

HOUSE BILL REPORT

HB 2142

*As Reported By House Committee on:
Appropriations*

Title: An act relating to providing a schedule for notification to public employees of accumulated service credit by the department of retirement systems.

Brief Description: Providing a schedule for notification to public employees of accumulated service credit.

Sponsor(s): Representatives Spanel and Winsley; by request of Department of Retirement Systems.

Brief History:

Reported by House Committee on:
Appropriations, March 5, 1991, DP.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *Do pass.* Signed by 23 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Appelwick; Belcher; Braddock; Brekke; Dorn; Ebersole; Ferguson; Hine; Holland; Lisk; May; Mielke; Nealey; Peery; Rust; H. Sommers; Sprengle; Valle; Vance; and Wang.

Staff: Karl Herzog (786-7271).

Background: The Department of Retirement Systems (DRS) administers six public retirement systems, including: the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), Law Enforcement Officers' & Fire Fighters' Retirement System (LEOFF), Washington State Patrol Retirement System (WSPRS), Judicial Retirement System (JRS), and the Judges' Retirement Fund (JUDGES).

In all systems, a member's retirement benefit is based upon the number of months of service credit the member has accumulated and the final annual average salary received by the member.

Service Credit

Service credit is based on the amount of compensated time reported by employers for each member. Requirements for

earning service credit vary between systems. For example, members of PERS, Plan 2, are credited with one month of service credit if they work 90 or more hours during a calendar month. Members of WSPRS are credited with one month of service credit if they work 70 or more hours during a calendar month.

With the exception of members of TRS, DRS does not systematically notify retirement system members of the amount of service credit they have earned. Without notification, a member cannot know if a discrepancy exists between the amount of service credit the member thinks he or she has earned and the amount that is actually credited to the member. With the exception of members of TRS, DRS calculates a member's earned service credit only upon request, or when the member prepares to retire.

During the 1990 Session, a bill passed requiring DRS to annually notify each retirement system member of the amount of service credit earned within the previous year, and the total service credit accumulated by the member. The bill directed DRS to begin notifying members no later than October 1, 1993, and to concentrate on members who were within five years of being eligible to retire.

Accuracy of Service Credit Data

Sample audits conducted by DRS indicate that approximately 50 percent of service credit data stored within current computer systems either overstates or understates members' actual service credit. To avoid sending out inaccurate data, DRS is planning to reconfigure its computer systems and conduct systematic audits of member files. The governor's proposed 1991-93 Operating Budget provides \$2.3 million from the Retirement Systems Expense Account to DRS to fund the computer system revisions and hire additional staff to conduct the audits.

Summary of Bill: A new schedule is established for member notification of retirement service credit. Instead of annual notification of accumulated service credit and service credit earned within the preceding year for all members of all retirement systems by October 1, 1993, DRS must notify members as follows:

- 1) DRS must annually notify TRS members of accumulated service credit and service credit earned within the preceding calendar or school year by January 1, 1991;
- 2) DRS must annually notify all members of retirement systems other than TRS of service credit earned within

the preceding calendar or school year by June 30, 1992;

- 3) DRS must annually notify all members within five years of being eligible for retirement of total accumulated service credit by October 1, 1993;
- 4) DRS must annually notify LEOFF, WSPRS, JRS, and JUDGES members of total accumulated service credit by August 30, 1993;
- 5) DRS must annually notify PERS state employee members of total accumulated service credit by August 30, 1994;
- 6) DRS must annually notify PERS political subdivision employees of total accumulated service credit by January 31, 1995;
- 7) DRS must annually notify PERS higher education institution employees of total accumulated service credit by June 30, 1995; and
- 8) DRS must annually notify PERS school district employees of total accumulated service credit by April 30, 1996.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: There was no testimony on this bill. However, testimony on HB 1601, which is identical in content, included the following: HB 1601 will allow DRS to more efficiently manage its service credit notification responsibilities. If the bill is not enacted, DRS costs could increase due to additional inquiries from members concerned about the accuracy of their service credit. DRS needs the additional time provided by the bill to manually audit files to ensure accuracy. Public employees should be notified about the amount of service credit they have earned.

Testimony Against: None.

Witnesses: There were no witnesses on this bill. However, witnesses for HB 1601, which is identical in content, included: George Northcroft and Maureen Westgard, Department of Retirement Systems (in favor of the bill); and Sam Kinville, Washington Association of County and City Employees (in favor of the bill with title amendment).