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

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

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

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

(2) The state, through the department, and any county, municipality, or other political subdivision of the state acting through its principal supervising official or governing body is authorized to contract with an employee to defer a portion of that employee's income, which deferred portion shall in no event exceed the amount allowable under 26 U.S.C. Sec. 401(a) or 457, and deposit or invest such deferred portion in a credit union, savings and loan
association, bank, or mutual savings bank or purchase life insurance,  
shares of an investment company, individual securities, or fixed  
and/or variable annuity contracts from any insurance company or any  
investment company licensed to contract business in this state.  

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

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

(5) Beginning no later than January 1, 2024, the department must  
offer employees a Roth option in the deferred compensation plan under  

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

(((6))) (7) The department can provide such plans as it deems are  
in the interests of state employees. In addition to the types of  
investments described in this section, the state investment board,  
with respect to the state deferred compensation plan under 26 U.S.C.  
Sec. 457 or money-purchase retirement savings plan under 26 U.S.C.  
Sec. 401(a), shall invest the deferred portion of an employee's  
income, without limitation as to amount, in accordance with RCW  
43.84.150, 43.33A.140, and 41.50.780, and pursuant to investment  
policy established by the state investment board for the state
deferred compensation plan under 26 U.S.C. Sec. 457 or money-purchase retirement savings plan under 26 U.S.C. Sec. 401(a). The state investment board, after consultation with the director regarding any recommendations made pursuant to RCW 41.50.088(2), shall provide a set of options for participants to choose from for investment of the deferred portion of their income. Any income deferred under these plans shall continue to be included as regular compensation, for the purpose of computing the state or local retirement and pension benefits earned by any employee.

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

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

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

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