

SENATE BILL REPORT

SB 6328

As Reported by Senate Committee On:
Ways & Means, February 3, 2014

Title: An act relating to deferred compensation plans.

Brief Description: Concerning deferred compensation plans.

Sponsors: Senators Roach and Kline.

Brief History:

Committee Activity: Ways & Means: 1/28/14, 2/03/14 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Frockt, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

Staff: Pete Cutler (786-7474)

Background: The Washington State Deferred Compensation Program (DCP) is a supplemental tax-deferred savings program under section 457 of the federal Internal Revenue Code (IRC) offered to state employees and to the employees of local governments that elect to participate in the program. It is administered by the Department of Retirement Systems which contracts with a vendor for record keeping and other administrative services. More than 1000 employers and 53,000 employees participate in the DCP. Local governments are also authorized to offer deferred compensation programs to their employees through vendors rather than through the DCP.

The Washington State Investment Board (WSIB) is responsible for establishing investment policy; developing participant investment options; and managing investment funds of the self-directed retirement and savings programs, including the selection and monitoring of investment options offered to DCP participants. In making these decisions it acts as a plan fiduciary. State law permits the DCP and local government deferred compensation programs to deposit or invest funds in a credit union, savings and loan association, bank, mutual

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savings bank, shares of an investment company, or fixed and/or variable annuity contracts from any insurance company or investment company licensed to conduct business in the state. Currently WSIB has 19 investment options for DCP participants: savings pool, bond fund, socially responsible balanced fund, four equity index funds, and 12 retirement date strategy fund options.

Some employer retirement savings plans offered under IRC section 401(k) and some government deferred compensation programs under IRS section 457 also offer a brokerage account option that gives plan participants access to a range of investment alternatives available on the market, in addition to standard options. The investment options can include individual securities.

Summary of Bill: Investment in individual securities is added to the list of investment options authorized for the DCP and for local government deferred compensation programs.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: King County has a deferred compensation program that has permitted participants to invest in individual securities through the use of a brokerage service option. The option is popular with some employees. Other government employers, including the states of Oregon and California offer brokerage window options in their deferred compensation programs. The County would like to have explicit statutory authority for local government deferred compensation programs to offer participants the option of investing in individual securities. The bill would not require the option to be offered and would not require the state DCP to make changes.

Persons Testifying: PRO: Ken Guy, King County, Finance Director; Chris Vance, King County Corrections Guild.