

HOUSE BILL REPORT

HB 1431

As Reported By House Committee On:

Appropriations

Title: An act relating to department of retirement system expenses.

Brief Description: Paying for department of retirement system expenses.

Sponsors: Representative Silver; by request of Department of Retirement Systems.

Brief History:

Committee Activity:

Appropriations: 2/9/95, 2/23/95 [DPS].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Staff: Dan Chang (786-7191).

Background: The Department of Retirement Systems (DRS) is responsible for the general administration of various public retirement systems. DRS administrative costs are paid from the retirement systems expense account (fund 600).

Before 1993, DRS did not have a systematic program for detecting fraud or recovering overpayments. DRS staff attempted to detect fraud and overpayment as staff time permitted.

Effective July 1, 1993, a statute permitted DRS to use interest earnings from the pension funds to pay costs incurred in investigating fraud and recovering overpayments. Based on this authorization, DRS created an investigator position to investigate fraud and recover overpayments. Under the statute, this use of funds ends on June 30, 1995.

Summary of Substitute Bill: The bill deletes the June 30, 1995, termination date for use of interest earnings from pension funds to pay for investigation of fraud and collection of overpayments. DRS may continue to use interest earnings from the pension funds to pay for these services. The bill also requires the Office of Financial Management to mandate that when the Department of Retirement Systems transfers retirement benefits to a financial institution, the institution will provide notice of the death of the beneficiary within 30 days from the date the financial institution is notified of the death. The financial institution may be penalized up to \$50 per day for non-compliance.

Substitute Bill Compared to Original Bill: The substitute requires the Office of Financial Management, when authorizing electronic funds transfers, to require financial institutions to notify DRS of a beneficiary's death. The substitute establishes a penalty for failure to give timely notice.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: This bill would allow the Department of Retirement Systems to continue the successful fraud and overpayment investigation program.

Testimony Against: None.

Testified: Sheryl Wilson, Department of Retirement Systems.