

# SENATE BILL REPORT

## EHB 1752

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As of February 22, 2022

**Title:** An act relating to adding a Roth option to deferred compensation plans.

**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.

**Brief History:** Passed House: 2/2/22, 96-0.

**Committee Activity:** Ways & Means: 2/22/22.

### Brief Summary of Bill

- Requires the Department of Retirement Systems to provide a Roth-qualified contribution option to the public employee deferred compensation program.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Amanda Cecil (786-7460)

**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. Local governments may choose to offer DCP to local government employees, and are also authorized to offer deferred compensation programs to their employees through vendors other than through the DCP.

Plans operated under section 457 of the IRC by local government employers and in other states allow members to make after-tax contributions, referred to as Roth contributions.

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*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.*

The principle and earnings from Roth contributions are not taxed when a member makes a qualified distribution from the plan. 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:** DRS must offer a Roth option as part of the DCP beginning no later than December 1, 2023.

**Appropriation:** The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

**Fiscal Note:** Available.

**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:** PRO: This will provide state employees with an additional tool that allows for tax free growth. Every western state around Washington offers this to public employees. The small cost of this is outweighed by the benefit. Especially for firefighters that are not eligible to participate in social security. This is extremely beneficial for younger members since they have longer to accrue tax free interest earning.

**Persons Testifying:** PRO: Phil Ferester, Assoc. of WA Assistant Attorneys General (AWAAG); AJ Johnson, WSCFF; Jacob White, LEOFF 2 Board.

**Persons Signed In To Testify But Not Testifying:** No one.