
Appropriations Committee

HB 2682

Brief Description: Setting contribution rates in the Washington state patrol retirement system.

Sponsors: Representatives Conway, Fromhold, Lovick, Kenney, Quall, Simpson, Roberts, Ormsby and McCune; by request of Select Committee on Pension Policy.

Brief Summary of Bill

- Reduces the employee contribution rate for members of the Washington State Patrol Retirement System (WSPRS) from one-half of the total required contribution rate to the lesser of one-third of the total rate or 7 percent of pay.
- Establishes minimum contribution rates beginning July 1, 2009. The rates adopted by the Pension Funding Council, subject to revision by the Legislature, may exceed but may not be less than 70 percent of normal cost under the entry age cost method.

Hearing Date: 1/26/06

Staff: David Pringle (786-7310).

Background:

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). WSPRS was created in 1947, and until January 1, 2003, was the only state administered retirement system that still contained many of the plan provisions that were altered or eliminated for new members in the creation of plans 2 or 3 in other retirement systems.

Members of WSPRS may retire at age 55 or after 25 years of service at any age. It is also the only plan operated by Washington with a mandatory retirement age, 60. The average retirement age in WSPRS is among the lowest of the state retirement systems, 51.5 years, in comparison with the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 at age 49.6, LEOFF Plan 2 at age 56.2, and the Teachers' Retirement System Plan 1 at age 58.2.

In 2001, the Legislature adopted ESB 5143, following the study and recommendation of the bill by the Joint Committee on Pension Policy. The 2001 legislation contained the following changes to WSPRS for members who joined the plan prior to January 1, 2003:

- The annual cost of living adjustment (COLA) benefits of retirees and survivors was increased from a 2 percent per year simple increase to a 3 percent per year compounded Consumer Price Index-based increase.
- The employee contribution rate was changed from a fixed 7 percent of pay to the greater of 2 percent or one-half of the total contribution rate required by the plan (with the state paying the other half).
- Voluntary overtime earned by members working for the Department of Transportation was excluded from the definition of salary.

ESB 5143 also made major changes to characteristics of WSPRS for members who first joined after January 1, 2003. In total, they changed the benefits for new members from a plan more like the Plans 1 of the Washington State Retirement Systems to one more like the Law Enforcement Officers' and Fire Fighters' retirement system Plan 2. Some of the changes included:

- Changing the period used for calculating average final salary from two years to five years;
- Excluding annual and holiday pay cash-outs from calculation of average final salary;
- Changing military service credit provisions to permit only the purchase of up to five years of interruptive military service credit; and
- Eliminating an automatic post-retirement death benefit and replacing it with an optional, actuarially-reduced survivor benefit like that offered in the Plans 2 and 3 of the state retirement systems.

Currently, WSPRS members and employers each pay a contribution rate of 4.51 percent. Under current law the Actuary expects the member rate to rise to 6.54 percent on July 1, 2007, and to about 7.73 percent July 1, 2009.

Summary of Bill:

Beginning July 1, 2006, the contribution rates to the State Patrol Retirement System are for members reduced from 4.51 percent of pay to 3.01 percent of pay, and for employers increased from 4.51 percent to 6.01 percent.

The member contribution rate for WSPRS is reduced, beginning July 1, 2007, to the lesser of one-third of the total required contribution rate or 7 percent. The employer contribution rate is increased to two-thirds of the total required rate, unless the employee rate is 7 percent, in which case the employer rate will be the balance of the total required rate in excess of 7 percent.

Beginning July 1, 2009, a minimum total contribution rate to the WSPRS is established. The contribution rate adopted by the Pension Funding Council, subject to revision by the Legislature, may exceed but may not be lower than 70 percent of the normal cost, calculated using the entry age normal cost actuarial method.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2006.