



STATE OF WASHINGTON

DEPARTMENT OF RETIREMENT SYSTEMS

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November 1, 2018

Kim M. Smith  
609 Ridgeway Drive  
Bellingham, WA 98225

Dear Ms. Smith:

Thank you for your October 1, 2018 letter to Kathy Whitlock, a member of the Department of Retirement Systems Advisory Committee. I am responding to your letter because you wrote regarding the possibility of adding a Roth component to Washington State's Deferred Compensation Program (DCP), and, as the Director of the Department of Retirement Systems I am responsible for administration of DCP.

Let me begin by stating that I understand the interest in having a Roth component added to DCP. Adding the optional Roth component to the voluntary savings program expands participants' retirement savings alternatives. Incorporating Roth into DCP also has advantages when compared to widely available commercial Roth IRA products; DCP provides the convenience of payroll deduction and the contribution limits in a 457(b) plan are higher when compared with an IRA, especially for high wage earners. DCP also provides participants with proven plan oversight, given the administrative experience of DRS and the investment expertise of the Washington State Investment Board.

We have assessed what is required to establish a Roth option for DCP. Under state law and IRS Code DRS the ability to incorporate designated Roth contribution accounts into DCP. In doing so DRS would have address certain obligations under state and federal law. Chief among them are the proper accounting and movement of money. Any implementation of designated Roth contribution accounts as part of DCP would require DRS to make plan, IT system, and process changes to ensure these obligations are met.

In your letter you expressed frustration that the Department has yet to implement designated Roth contribution accounts as part of DCP. As a public employee I am sure you are familiar with the sometimes difficult aspect of our jobs of deciding what important work gets done with the limited resources available. For DRS it is no different. We review our strategic initiatives regularly and consider which of the alternatives we can accomplish given our resources and obligations. I can assure you that implementation of Roth option for DCP has been a part of our review. Unfortunately, other, more pressing, items have a higher priority.



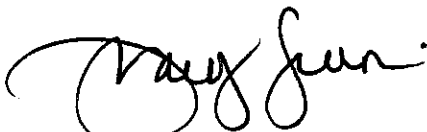
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In making decisions about our initiatives, we weigh various factors to determine implementation priorities. As you might imagine, any enacted legislation is prioritized to ensure we meet the mandates of the legislature. Since 2011, when designated Roth contribution accounts became an option for 457(b) plans, DRS has been tasked with implementing thirty-one pieces of legislation. To be certain, not every legislative implementation is a major resource obligation. Some are small and some, like the January 1, 2017, implementation of DCP auto enroll for new state employees, take more resources and planning.

After meeting our mandatory obligations, we prioritize maintaining and enhancing the infrastructure that supports the administration of eight public retirement systems with 15 different plans for state and local government employees. DRS serves nearly 784,000 current and former public employees providing monthly retirement benefits to 186,000 retirees, survivors and beneficiaries. DCP is also supported by this infrastructure, and an investment in the infrastructure is an investment in DCP.

I understand how attractive adding the optional designated Roth contribution accounts to DCP is for some of the plan's participants. DRS will continue weighing all of its obligations in prioritizing its resources and will continue to consider the addition of designated Roth contribution accounts. When the opportunity arises I am certain DRS will undertake adding the option to DCP.

Sincerely,



Tracy Guerin  
Director

cc: Nancy Baldwin, DRS Advisory Chair  
The Honorable Steve Conway, SCPP Chair  
Aaron Gutierrez, SCPP Senior Policy Analyst