

# SENATE BILL REPORT

## SB 5866

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As Reported By Senate Committee On:  
Ways & Means, March 2, 2005

**Title:** An act relating to retirement allowances under the public employees' and teachers' retirement systems.

**Brief Description:** Making an election effecting retirement allowances under the public employees' and teachers' retirement systems.

**Sponsors:** Senators Delvin, Pridemore, Rockefeller, Schmidt, Kohl-Welles, Benson, Carrell, Shin, Brandland, Schoesler and Rasmussen.

**Brief History:**

**Committee Activity:** Ways & Means: 3/1/05, 3/2/05 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Erik Sund (786-7454)

**Background:** The standard retirement allowance of a member of the Public Employees' Retirement System Plan 1 (PERS 1) or the Teachers' Retirement System Plan 1 (TRS 1) is equal to 2 percent of his or her average final compensation (AFC) for every year of service credit. There is a maximum benefit of 60 percent of a member's AFC. A member's AFC is equal to the average of his or her two highest consecutive years of compensation.

Although the retirement allowance in PERS 1 and TRS 1 is capped at 60 percent of AFC, members with 30 years of service who continue to work in a retirement system eligible position may elect to participate in a supplemental defined contribution plan. This election must be made within six months of earning the 30th year of service. A member choosing this option continues to make retirement contributions and at the time of retirement receives a payment equal to the sum of the contributions made after he or she elected to enroll in the supplemental plan, plus 7.5 percent interest. When the member retires, his or her AFC is calculated using only compensation earned before he or she enrolled in the supplemental plan.

**Summary of Bill:** The time frame within which PERS 1 and TRS 1 members with 30 years of service must choose to opt into the supplemental defined contribution plan after accumulating thirty years of service credit is extended from six months to 12 months.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For:** This bill gives the Department of Retirement Systems a little more time to notify members who become eligible for the supplemental benefit and gives the members additional time to consider their options and make a good decision for themselves.

**Testimony Against:** None.

**Who Testified:** PRO: Senator Jerome Delvin, prime sponsor.