

---

HOUSE BILL 1270

---

State of Washington

69th Legislature

2025 Regular Session

**By** Representatives Bronoske, Ryu, Mena, Reed, Jacobsen, Paul, Duerr, Kloba, Macri, and Simmons; by request of Department of Retirement Systems

Read first time 01/14/25. Referred to Committee on Appropriations.

1 AN ACT Relating to automatic deferred compensation enrollment for  
2 county, municipal, and other political subdivision employees; and  
3 amending RCW 41.50.770.

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

5 **Sec. 1.** RCW 41.50.770 and 2022 c 72 s 1 are each amended to read  
6 as follows:

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

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

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

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

20 (4) Beginning no later than January 1, 2017, any county,  
21 municipality, or other political subdivision offering the state  
22 deferred compensation plan authorized under this section, may choose  
23 to administer the plan with an opt-out feature for new employees as  
24 described in subsection (3) of this section. Any county,  
25 municipality, or other political subdivision offering its own  
26 deferred compensation plan, may automatically enroll employees in  
27 accordance with their plan document all persons newly employed by the  
28 county, municipality, or other political subdivision who are eligible  
29 to participate in a deferred compensation plan under 26 U.S.C. Sec.  
30 457 unless the employee affirmatively elects to waive participation  
31 in the plan as described in the plan document.

32 (5) Beginning no later than December 1, 2023, the department must  
33 offer employees a Roth option in the deferred compensation plan under  
34 26 U.S.C. Sec. 457.

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

1           (7) The department can provide such plans as it deems are in the  
2 interests of state employees. In addition to the types of investments  
3 described in this section, the state investment board, with respect  
4 to the state deferred compensation plan under 26 U.S.C. Sec. 457 or  
5 money-purchase retirement savings plan under 26 U.S.C. Sec. 401(a),  
6 shall invest the deferred portion of an employee's income, without  
7 limitation as to amount, in accordance with RCW 43.84.150,  
8 43.33A.140, and 41.50.780, and pursuant to investment policy  
9 established by the state investment board for the state deferred  
10 compensation plan under 26 U.S.C. Sec. 457 or money-purchase  
11 retirement savings plan under 26 U.S.C. Sec. 401(a). The state  
12 investment board, after consultation with the director regarding any  
13 recommendations made pursuant to RCW 41.50.088(2), shall provide a  
14 set of options for participants to choose from for investment of the  
15 deferred portion of their income. Any income deferred under these  
16 plans shall continue to be included as regular compensation, for the  
17 purpose of computing the state or local retirement and pension  
18 benefits earned by any employee.

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

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

--- END ---