

# HOUSE BILL REPORT

## HB 1330

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### As Passed Legislature

**Title:** An act relating to technical corrections in the general retirement provisions estoppel section, teachers' retirement system, public safety employees' retirement system, the school employees' retirement system, the public employees' retirement system, and the actuarial funding chapter.

**Brief Description:** Making technical corrections in the general retirement provisions estoppel section, teachers' retirement system, public safety employees' retirement system, the school employees' retirement system, the public employees' retirement system, and the actuarial funding chapter.

**Sponsors:** By Representatives Conway, Fromhold, Crouse and Chase; by request of Select Committee on Pension Policy.

### Brief History:

#### Committee Activity:

Appropriations: 1/27/05, 2/14/05 [DP].

#### Floor Activity:

Passed House: 3/8/05, 92-0.

Senate Amended.

Passed Senate: 4/4/05, 48-0.

House Concurred.

Passed House: 4/19/05, 98-0.

Passed Legislature.

### Brief Summary of Bill

- Makes technical corrections to the state retirement systems laws, including clarifying "notwithstanding" language, adding omissions and references related to the creation of the Public Safety Employees' Retirement System, removing erroneous cross-references, reenacting and amending a duplicate RCW section, and repealing several sections requiring written employer reporting to the Department of Retirement Systems.
- Makes the availability of option Plan 3 annuities subject to Internal Revenue Service approval.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

**Staff:** David Pringle (786-7310).

**Background:**

General retirement provision on retiree membership in a subsequent system

Members of the Judicial, Judges, Law Enforcement Officers' and Fire Fighters', First Class Cities, Teachers' (TRS), School Employees' (SERS), Public Employees' (PERS) and Washington State Patrol Retirement Systems who are either receiving or eligible to receive a retirement benefit are prohibited from joining a subsequent state retirement plan. The law prohibiting a subsequent plan membership applies "notwithstanding any provision" of the applicable retirement plan. Provisions in several of the state plans permit members to join a subsequent retirement plan under specific circumstances, and the "notwithstanding" phrase has been consistently interpreted not to bar the operation of these plan-specific provisions.

Cross-references to the Public Safety Employees Retirement System

The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature, and comes into effect on July 1, 2006. The Department of Retirement Systems (DRS) and the Office of the State Actuary (Actuary) have identified a number of cross-references in other plans that should also refer to PSERS, including postretirement employment restrictions.

Payment of a Plan 3 defined contribution account balance to a deceased member's estate

No statutory authority is provided to the Director of the DRS to pay the balance of a member account to the member's estate upon the member's death in the event that the member did not have a spouse or designate a beneficiary of the account.

PSERS members who are elected to state office

The PSERS does not permit members elected to state office to continue membership in PSERS, as the retirement plan does not recognize a state elective office holder as working for a PSERS employer, or provide PSERS-eligible members the opportunity to continue membership while working in a statewide elective office, rather than in their public safety position.

PSERS retirees who reenter employment in state retirement system covered jobs

The PSERS specifies that retirees must wait for 30 days before re-entering PSERS covered employment before being eligible to work as a retiree for up to 867 hours per year without suspension of their retirement benefits. The PERS, TRS, and SERS specify that the reemployment restrictions also apply to positions covered by the other state retirement systems.

PSERS unreduced benefits for members killed in the course of employment

The survivors of PSERS members killed in the course of employment are entitled to receive the survivor benefits without actuarial reduction. The PSERS law related to unreduced duty death benefits refers to "actuarial" reductions to benefits along with a cross reference to the PSERS early retirement law. The PSERS members who have earned 20 or more years of service are eligible for early retirement with a 3 percent per year reduction, rather than an actuarial reduction for those with fewer than 20 years. The death benefit provision could be interpreted to exempt the duty death benefit only from the actuarially-reduced early retirement benefit provided to members with fewer than 20 years of service.

Multiple amendments to the supplemental contribution rate provision in 2003

The law requiring the Actuary to establish a supplemental contribution rate for new benefits was amended twice by the 2003 Legislature, each without reference to the other act. Two different versions of the law now exist.

Repeal of sections requiring written information to be provided by employers to the DRS

Employers of PERS, SERS, and TRS members are required to submit written information to the DRS related to new employees and membership, though the information is now being submitted electronically.

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**Summary of Bill:**

General retirement provision on retiree membership in a subsequent system

The "notwithstanding" language is changed to "except as provided" to clarify, consistent with current interpretation, that plan-specific exceptions prevail over the general prohibition on membership in subsequent retirement plans.

Cross-references to PSERS

Cross-references to PSERS are added to the PERS Plans 2/3, and TRS Plans 2/3 statutes to specify that no retiree is eligible to receive a retirement allowance if they are employed in an eligible position in PSERS.

Payment of a Plan 3 defined contribution account balance to a deceased member's estate

The Director of the DRS is authorized to pay the balance of a member's defined contribution account to a member's legal representative if the member has no surviving spouse or designated beneficiary.

PSERS members who are elected to state office

The PSERS members elected to statewide elective offices may continue membership in PSERS.

PSERS retirees who reenter employment in state retirement system covered jobs

The 30-day reemployment restrictions in PSERS are expanded to apply to PERS, SERS, and TRS covered positions, as well as PSERS covered positions.

PSERS death benefits not subject to early retirement reductions

Clarifies the PSERS unreduced death benefit law to ensure that members eligible for the 3 percent per year reduction at time of death receive the 3 percent reduction, rather than the actuarial reduction referred to with a cross-reference to the early retirement provisions.

PERS cross-reference to repealed statutes

References to two repealed sections of law are removed from a section of PERS Plan 1 relating to the annual increase amount.

Multiple amendments to the supplemental contribution rate provision in 2003

The two versions of the supplemental contribution rate law are combined into a single version.

Repeal of sections requiring written information to be provided by employers to the DRS

Sections of PERS, SERS, and TRS requiring employers to submit written employment and membership information to the DRS are repealed.

Plan 3 annuities

The Employee Retirement Benefits Board shall make optional actuarially equivalent life annuity benefits available for purchase by Plan 3 members from the Plan 2-3 funds subject to favorable tax determination by the Internal Revenue Service.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed, except for sections 4 through 7, which take effect July 1, 2006.

**Testimony For:** None.

**Testimony Against:** None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.