

SENATE BILL REPORT

HB 1296

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

Title: An act relating to employer responsibility for retirement contributions.

Brief Description: Making retirement contributions and payments.

Sponsors: Representatives Sommers, Carlson and Sehlin; by request of Department of Retirement Systems.

Brief History:

Committee Activity: Ways & Means: 3/23/95, 4/3/95 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

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

Staff: Denise Graham (786-7715)

Background: The Department of Retirement Systems (DRS) collects retirement contributions from employers who are responsible for collecting their employees' contributions. If a member terminates employment and DRS later determines that back contributions are owed, one of two sets of procedures are followed, depending on whether the employer makes member contributions on a pre-tax basis or does not. Employers who "pick up" member contributions, i.e., make contributions on a pre-tax basis, are liable for both the employer and the employee contributions. They must seek reimbursement from the former employee, which is often difficult to obtain. Employers who do not pick up employee contributions are not liable for their employees' contributions, and the employer pays only those contributions the employer owes. DRS collects contributions directly from the employee if the employee wishes to receive service credit.

When an employee becomes a dual member of two retirement systems, he or she must restore contributions withdrawn from the prior system within 24 months or prior to the date of retirement, whichever comes first. If the member misses the deadline, service credit can be restored prior to retirement at a greater cost.

Summary of Amended Bill: For all members who are current employees, DRS collects member and employer contributions directly from the employer. If the member is a former employee, DRS collects only the employer contributions directly from the employer. If the former employee wishes to establish service credit for those periods for which contributions are owed, he or she may elect to pay the employee contributions.

If funding is not provided in the 1995-1997 omnibus appropriations act for the provisions related to collection of contributions, those provisions are null and void.

The 24-month restoration deadline is waived for dual members who failed to meet the deadline for lack of notice, and filed a petition requesting an extension with the director of the Department of Retirement Systems prior to January 1, 1995. The member must elect to restore the withdrawn contributions by the earlier of July 1, 1995, or prior to retirement.

Amended Bill Compared to Original Bill: The original bill did not contain a null and void clause. The original bill did not waive the 24-month restoration deadline for dual members.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: It makes no sense and is not fair that the employer is responsible for paying contributions for former employees.

Testimony Against: None.

Testified: Sheryl Wilson, Department of Retirement Systems (pro).