



## **MEMORANDUM IN SUPPORT**

SB 5826, as Introduced (Senators Mullet & Benton)  
in Senate Committee on Financial Institutions & Insurance

Thank you for the opportunity to submit this statement regarding SB 5826 on behalf of the Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup>. SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers located throughout Washington and across the country. Its mission is to support a strong financial industry, investor opportunity, capital formation, job creation, and economic growth.

SIFMA firmly believes in the importance of employer-sponsored retirement savings plans and is committed to investor education. Workers with access to employer-sponsored plans are generally more educated about their retirement savings options and far more likely to begin saving for retirement. As such, these employees are also more likely to fully realize the benefits of such plans, including compounding interest, easy diversification, and tax-deferred contributions. Further, in addition to the investor education initiatives in which SIFMA and its member firms engage, the SIFMA Foundation sponsors programs (including the Stock Market Game™, the Capitol Hill Challenge™, and InvestWrite®) which have educated more than 600,000 students and teachers on the importance of investing and personal finance, and prepares them for financially independent lives.

In terms of expanding participation in retirement plans, SIFMA recognizes that there is a retirement savings access gap in Washington, and that many small business owners often choose not to offer retirement plans due to misperceptions about their high cost, administrative burdens, and the potential liability that may be placed on their businesses. However, there are currently 11,699 individuals in Washington working directly in the securities industry, with a total of 96,406 in the finance and insurance industries, who work to offer a wide-range of options suited to small businesses of any shape and size. These options include 401(k), 403(b), 401(a), and 457(b) plans as well as SIMPLE, SEP and traditional and Roth IRAs.

By enacting SB 5826, Washington would execute a next generation plan to improve retirement savings for its citizens, creating a 'marketplace' which would grow retirement plan

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<sup>1</sup> The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA has offices in New York and Washington, D.C. For more information, visit <http://www.sifma.org>.

participation while avoiding all of the mandate, ERISA<sup>2</sup>-violation, and expense problems seen in other state proposals. In establishing a Small Business Retirement Marketplace, Washington would create a single, simple, and efficient place for small businesses to shop for low-cost, low-burden options that specifically address the unique challenges they face. Further, by providing a resource that would serve to reach out to small businesses and educate them on the myriad available options, the State of Washington would begin to enroll a large portion of their workforce in workplace retirement plans (40% of all workers in the State of Washington are currently employed by a small business).

Perhaps most importantly, by harnessing the power of the private sector in Washington, SB 5826 accomplishes these goals without placing significant liabilities and financial obligations on the State. Under SB 5826, as introduced, the state of Washington will not shoulder the burden of ERISA compliance, while simultaneously ensuring that its residents have access to the important protections provided by Congress under this law – including spousal protections and portability requirements.

SB 5826 would also be a relatively low cost option for the State; options currently being considered in other states have carried a heavy price tag. For example, the auto-IRA program that was recently authorized (but not yet funded) in Illinois carried a \$15 - \$20 million fiscal note – an estimate that only accounted for start-up costs in the first two years of the program. This fact, combined with the potential benefits of this program, make the Washington Small Business Retirement Marketplace the most efficient and effective solution for closing the retirement savings access gap that is currently under consideration in the United States.

Moreover, SB 5826 would specifically harmonize with the MyRA program that was recently initiated by the U.S. Department of the Treasury. MyRA plans are simple, safe, and affordable retirement investment vehicles that were specifically designed (over a number of years) to address the difficulties faced by small businesses and first-time savers. MyRAs are retirement accounts that are guaranteed by the federal government, offer all the tax benefits of a Roth-IRA, are fully portable, and are available to any worker who utilizes direct deposit and makes less than \$129,000 (or \$191,000 for couples) per year. Both workers and business owners can either enroll in a MyRA or receive more option about the program by visiting [www.MyRA.treasury.gov](http://www.MyRA.treasury.gov).

It is SIFMA's sincere belief that SB 5826 is a real solution to a real problem, and offers its full support for this legislation as introduced.

Thank you for your consideration of our concerns. For further information, please contact our counsel in Washington, Bill Stauffacher, at (253) 566-1284 or [gocougs@billstauffacher.com](mailto:gocougs@billstauffacher.com), or Marin Gibson of SIFMA at (212) 313-1317 or [mgibson@sifma.org](mailto:mgibson@sifma.org).

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<sup>2</sup> The Employee Retirement Income Security Act of 1974.