

FINAL BILL REPORT

HB 2259

C 212 L 92
Synopsis As Enacted

Brief Description: Simplifying the designation of pension funds.

By Representatives Spanel, McLean, Hine, Wineberry, D. Sommers, Wynne, May and Basich; by request of Joint Committee on Pension Policy.

House Committee on Appropriations
Senate Committee on Ways & Means

Background: Ancillary Funds: The two primary funds in the Teachers' Retirement System (TRS) are the member reserve fund, which holds employee contributions, and the pension fund, which holds employer contributions and other moneys necessary to meet pension obligations. In the Public Employees' Retirement System (PERS), the equivalent funds are called the employees' savings fund and the benefit account fund.

Statutes for both systems create additional funds for various purposes, and require money to be transferred among funds, creating administrative burdens.

In addition, Plan I of TRS pays for certain ancillary benefits through the transfer of funds from the member reserve fund to designated ancillary funds. The ancillary funds provide temporary disability, lump-sum death, and survivor's benefits.

The Joint Committee on Pension Policy studied ancillary funds in 1991, and recommended simplification and consolidation of retirement system funds.

Overpayments: In the fall of 1991, the Department of Retirement Systems discovered an error in its calculation of Plan I cost-of-living adjustments. The error resulted in 7,700 retirees receiving overpayments of their cost-of-living adjustments, some since July 1990. Benefits payments have been corrected effective January 1992, but under current law, the Department is required to recover the amount of any overpayments made within three years prior to discovery of the error that resulted in the overpayments.

TRS Disability: In 1991, the Legislature allowed part-time members of TRS to become eligible for disability benefits. The 1991 law applied retroactively to persons who became disabled in the 1986-87 school year, but such persons would only begin to receive benefits after the effective date of the law (July 1991).

Summary: Ancillary Funds: Various funds in the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) are eliminated, including income funds in both TRS and PERS, and ancillary benefit funds in TRS. The director of the Department of Retirement Systems has authority to create such funds as are necessary to administer pension benefits. The ancillary benefits, such as temporary disability, lump-sum death, and survivor's benefits, continue to be provided, but without specific funds designated for each. References to eliminated funds, and to requirements relating to transfer of money between funds, are deleted.

Overpayments: The director of the Department of Retirement Systems is prohibited from recovering pension overpayments made between July 1, 1990 and February 1, 1992, that were made due to an incorrect calculation of the cost-of-living adjustment provisions of Plan I PERS and TRS.

TRS Disability: Members of TRS Plan I who were under annual half-time contract in the 1986-87 school year and retired due to disability, are made eligible for disability retirement payments retroactive to the month following their retirement. If these members have not begun collecting disability benefits, they may select a benefit that includes a survivor option.

Votes on Final Passage:

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| House | 95 | 0 | |
| Senate | 48 | 0 | (Senate amended) |
| House | | | (House refused to concur) |

Conference Committee

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|--------|----|---|
| Senate | 47 | 0 |
| House | 97 | 0 |

Effective: June 11, 1992