

# HOUSE BILL REPORT

## SHB 1634

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### As Passed House:

March 8, 2005

**Title:** An act relating to allowing terminally ill members to remove themselves from their retirement plan.

**Brief Description:** Allowing terminally ill members to remove themselves from their retirement plan.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Grant, Haler, Walsh, Hankins, Darneille and Haigh).

### Brief History:

#### Committee Activity:

Appropriations: 2/16/05 [DPS].

#### Floor Activity:

Passed House: 3/8/05, 96-0.

### Brief Summary of Substitute Bill

- Allows a member of Plans 2 or 3 in the Public Employees' Retirement System, the Teachers' Retirement System, or the School Employees' Retirement System to be voluntarily removed from membership in the pension plan if the member has a terminal illness with a life expectancy of five years or less.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill 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; Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

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

### Background:

There are four primary retirement systems for public employees: (1) the Public Employees' Retirement System (PERS); (2) the Teachers' Retirement System (TRS); (3) the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF); and (4) the School

Employees' Retirement System (SERS). The PERS and TRS have 3 plans that have been established by the Legislature over time (Plans 1, 2 and 3), while LEOFF (Plans 1 and 2) and the SERS (Plans 2 and 3) each have two plans. Plans 1 and 2 are defined benefit plans, while Plan 3 consists of a defined benefit portion and a defined contribution portion. The plans generally have various provisions that allow for early retirement, typically with an actuarially reduced benefit the earlier the retirement.

Federal law generally precludes a member from receiving both a pension benefit and salary from an employer. Members of the TRS, PERS, SERS and LEOFF Plan 2 who leave employment before retirement can either withdraw their own contributions plus investment income, or they can leave their contributions in the retirement system up until reaching retirement age.

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**Summary of Substitute Bill:**

A member of Plans 2 or 3 in the PERS, the TRS, or the SERS may voluntarily be removed from membership in the pension plan if: (1) the medical adviser certifies that the member has a terminal illness with a life expectancy of five years or less; and (2) the director agrees with the recommendation of the medical adviser.

Members are removed from the retirement system continue their employment but do not make retirement contributions and do not accumulate additional service credit in the retirement plan.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** All of the retirement plans are covered by this bill, and it is the right thing to do for people in such dire circumstances. Last year I contracted a serious form of cancer, and I will not live for long. Currently I contribute 7 percent of my paycheck to a retirement plan that my doctor says I will never receive a benefit from. The Department of Retirement Systems said that they could not help me opt out of the retirement plan. The bill is about improving the quality of the rest of my life. The current situation is unfair - these few years I have left are my golden years, so I implore you to pass this legislation. My mom did not choose to have cancer, and taking part of her paycheck in her last few years is wrong. We are testifying on behalf of all the people that might be beset by similar terrible circumstances. State employees really need this. The counties also support this good bill, and anticipate minimal cost.

**Testimony Against:** None.

**Persons Testifying:** Senator Delvin; Jennifer Flores; Terry Flores; and Sophia Byrd, Association of Counties.

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