

# HOUSE BILL REPORT

## SB 6157

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### As Passed House:

February 28, 1996

**Title:** An act relating to portable benefits for dual members.

**Brief Description:** Providing portable benefits for dual members.

**Sponsors:** Senators Long, Fraser, Bauer and Winsley; by request of Joint Committee on Pension Policy.

### Brief History:

#### Committee Activity:

Appropriations: 2/20/96, 2/22/96 [DP].

#### Floor Activity:

Passed House: 2/28/96, 85-0.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 29 members: Representatives Huff, Chairman; Clements, Vice Chairman; Pelesky, Vice Chairman; H. Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Grant; Hickel; Kessler; Lambert; Linville; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Silver; Smith; Talcott and Wolfe.

**Staff:** Elissa Benson (786-7191).

### Background:

#### Overview

When an employee is a member of multiple retirement systems, then portability in the public retirement systems allows an employee to receive retirement value for all periods of public service. Portable retirement benefits apply to the Law Enforcement Officers' and Fire Fighters' Retirement System Plan II (LEOFF II); the Public Employees' Retirement System (PERS) Plans I and II; the Teachers' Retirement System (TRS) Plans I, II, and III; Statewide City Employees' Retirement System (SCERS); Washington State Patrol Retirement System; and the First Class Cities' Retirement System. Portability allows a dual member to combine service credit in all

systems to determine eligibility for retirement benefits. However, actual retirement benefits received will be calculated based on each individual system in accordance with its rules and regulations, not a combination of systems. Portability also allows the member to use their highest average salary from any retirement system they qualify for to calculate their benefits.

#### Death and Disability Benefits

Portability applies to the determination of eligibility for retirement benefits, but not death or disability benefits. This means that if a member dies or becomes disabled, the member must have satisfied the requirements for a benefit solely with service credit within each plan. Members cannot combine service credit from all their plans.

#### Retirement Benefit Limitation

The minimum benefit limitation establishes that the total retirement benefit received by a dual member cannot exceed the *smallest* amount that the member would have received if all the member's service was earned in one system. Plan I has a 60 percent benefit limitation. Plan II has no limitation. As a result of the minimum benefit limitation, the Plan I benefit cap is applied to the retirement benefit provided under Plan II.

#### Former PERS I Dual Members

When an employee is a dual member with prior membership in PERS I and active membership in one of the other covered retirement systems, the member is considered a vested, terminated member in PERS I, but an active member of his or her current system. The retirement eligibility requirement to receive an unreduced benefit for terminated, vested PERS I members is age 65, even when the member is an active member of another system. This is in contrast to the normal retirement eligibility requirements for dual members with former membership in TRS I. Dual members with former membership in TRS I have the same retirement requirements as active members of TRS I or PERS I: they can retire at any age with 30 years of service; at age 55 with 25 years of service; or at age 60 with five years of service. Although dual members with former PERS I membership are active employees, current law treats them as if they were not active employees for purposes of their former PERS I experience.

#### **Summary of Bill:**

#### Death and Disability Benefits

A dual member's survivor may combine the member's service credit from all systems to become eligible for a death benefit in the current system and prior systems. The highest average final compensation will be used to calculate the death benefits.

A dual member may combine service credit accrued in all systems to become eligible for a disability benefit from his or her current system. If a dual member becomes eligible for a disability benefit in his or her current system and the member meets the normal retirement requirements of any prior system, the member will become automatically eligible to retire from any prior system with an actuarially reduced benefit. A dual member eligible for a disability benefit may also defer retirement from a prior system to avoid a benefit reduction. The member may substitute the member's highest base salary from any system for the calculation of any benefit. The PERS I disability benefit and Washington State Patrol disability benefit are not included in the change because these benefits are not based on years of service.

#### Maximum Retirement Benefit Limitation

The benefit limitation for a dual member is changed from the smallest benefit that would have been calculated if all a member's service was earned in one system to the maximum benefit that would have been earned if all a member's service was accumulated in a single system. This change makes the Plan II retirement benefits of Plan I and Plan II dual members no longer subject to the Plan I 60 percent benefit cap.

#### Former PERS I Dual Members

Dual members who have prior membership in PERS I will meet the same retirement eligibility requirements as dual members with prior membership in TRS I. This change will apply only to dual members with former PERS I membership who retire after the effective date of the act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** These changes are recommended by the Joint Committee on Pension Policy.

**Testimony Against:** None.

**Testified:** Senator Jeanine H. Long, prime sponsor.