiscal Note: Requested on February 27, 2007.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: To few people today are saving for retirement, and those few who are saving aren't saving enough. The state has an interest in increasing retirement savings and keeping people off of public assistance programs. The WVRA program would be administered for the benefit of participants, would be portable from job to job, and would have the potential to draw more people into saving for retirement.

Persons Testifying: Lauren Moughon, American Association of Retired Persons - Washington.