

SENATE BILL REPORT

HB 2877

As of February 16, 2010

Title: An act relating to authorizing payment of regulated company stock in lieu of a portion of salary for educational employees.

Brief Description: Authorizing payment of regulated company stock in lieu of a portion of salary for educational employees.

Sponsors: Representative Moeller.

Brief History: Passed House: 2/13/10, 94-0.

Committee Activity: Ways & Means: 2/17/10.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: The board of directors of a school district, the Teachers' Retirement System (TRS), the Superintendent of Public Instruction, and Educational Service District superintendents are permitted to establish tax-deferred annuities for their employees through the establishment of a deferral program under the provisions of federal law commonly referred to as 403(b) plans.

A 403(b) plan is a tax-advantaged salary deferral retirement program for employees of educational institutions and certain other non-profit organizations. A 403(b) plan must be sponsored by the institution, which then acts in the capacity of a fiduciary. The employer is responsible for establishing the plan and selecting the plan investments. Once the plan has been established, the employee defers a portion of his or her annual salary into the fund. Among the types of investments that are permitted in 403(b) accounts are annuity and variable annuity contracts with insurance companies and custodial accounts that consist of mutual funds which meet the definition of qualified regulated company stock. The latter of these is called a 403(b) (7) account. The 403(b) plan requirements do not permit investment in individual stocks. If offered by an employer, 403(b) plans must be made available to all employees.

State law permits Washington educational employers to establish 403(b) programs, but limits the types of investments to tax deferred annuity contracts.

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 board of directors of a school district, the Teachers' Retirement System, the Superintendent of Public Instruction, and Educational Service District superintendents are authorized to provide the option to purchase certain mutual funds qualified as regulated company stock held in a custodial account, as well as tax deferred annuities for employees' federal Internal Revenue Service qualified section 403(b) accounts.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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