

---

## Appropriations Committee

---

### ESSB 5435

**Brief Description:** Addressing optional salary deferral programs.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Bailey and Schoesler).

#### Brief Summary of Engrossed Substitute Bill

- Enrolls all new state employees eligible to participate in the deferred compensation plan beginning January 1, 2017 at a 3 percent of pay contribution amount, unless they affirmatively elect not to participate.
- Permits local governments participating in the Department of Retirement Systems (DRS) deferred compensation plans to offer a similar opt-out feature beginning January 1, 2017.
- Authorizes the DRS to offer a money-purchase retirement savings plan.
- Provides the State Investment Board with the authority to invest the money in the money-purchase retirement savings account.

**Hearing Date:**

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

#### 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 (DRS) which contracts with a vendor for recordkeeping 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.

---

*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.*

Approximately 55,000 members of state retirement plans administered by DRS are employed by 315 employers that do not currently participate in 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. 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. In 2014 the Legislature authorized WSIB and local governments to offer participants the option of investing in individual securities.

**Summary of Bill:**

Beginning January 1, 2017, all new state employees that are eligible to participate in the DRS-administered deferred compensation plan will be enrolled in the plan at a 3 percent of pay contribution rate, unless they affirmatively elect not to participate, or participate at a different contribution level. Local governments that participate in the DRS deferred compensation plan are provided the option of offering a similar opt-out feature beginning January 1, 2017.

The DRS is authorized to offer a money-purchase retirement savings plan qualified under section 401(a) of the federal Internal Revenue Code. The State Investment Board is provided with the authority to invest money in the money-purchase retirement savings account in a manner consistent with its authority to invest money in the deferred compensation plan.

**Appropriation:** None.

**Fiscal Note:** Available.

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