
Appropriations Committee

ESSB 5826

Brief Description: Creating the Washington small business retirement marketplace.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Mullet and Benton).

Brief Summary of Engrossed Substitute Bill

- Creates, subject to the availability of federal or private funds, the Washington Small Business Retirement Marketplace (Marketplace), which provides self-employed individuals and employers with fewer than 100 employees the opportunity to participate in retirement plans.
- Requires the Department of Commerce (Commerce) to contract with a private sector entity to establish the Marketplace.
- Requires the Marketplace to offer at least four products, including options that include and do not include employer contributions.
- Requires the Director of Commerce to report to the Legislature every two years on the effectiveness and efficiency of the program.

Hearing Date: 3/23/15

Staff: David Pringle (786-7310).

Background:

Private employers take a wide variety of approaches to pension plans. Some provide their employees with pension benefits that share characteristics with the state retirement plans administered by the Department of Retirement Systems, and some provide no pension plan at all to their employees. Private employers may also provide employees the opportunity to participate in a wide variety of other retirement plans, such as 401(k) plans, which are plans named after the section of the federal Internal Revenue Code that they implement.

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.

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 the 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 significant tax benefits available for both employers and employees, the employer must maintain adequate recordkeeping, fairness, and funding in their pension plans as specified by the ERISA. The income tax related portions of the ERISA are regulated by the federal Internal Revenue Service, and other portions by the United States Department of Labor.

The my Retirement Account (myRA) program has been recently developed as a type of Roth Individual Retirement Account (Roth IRA) by the United States Department of the Treasury as a simple retirement savings vehicle. Contributions to a myRA are invested in special United States Treasury securities that earn interest at a variable rate linked to the investments in the federal employee government securities fund. Like a Roth IRA, money is deposited into a myRA after tax, and may be withdrawn without tax or penalty five years after contribution and attainment of age 59 and a half. Employers may participate in a payroll deduction program to allow employees to contribute directly to a myRA account.

Privately employed individuals participate in Social Security, and also have other federally regulated personal retirement investment opportunities such as Individual Retirement Account (IRA), accounts funded with pretax dollars, and many others. Banks, investment firms, and financial planners advise and assist individuals in planning and investing for retirement.

The Washington State Department of Commerce (Commerce) is charged with promoting sustainable community and economic vitality in Washington. Commerce administers a diverse portfolio of more than 100 programs and several state boards and commissions, with duties related to economic development, housing, and administration of grants and loans, and contracts on a wide variety of related subjects.

Summary of Bill:

Subject to the availability of federal or private funds, the Washington Small Business Retirement Marketplace (Marketplace) is created. The Marketplace provides Washington self-employed individuals and employers with fewer than 100 employees the opportunity to participate in retirement plans. Participation in the plan is voluntary for employers. Commerce is required to contract with a private sector entity to establish the Marketplace, and to develop a website and marketing materials. The Marketplace is required to offer at least four products, including options that include and do not include employer contributions, and both target date-type funds and balanced funds. These options must include simple IRA-type programs and myRA. Qualified plans selected by Commerce to offer products on the Marketplace may not charge enrollees more than 100 basis points in total annual fees. The Director of Commerce is required to report to the Legislature every two years on the effectiveness and efficiency of the program.

Appropriation: None.

Fiscal Note: Available.

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