

---

## Appropriations Committee

---

### HB 2736

**Brief Description:** Addressing state retirement system employer participation in the state's deferred compensation program.

**Sponsors:** Representatives Sullivan, Bergquist and Ormsby.

#### Brief Summary of Bill

- Requires all Washington State Retirement Systems-participating employers to offer employees the deferred compensation program administered by the Department of Retirement Systems (DRS).
- Offers municipal or subdivision employers in Washington that do not participate in the state retirement systems the opportunity to participate in the DRS-administered deferred compensation program.

**Hearing Date:** 2/3/14

**Staff:** David Pringle (786-7310).

#### Background:

The Department of Retirement Systems (DRS) operates a deferred compensation program consistent with the federal tax requirements of 26 United States Code section 457, commonly called a "457 Plan," in which employees of the state, counties, municipalities and other political subdivisions may participate. The 457 Plans permit employees to save a portion of their salaries on a tax-deferred basis, offering the opportunity to increase the funds available to them in retirement.

Washington's political subdivisions may participate in DRS's 457 Plan, or use another administrator, such as ICMA-RC. Administrative fees vary significantly between deferred compensation plans. The DRS charges an annual 0.13 percent fee for the administration of the DRS 457 Plan. In a review of a City of Duluth study conducted by the staff of the Law

---

*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.*

Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board, it was found that while difficult to compare, the average net annual fee of the private 457 plan administrators examined was close to 1.3 percent. In general, more retirement funds will accumulate from the same member contributions when lower administrative fees are charged.

**Summary of Bill:**

All Washington State Retirement Systems-participating employers are required to offer employees the deferred compensation program administered by DRS. Washington municipal or subdivision employers that do not participate in the state retirement systems are offered the opportunity to participate in the DRS-administered deferred compensation program.

**Appropriation:** None.

**Fiscal Note:** Requested on February 3, 2014.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.