

SENATE BILL REPORT

SB 5496

As Reported By Senate Committee On:
Ways & Means, March 6, 1995

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

Brief Description: Exempting certain employers from additional retirement contributions.

Sponsors: Senators Bauer, Newhouse, Loveland, Cantu, Fraser, Winsley and Long.

Brief History:

Committee Activity: Ways & Means: 2/23/95, 3/6/95 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5496 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Gaspard, Hargrove, Hochstatter, Johnson, Long, Moyer, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Denise Graham (786-7715)

Background: "Employers" in the Public Employees' Retirement System (PERS) include agencies, commissions, boards, and departments of the state and any political subdivisions that have been admitted into the retirement system. When an employer, such as a fire district, joins PERS, all back employer and employee contributions must be paid for employees back to their date of hire. The employer must pay the employer contributions and either the employee or the employer can pay the employee contributions. These contributions must be paid even if the employees were previously covered under a private plan, such as a union plan.

Summary of Substitute Bill: Employers newly admitted to the Public Employees' Retirement System (PERS) may purchase membership service for all employees for either: (1) the time period starting with the date of the employer's admission to the retirement system, or (2) the time period prior to the employer's admission to PERS. Prior service is purchased by paying contributions equal to the total employee and employer contributions required for all employee service prior to the employer's admission to the retirement system. Either the employee or the employer may pay for employee contributions for prior service. Payment for prior service credit must be made within 15 years of the employer's admission to PERS or before the retirement of an employee, whichever comes first.

If the employer made contributions for some employees into a private retirement plan and if those contributions cannot be transferred, the employer may choose to purchase prior service credit for those employees not covered under the private retirement plan.

Substitute Bill Compared to Original Bill: The substitute bill clarifies the options available for the purchase of past membership service for new employers.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This will allow the employees in Fire District 39 to become members of PERS. Under current law, the district can't afford to join PERS.

Testimony Against: None.

Testified: Jim Hamilton, King County Fire Protection District 39 (pro).