

# HOUSE BILL REPORT

## HB 1023

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### As Amended by the Senate

**Title:** An act relating to the sharing of extraordinary investment gains in the teachers' retirement system plan 3.

**Brief Description:** Sharing extraordinary investment gains in the teachers' retirement system plan 3.

**Sponsors:** Representatives H. Sommers, Lambert, Carlson, Ogden, Conway, D. Sommers, Alexander, Wolfe, Romero, Bush, Thomas, Keiser, Stensen, G. Chandler, DeBolt, Parlette, Talcott, K. Schmidt, D. Schmidt, Murray, Schoesler, Sump and Hurst; by request of Joint Committee on Pension Policy.

**Brief History:**

**Committee Activity:**

Appropriations: 1/19/99, 1/26/99 [DP].

**Floor Activity:**

Passed House: 2/22/99, 95-0.

Senate Amended.

Passed Senate: 4/7/99, 43-0.

<h3>Brief Summary of Bill</h3>
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| <ul style="list-style-type: none"><li>· Provides a gain-sharing payment to eligible members who transferred to Teachers Retirement System Plan 3 between August 31, 1997, and February 1, 1998.</li></ul> |
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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 29 members: Representatives Huff, Republican Co-Chair; Sommers, Democratic Co-Chair; Alexander, Republican Vice Chair; Doumit, Democratic Vice Chair; Schmidt, Republican Vice Chair; Barlean; Benson; Boldt; Carlson; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Lambert; Linville; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Tokuda and Wensman.

**Staff:** Denise Graham (786-7137).

**Background:**

The 1998 legislation that created the Washington School Employees' Retirement System (SSB 6306) included a provision for gain-sharing payments to members of Teachers' Retirement System Plan 3 (TRS Plan 3). Gain-sharing payments are to be made to member accounts when the four-year average rate of return on pension assets exceeds 10 percent. The four-year average rate of return for fiscal years 1993 through 1997 was 13.07 percent. A gain-sharing payment of \$134.43 per year of service was paid to eligible members of TRS Plan 3 in July 1998.

Members who were eligible to receive the gain-sharing payment included active members with more than \$1,000 in their member accounts by August 31, 1997, retired members, and inactive vested members who had purchased an annuity from the trust or had more than \$1,000 in their member accounts.

The Department of Retirement Systems determined that members who transferred from TRS Plan 2 to TRS Plan 3 after August 31, 1997, were not eligible for the July 1998 gain-sharing payment.

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**Summary of Bill:**

Eligible active and vested members of the Teachers' Retirement System (TRS) Plan 3 who transferred from TRS Plan 2 on or after September 1, 1997, and before February 1, 1998, will receive a payment to their Plan 3 member account equal to the average benefit per year of service paid to members of TRS Plan 3 in 1998. The distribution will be based on service credit earned as of August 31, 1997.

To be eligible for the gain-sharing payment, the TRS Plan 3 member must:

- have had a member account balance of at least \$1,000 by August 31, 1997, and have earned service credit in the period from September 1, 1996, to August 31, 1997; or
- have completed ten service credit years, or completed five service credit years including 12 months after age 54, or completed five service credit years by July 1, 1996, under TRS Plan 2.

**EFFECT OF SENATE AMENDMENT(S):** The Senate amendment clarifies that if a member of the Teachers' Retirement System Plan 3 suffers a loss of investment return due to an error by the Department of Retirement Systems (DRS), DRS shall credit the member's account from the appropriate retirement system fund with the amount necessary to correct the error. Current statute refers explicitly only to the School Employees' Retirement System Plan 3 retirement fund.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill corrects an inadvertent error in legislation passed last year. The TRS 3 members who would benefit from this bill should have gotten the gain-sharing payment last year. TRS 2 members were told to take their time in deciding whether to transfer to TRS 3; those who took longer to decide would be penalized if this bill is not passed.

**Testimony Against:** None.

**Testified:** Bob Maier, Washington Education Association; and John Kvamme, Washington Association of School Administrators and Association of Washington School Principals.