

Halverson, Beth

From: Ernest Mikami <emikami@yahoo.com>
Sent: Wednesday, November 20, 2019 8:25 PM
To: Office State Actuary, WA
Subject: Roth Option

I watched the Select Committee on Pension Policy public meeting on 11/19 on TVW.org. The only mention of Roth option for the DCP was that DRS will do the work and that there are other pressing needs. This is the same excuse we have heard for the last 8 years. The other disappointment is the lack of any discussion because nobody spent the time to review the points I made earlier. Only after understanding the magnitude of the problem could there be an informed choice as to where in the priority this task should be put.

It is not just a matter of expectation of tax bracket as those brackets can easily be distorted by effects of health cost costs varying based on income level on both Obamacare and Medicare. The other distortion is the tax on Social Security Income. In the case of tax on Social Security, it is actually impacting the lower end of the income range. For Obamacare premiums, it impacts the lower and the middle income range which are common for early retiree. The potential of more easily moving money to a Roth IRA after separation allowing to side step age 70 1/2 required minimum distribution is another benefit of having a Roth option. The impact of deferring causing a larger account that has a larger tax burden down the line which in turn can raise the tax bracket especially for those with pension and social security income is another factor to consider. Losing a spouse can cause tax to climb unexpectedly. Many people have ties outside the state and even outside the country as such not having a Roth option can negatively impact those individuals. State and foreign income tax skew the decision in favor of the Roth. Worst part is that those would be saving for retirement might decide in their situation, it isn't worth doing that with the DCP in place right now because of the lack of Roth option and some of those people actually might have the larger contributions which help lower the cost for everyone else.

The plan was to vote on whether to put any resource for it, place the item into higher priority, or to create a bill to legislatively mandate it was it not? How do you vote when you aren't spending the time to have any discussion in the committee?

I was contacted by Seth Miller and in his own comment mentioned that DRS will not put the item into high priority without a legislative action. As such I demand a legislative mandate with a specific delivery date since we already know anything less will never ever get the work done.

Thank you,

Ernest