
Appropriations Committee

HB 1752

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.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Adds the option of Roth-qualified contributions to the public employee deferred compensation plan operated by the Department of Retirement Systems.

Hearing Date: 1/17/22

Staff: David Pringle (360) 786-7310.

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

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contributions are not taxed when a members 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.

Summary of Bill:

The Department of Retirement Systems must offer a Roth option as part of the Deferred Compensation Program beginning no later than January 1, 2024.

Appropriation: None.

Fiscal Note: Requested on January 13, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget by June 30, 2023.