

FINAL BILL REPORT

EHB 1752

C 72 L 22
Synopsis as Enacted

Brief Description: Adding a Roth option to deferred compensation plans.

Sponsors: Representatives Stokesbary, Bergquist, Bateman, Callan, Jacobsen, Ramos, Sullivan and Leavitt; by request of LEOFF Plan 2 Retirement Board.

House Committee on Appropriations
Senate Committee on Ways & Means

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 record-keeping and other administrative services. Since 2017, new state employees participate in the deferred compensation plan with a 3 percent employee contribution unless they choose not to participate. Local governments may choose to offer the DRS-administered DCP to their employees, and are also authorized to offer deferred compensation programs to their employees through vendors rather than through the DCP.

Some DCP plans operated under section 457 of the IRC allow members to make after-tax contributions, referred to as "Roth" contributions. The principle and earnings from Roth contributions are not taxed when a member makes a qualified distribution from the plan. The DCP offered by DRS does not include the option of making Roth contributions.

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Summary:

The Department of Retirement Systems must offer a Roth option as part of the Deferred Compensation Program beginning no later than December 1, 2023.

Votes on Final Passage:

House	96	0
Senate	46	0

Effective: June 9, 2022