

HOUSE BILL REPORT

HB 1966

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to the minimum operating requirements and the review of plans necessary to be included in the small business retirement marketplace.

Brief Description: Addressing the minimum operating requirements and the review of plans necessary to be included in the small business retirement marketplace.

Sponsors: Representatives Stanford, Vick, Kirby and Ormsby.

Brief History:

Committee Activity:

Business & Financial Services: 2/14/17, 2/15/17 [DPS].

Brief Summary of Substitute Bill

- Allows financial services firms to charge enrollees a de minimis fee for new and low balance accounts in amounts negotiated and agreed upon by the Department of Commerce.
- Changes the plan verification process to allow the Office of the Insurance Commissioner to request the Department of Financial Institutions to review whether a life insurance or annuity plan's license is in good standing.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; J. Walsh, Assistant Ranking Minority Member; Barkis, Bergquist, Blake, Jenkin, McCabe, Santos and Stanford.

Staff: Robbi Kesler (786-7153).

Background:

The Washington Small Business Retirement Marketplace (Marketplace) allows self-employed individuals and employers with fewer than 100 employees to participate in

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retirement plans. Private financial service firms may be approved by the Department of Commerce (Department) to offer approved plans on the Marketplace. The Marketplace must provide a range of investment options to meet the needs of investors with various levels of risk tolerance. The private retirement plan options available may include, but are not limited to, individual retirement accounts and life insurance plans designed for retirement.

Prior to approving a plan, the Department must verify with the the Department of Financial Institutions (DFI) and the Office of the Insurance Commissioner (OIC) that the private sector financial services firm offering the plan is licensed or holds a certificate of authority and meets all applicable federal laws and regulations. The Department must also verify the plan meets all federal laws and regulations, as required by the Internal Revenue Service.

In order for the Marketplace to operate, there must be at least two financial services firms offering approved plans on the Marketplace. Approved Marketplace plans may not charge participating employers an administrative fee for approved Marketplace plans and may not charge enrollees more than 100 basis points in total annual fees.

Summary of Substitute Bill:

Financial services firms may charge enrollees a de minimis fee for new and low balance accounts in amounts negotiated and agreed upon by the Department and financial services firms. The fees must be reasonable based on all the facts and circumstances.

Prior to submitting the required verification related to life insurance or annuity products to the Department, the OIC may request the DFI conduct a plan review to ensure the plan provider is licensed or holds a certificate of authority, and meets all applicable laws and regulations.

Substitute Bill Compared to Original Bill:

The substitute bill adds a provision stating the total fees for an approved plan must be reasonably based on all the facts and circumstances.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) It is important to allow fees that will attract more financial service firms into the Marketplace program. Allowing de minimus fees will help create a more robust

Marketplace. This bill is a good start; it would be better if the 100 basis points limitation was removed. A plan may still be reasonable if it charged 103 basis points when considering all the facts and circumstances. Clarifying the duties of OIC and DFI is necessary.

(Opposed) None.

(Other) This bill can be implemented with no additional resources. The Marketplace is well received in the business community and by potential enrollees. Everyone should be mindful of ensuring the fees are reasonable and do not give the financial services industry more profits to the detriment of first-time savers and low-income individuals.

Persons Testifying: (In support) Mel Sorensen, American Counsel of Life Insurers; Lonnie Johns-Brown, Office of the Insurance Commissioner; Bill Stauffacher, Securities Industry and Financial Market Association; and Alexandre Chateaubriand, Department of Commerce.

(Other) Bill Beatty, Department of Financial Institutions; and Cathy MacCall, AARP.

Persons Signed In To Testify But Not Testifying: None.