

HOUSE BILL REPORT

HB 1430

As Reported By House Committee On: Appropriations

Title: An act relating to exempting employers with qualified retirement plans from additional contributions.

Brief Description: Exempting certain employers from additional retirement contributions.

Sponsors: Representatives Carlson, Sehlin, Cooke, Sommers, Dellwo and Basich; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 2/23/95, 2/28/95 [DPS].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Staff: Dan Chang (786-7191).

Background: Under the Public Employees' Retirement System (PERS), both the employer and the employee make contributions to the system; the contributions are based on a percentage of the employee's salary. Approximately 1,100 political subdivisions do not participate in PERS.

Under the current law, employers who do not belong to the PERS system but wish to join must pay both the employer's and employee's contributions for the period dating back to the employee's date of hire. These back contributions are required even if employees were covered under a private retirement plan for all or part of the prior service period.

Summary of Substitute Bill: The substitute bill allows employers joining PERS for the first time to choose one of the following options:

- 1) The employer can begin purchasing service credit for the employees starting from the date of the employer's admission to PERS;
- 2) The employer can purchase retroactive service credit for all employees by paying the employer's and employee's back contributions; or
- 3) The employer can purchase retroactive service credit for all employees, except that the employer need not purchase credit for years the employer contributed to private retirement plans, if those contributions cannot be transferred to PERS.

Substitute Bill Compared to Original Bill: The substitute bill clarifies that employees can purchase prior service credit if the employer declines to do so. The substitute bill makes clear that prior service credit can and must be purchased in order for it to be credited for retirement calculations.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: King County District 39 and its 29 employees support this bill. They are a small group of maintenance employees who, until recently, belonged to a union retirement plan. In order to access the PERS system, past contributions would need to be funded in PERS, even though contributions had been made to the union plan. HB 1430 will allow these employees access to PERS without double-funding past retirement benefits. The employees and the district support this bill to provide access to PERS.

Testimony Against: None.

Testified: Jim Hamilton, King County Fire Protection District 39.BIL