

HOUSE BILL REPORT

HB 2259

As Passed Legislature

Title: An act relating to simplification of the designation of funds established for use by the teachers' retirement systems and the public employees' retirement system.

Brief Description: Simplifying the designation of pension funds.

Sponsor(s): Representatives Spanel, McLean, Hine, Wineberry, D. Sommers, Wynne, May and Basich; by request of Joint Committee on Pension Policy.

Brief History:

Reported by House Committee on:
Appropriations, January 30, 1992, DP;
Passed House, February 11, 1992, 95-0;
Amended by Senate;
Passed Legislature.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *Do pass.* Signed by 23 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Belcher; Bowman; Brekke; Carlson; Ebersole; Ferguson; Fuhrman; Hine; May; Nealey; Peery; Pruitt; Rust; D. Sommers; Sprengle; Valle; Wang; and Wineberry.

Staff: Barbara McLain (786-7153).

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), these 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 between funds, creating administrative burdens.

In addition, Plan I of TRS pays for certain ancillary, or auxiliary, benefits through the transfer of funds from the member reserve fund to designated auxiliary funds. The ancillary benefits 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 of Bill: 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. Note: These provisions are the same as Engrossed House Bill No. 2645 as it passed the House._

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 due to disability. If such members have not begun collecting disability benefits, they may select a benefit that includes a survivor option.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Witnesses: None.