

# SENATE BILL REPORT

## SB 5675

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As Reported by Senate Committee On:  
Financial Institutions & Insurance, February 14, 2017

**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:** Senators Mullet and Angel.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 2/09/17, 2/14/17 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes financial services firms to charge small business retirement enrollees a fee.
- Clarifies that at least two approved plans are required for the Washington Small Business Retirement Marketplace to operate.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 5675 be substituted therefor, and the substitute bill do pass.

Signed by Senators Angel, Chair; Mullet, Ranking Minority Member; Fain, Fortunato, Hobbs and Kuderer.

**Staff:** Jeff Olsen (786-7428)

**Background:** The Washington Small Business Retirement Marketplace (Marketplace) was created in 2015, providing 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, and the program may be supported by private, federal, or state funds. The Department of Commerce (Commerce) must contract with private sector entities to establish the Marketplace and establish protocols for participation. In order for the Marketplace to operate, there must be at least two financial services firms offering approved

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plans. All private firms and plans that meet the requirements of the Marketplace may participate.

The Marketplace is required to offer options similar to a simple individual retirement account that includes employer contributions, plans that do not include employer contributions, and both target date-type funds and balanced funds. Qualified plans selected by Commerce to offer products on the Marketplace 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. The Department of Financial Institutions (DFI) and the Office of the Insurance Commissioner (OIC) are required to review retirement account products for eligibility for inclusion in the Marketplace.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (First Substitute):** There must be at least two approved plans, rather than two financial services firms offering plans, in order for the Marketplace to operate. The Director of Commerce shall limit plans to those with total fees the Director considers reasonable based on all the facts and circumstances. Financial services firms may charge enrollees a de minimis fee for new and/or low balance accounts in amounts negotiated and agreed upon by Commerce and financial services firms. Prior to approving a plan on the Marketplace, Commerce must receive verification from the DFI or the OIC that the plan meets requirements. If a plan includes either life insurance or an annuity product, the OIC may request that the DFI conduct the plan review. The Director of Commerce may take actions necessary to implement provisions allowing the marketplace to operate.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (First Substitute):**

- Authorizes the Director to limit plans participating in the Marketplace to those with total fees the Director considers reasonable.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony on Proposed Substitute:** *The committee recommended a different version of the bill than what was heard.* PRO: While the marketplace is being developed, this bill allows some flexibility for Commerce to work with financial services firms that may need to charge fees in some cases. The suggested changes in the bill are to provide options for Commerce to negotiate with firms to develop a robust marketplace. The OIC supports the proposed substitute bill that clarifies the roles and duties of the OIC and the Department of Financial Institutions.

OTHER: While the AARP supports the bill and the small business retirement marketplace, there are concerns with charging fees to individuals who might be trying to save for the first time.

**Persons Testifying:** PRO: Mel Sorensen, American Council of Life Insurers; Alexandre Chateaubriand, Legislative Director, Washington State Department of Commerce; Lonnie Johns-Brown, Office of the Insurance Commissioner.

OTHER: Cathy MacCaul, AARP.

**Persons Signed In To Testify But Not Testifying:** PRO: Bill Stauffacher, Securities Industries & Financial Markets Association.