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HOUSE BILL 1752

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State of Washington

67th Legislature

2022 Regular Session

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

Prefiled 01/04/22. Read first time 01/10/22. Referred to Committee on Appropriations.

1 AN ACT Relating to adding a Roth option to deferred compensation  
2 plans; amending RCW 41.50.770; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 41.50.770 and 2020 c 160 s 4 are each amended to  
5 read as follows:

6 (1) "Employee" as used in this section and RCW 41.50.780 includes  
7 all full-time, part-time, and career seasonal employees of the state,  
8 a county, a municipality, or other political subdivision of the  
9 state, whether or not covered by civil service; elected and appointed  
10 officials of the executive branch of the government, including full-  
11 time members of boards, commissions, or committees; justices of the  
12 supreme court and judges of the court of appeals and of the superior  
13 and district courts; and members of the state legislature or of the  
14 legislative authority of any county, city, or town.

15 (2) The state, through the department, and any county,  
16 municipality, or other political subdivision of the state acting  
17 through its principal supervising official or governing body is  
18 authorized to contract with an employee to defer a portion of that  
19 employee's income, which deferred portion shall in no event exceed  
20 the amount allowable under 26 U.S.C. Sec. 401(a) or 457, and deposit  
21 or invest such deferred portion in a credit union, savings and loan

1 association, bank, or mutual savings bank or purchase life insurance,  
2 shares of an investment company, individual securities, or fixed  
3 and/or variable annuity contracts from any insurance company or any  
4 investment company licensed to contract business in this state.

5 (3) Beginning no later than January 1, 2017, all persons newly  
6 employed by the state on a full-time basis who are eligible to  
7 participate in a deferred compensation plan under 26 U.S.C. Sec. 457  
8 shall be enrolled in the state deferred compensation plan unless the  
9 employee affirmatively elects to waive participation in the plan.  
10 Persons who participate in the plan without having selected a  
11 deferral amount or investment option shall contribute three percent  
12 of taxable compensation to their plan account which shall be invested  
13 in a default option selected by the state investment board in  
14 consultation with the director. This subsection does not apply to  
15 higher education undergraduate and graduate student employees and  
16 shall be administered consistent with the requirements of the federal  
17 internal revenue code.

18 (4) Beginning no later than January 1, 2017, any county,  
19 municipality, or other political subdivision offering the state  
20 deferred compensation plan authorized under this section, may choose  
21 to administer the plan with an opt-out feature for new employees as  
22 described in subsection (3) of this section.

23 (5) Beginning no later than January 1, 2024, the department must  
24 offer employees a Roth option in the deferred compensation plan under  
25 26 U.S.C. Sec. 457.

26 (6) Employees participating in the state deferred compensation  
27 plan under 26 U.S.C. Sec. 457 or money-purchase retirement savings  
28 plan under 26 U.S.C. Sec. 401(a) administered by the department shall  
29 self-direct the investment of the deferred portion of their income  
30 through the selection of investment options as set forth in  
31 subsection ~~((6))~~ (7) of this section.

32 ~~((6))~~ (7) The department can provide such plans as it deems are  
33 in the interests of state employees. In addition to the types of  
34 investments described in this section, the state investment board,  
35 with respect to the state deferred compensation plan under 26 U.S.C.  
36 Sec. 457 or money-purchase retirement savings plan under 26 U.S.C.  
37 Sec. 401(a), shall invest the deferred portion of an employee's  
38 income, without limitation as to amount, in accordance with RCW  
39 43.84.150, 43.33A.140, and 41.50.780, and pursuant to investment  
40 policy established by the state investment board for the state

1 deferred compensation plan under 26 U.S.C. Sec. 457 or money-purchase  
2 retirement savings plan under 26 U.S.C. Sec. 401(a). The state  
3 investment board, after consultation with the director regarding any  
4 recommendations made pursuant to RCW 41.50.088(2), shall provide a  
5 set of options for participants to choose from for investment of the  
6 deferred portion of their income. Any income deferred under these  
7 plans shall continue to be included as regular compensation, for the  
8 purpose of computing the state or local retirement and pension  
9 benefits earned by any employee.

10 ~~((7))~~ (8) Any retirement strategy fund asset mix may include  
11 investment in a state investment board commingled fund. Retirement  
12 strategy fund means one of several diversified asset allocation  
13 portfolios managed by investment advisors under contract to the state  
14 investment board. The state investment board shall declare unit  
15 values for its commingled funds no less than monthly for the funds or  
16 portions thereof requiring valuation. The declared values shall be an  
17 approximation of portfolio or fund values, and both the values and  
18 the frequency of the valuation shall be based on internal procedures  
19 of the state investment board. Such declared unit values, the  
20 frequency of their valuation, and internal procedures shall be in the  
21 sole discretion of the state investment board. The state investment  
22 board may delegate any of the powers and duties under this  
23 subsection, including discretion, pursuant to RCW 43.33A.030.

24 ~~((8))~~ (9) Coverage of an employee under optional salary  
25 deferral programs under this section shall not render such employee  
26 ineligible for simultaneous membership and participation in any  
27 pension system for public employees.

28 NEW SECTION. **Sec. 2.** If specific funding for the purposes of  
29 this act, referencing this act by bill or chapter number, is not  
30 provided by June 30, 2023, in the omnibus appropriations act, this  
31 act is null and void.

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