

HOUSE BILL REPORT

SHB 1269

As Amended by the Senate

Title: An act relating to public retirement.

Brief Description: Changing provisions relating to public retirement.

Sponsor(s): By House Committee on Appropriations (originally sponsored by Representatives Silver, Spanel, Paris, May, P. Johnson, Fuhrman, Winsley, Hochstatter, Nealey, Wynne, Edmondson, Bowman, D. Sommers, Brumsickle, Betrozoff, Wood, Neher, Horn, Mielke, Miller, Ballard, Tate and McLean; by request of Joint Committee on Pension Policy).

Brief History:

Reported by House Committee on:
Appropriations, February 19, 1991, DPS;
Passed House, March 7, 1991, 97-0.
Amended by Senate.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *That Substitute House Bill No. 1269 be substituted therefor, and the substitute bill do pass.*
Signed by 18 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Bowman; Brekke; Ferguson; Fuhrman; Hine; Lisk; May; McLean; Mielke; Nealey; Rust; and Wineberry.

Staff: Marilyn Showalter (786-7148).

Background: The Joint Committee on Pension Policy has addressed a number of retirement issues and suggested several changes in the laws relating to the various retirement systems.

In 1973, teacher-legislators were briefly provided the 3.0 percent benefit formula in the Teachers' Retirement System (TRS) which had previously been provided to legislators in the Public Employees' Retirement System (PERS). Because this percentage factor was greater than that provided for other TRS members, teacher-legislators were required to contribute 7.5 percent, instead of the normal 6.0 percent, of legislative compensation to the retirement fund. In

1974, the benefit formula factor was returned to 2.0 percent, the same as for other members of TRS. The contribution rate, however, remained at the 7.5 percent level.

TRS provides a benefit for full-time members who are permanently disabled. There are many teachers who are under an annual contract for less than full time.

Concerns have been raised about the sufficiency of death benefits that would be available if an active member of the Law Enforcement Officers' and Fire Fighters' Fund (LEOFF) or Washington State Patrol Retirement System (WSPRS) were called to active duty during the Desert Shield/Storm operations and died in the line of that duty.

A member of PERS I who is employed by a public employer and is also an elected official of a city or town, earning not more than \$10,000 annually in the elected position, may retire, receive an allowance, and remain an elected official. All others in similar dual positions must terminate from both the elective and non-elective position in order to receive a benefit.

The firemen's retirement system existing prior to the establishment of LEOFF in 1970 has disability boards for each county, consisting of the chair of the district fire commissioners, the county auditor, the county treasurer, and two regularly employed fire fighters elected by the active members of the system. There are few, if any, active members of these systems.

When LEOFF was created in 1970, a five-year window ending in 1975 was provided for restoring two types of contributions: (1) those withdrawn upon termination from a police or fire fighter retirement system existing prior to LEOFF; and (2) those withdrawn after a probationary period in the pre-LEOFF retirement systems. Although PERS, TRS, and WSPRS have had several open window periods for similar restorations of contributions, LEOFF has had only this one.

Summary of Bill: The contribution rate for a legislator-member of TRS I is reduced from 7.5 percent of legislative salary to 6.0 percent, except that members eligible for the 3.0 percent benefit factor continue to contribute at the 7.5 percent rate.

A member of TRS I who is under an annual full-time or half-time contract is eligible for a permanent disability benefit.

Members of LEOFF and WSPRS who are called or recalled to active military duty between August 2, 1990, and July 1, 1991, and subsequently die in the line of that duty are considered to have died on the last day of their interrupted service, for purposes of death benefits for their beneficiaries.

Elected officials of the State, who are also employed by a public employer, whose annual elective salary is equal to or less than the statutory salary of the Speaker of the House of Representatives may retire and receive their retirement allowance while continuing to serve in the elected position.

Retired members of the firemen's retirement system established prior to LEOFF may be elected by active and retired members of this system to serve on the county disability boards.

Members of LEOFF I, who were members of police or firemen retirement systems prior to the establishment of LEOFF, will have until July 1, 1992, to: (a) pay, with interest, employee contributions for a probationary period in the pre-LEOFF retirement system, and (b) restore, with interest, contributions withdrawn from the pre-LEOFF retirement system. Members will gain service credit for the period represented by these contributions.

EFFECT OF SENATE AMENDMENT(S): The amendment (1) permits the Director of Retirement Systems to waive recoupment of part or all of overpayments to retirees where the overpayment is not the retiree's fault and is small enough that a reasonable person would not notice it; (2) permits restoration of withdrawn contributions in PERS I to be made in annual installments or in one lump sum; (3) entitles all employees of state, county, and local governments to paid medical benefits and retirement service credit while on active duty in Desert Shield, Desert Storm, or "any operation following from these" from August 2, 1990 to an ending date to be specified by the federal government; and (4) contingent on an appropriation in the budget, requires the state actuary incrementally to reduce the age at which measurement of loss of purchasing power begins for COLA's under Plan I PERS and TRS from age 65 to retirement age. Once retirement age has been reached, the actuary incrementally increases the purchasing power threshold from 60 percent to 70 percent.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and is effective immediately.

Testimony For: The Joint Committee on Pension Policy has addressed several retirement issues in this bill. Teacher-legislators whose benefit factor is 2.0 percent should pay a 6.0 percent contribution rate. Death benefits should be provided for LEOFF and WSPRS members who are called to active duty and die in the line of duty.

Testimony Against: None.

Witnesses: Representative Harriet Spanel and Representative Jean Silver, Sponsors; Gerald Allard, State Actuary; and Chuck Langen, Office of State Actuary.

VOTE ON FINAL PASSAGE:

Yeas 97; Absent 1

Absent: Representative Locke