

# SENATE BILL REPORT

## SB 5990

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As Passed Senate, March 11, 1995

**Title:** An act relating to requiring public notice prior to entering into agreements to pay certain types of excess compensation.

**Brief Description:** Requiring public notice regarding excess compensation.

**Sponsors:** Senators Long, Bauer, Cantu, Rinehart, Newhouse, Winsley, Wood, Deccio, Johnson, Finkbeiner, Loveland and Hochstatter.

**Brief History:**

**Committee Activity:** Ways & Means: 3/1/95, 3/3/95 [DP].  
Passed Senate, 3/11/95, 47-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rinehart, Chair; Bauer, Cantu, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Long, McDonald, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

**Staff:** Denise Graham (786-7715)

**Background:** "Earnable compensation" for purposes of determining a state retirement system member's pension is generally defined as salaries and wages payable for services rendered to the employer. Certain leave cash outs can be included in the earnable compensation of members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS).

"Excess compensation" is earnable compensation used in the calculation of the retirement benefit except regular salary, overtime and annual leave cash outs under 240 hours. Excess compensation includes, among other things, cash outs of annual leave in excess of 240 hours, sick leave cash outs, payments for or in lieu of personal expenses and termination or severance payments.

A bill currently being considered by the Legislature (SSB 5118) expands the definition of excess compensation to include payments in lieu of annual leave cash outs or transportation allowances, and payments that exceed twice the regular rate of pay.

Employers are responsible for paying the increased pension costs that arise from including excess compensation in earnable compensation.

**Summary of Bill:** The governing body of an employer under PERS or TRS must provide advance public notice before it is permitted to enter into a contract or collective bargaining agreement that provides payments defined as excess compensation. The provisions of the

proposed contract or agreement must be placed on the agenda for consideration at two consecutive public meetings. At the meetings, full disclosure must be made of the proposed cost to the employer. The provisions may be adopted only after the second meeting.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill would allow the public to know that some of the levy money they vote on is going to balloon administrator pensions, as opposed to improving conditions in the classroom.

**Testimony Against:** None.

**Testified:** Mary Lou Burns, Retired High School Teacher from Snohomish School District.

**House Amendment(s):** The House amendment requires public notice only if compensation is used in calculating a retirement benefit under PERS or TERS.

The amendment is unclear regarding the treatment of excess compensation in collective bargaining agreements, at one point including them in the public meetings requirements and at another point excluding them.