
Ways & Means Committee

SB 6157

Brief Description: Calculating compensation for public retirement purposes during the 2009-2011 fiscal biennium.

Sponsors: Senators Prentice, Tom, Hobbs and Fraser.

Brief Summary of Bill

- Provides that average final salary calculations for Public Employees' Retirement System members not be affected by salary reductions due to reduced hours, leave without pay, or furloughs taken as part of an employer's expenditure reduction effort during the 2009-11 biennium.

Hearing Date: 4/25/09

Staff: David Pringle (786-7310)

Background:

In the Public Employees' Retirement System (PERS) Plans 1 and 2 benefits are calculated by multiplying a member's years of eligible service multiplied by 2 percent of their final average compensation. For members of the PERS Plan 1, final average compensation is the average level of annual pay received from plan-eligible employment over the last two years before the member retires. For members of the PERS Plan 2, final average compensation is calculated in a similar fashion but over the final five years of plan-eligible employment rather than two years.

The PERS Plan 3 is a "hybrid" plan design in which employer contributions are made to support a defined benefit, and employee contributions are made into individual defined contribution accounts. A Plan 3 member's defined benefit is based upon the number of qualified years of service the member has worked multiplied by 1 percent of the average final compensation. A member's final average compensation in the PERS Plan 3 is computed using the same formula used for members of the PERS Plan 2.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A PERS member whose salary is reduced during the two- or five-year period prior to retirement due to a reduced schedule, leave without pay, or other reasons will receive a smaller retirement allowance due to the lower final average compensation. A member may purchase up to two years of service credit for time spent on leave without pay; however there are no provisions to purchase an increase of a member's final average compensation in the event that the member works a reduced schedule.

Summary of Bill:

For members of PERS Plans 1, 2, and 3, the Department of Retirement Systems is directed to include in a member's salary for the purpose of calculating final average compensation any compensation that is forgone by the member during the 2009-2011 fiscal biennium as a result of reduced work hours, voluntary leave without pay, or temporary furloughs, provided that the reduced compensation is part of the employer's efforts to reduce expenditures.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.