

HOUSE BILL REPORT

ESHB 1260

As Passed Legislature

Title: An act relating to contribution rates in the Washington state patrol retirement system.

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

Sponsors: By House Committee on Transportation (originally sponsored by Representatives Conway, Crouse, Fromhold, Kenney, Ericks, Ormsby, Simpson and Moeller; by request of Select Committee on Pension Policy).

Brief History:

Committee Activity:

Transportation: 3/5/07 [DPS].

Floor Activity:

Passed House: 3/9/07, 97-0.

Senate Amended.

Passed Senate: 4/6/07, 48-0.

House Concurred.

Passed House: 4/17/07, 98-0.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Establishes that beginning July 1, 2007, the member contribution rate is one-half or 7 percent, whichever is less, plus 50 percent of the rate increase due to benefit improvements, with the employer contributing the difference.
- Establishes a floor to fund 70 percent of the retirement system's normal cost.
- Contingent upon SSB 5937 and SB 6129 being enacted.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 24 members: Representatives Clibborn, Chair; Flannigan, Vice Chair; Jarrett,

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Ranking Minority Member; Schindler, Assistant Ranking Minority Member; Appleton, Armstrong, Campbell, Dickerson, Eddy, Ericksen, Hailey, Hankins, Hudgins, Kristiansen, Lovick, Rolfes, Sells, Simpson, Springer, B. Sullivan, Takko, Upthegrove, Wallace and Wood.

Staff: Jerry Long (786-7306).

Background:

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of the WSPRS may retire at age 55 or after 25 years of service at any age. It is the only retirement system operated by Washington with a mandatory retirement age, which is 60 years of age.

In 2001, the Legislature adopted ESB 5143, which made the following changes to the WSPRS for members who joined the plan prior to January 1, 2003: (1) increased the annual cost-of-living adjustment (COLA) benefits of retirees and survivors from a 2 percent per year simple increase to a 3 percent per year compounded Consumer Price Index-based increase; (2) changed the employee contribution rate 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); and (3) excluded voluntary overtime earned by members working for the Department of Transportation from the definition of salary.

The ESB 5143 also changed provisions of the WSPRS for members who became members after January 1, 2003. Some of the changes included: (1) changed the period used for calculating average final salary from two years to five years; (2) excluded annual and holiday pay cash outs from calculation of average final salary; (3) changed military service credit provisions to permit only the purchase of up to five years of interruptive military service credit; and (4) eliminated an automatic post-retirement death benefit and replaced it with an optional, actuarially-reduced survivor benefit like that offered in the Plans 2 and 3 of the state retirement systems.

The current funding policy for the WSPRS calls for the total required contribution rate to be split evenly by employees and employers, except that: (1) there is a minimum contribution rate of 2 percent for employees; and (2) the survivor benefits for deceased members who were disabled prior to July 1, 2006, are funded exclusively through employer contributions. The employee and employer contribution rates for the 2005-07 fiscal biennium are both 4.51 percent. The contribution rates adopted by the Pension Funding Council (PFC) for the 2007-09 biennium are 6.70 percent for the employees and 7.75 percent for the employer.

Presently there are 1,022 active members in the WSPRS and approximately 800 retirees.

Summary of Engrossed Substitute Bill:

The required member contribution rate will be one-half of the required total WSPRS contribution rate or 7 percent, whichever is less, plus 50 percent of the contribution rate

increase caused by any benefit improvements effective on or after July 1, 2007. The employer contribution rate is the remainder of the required total contribution.

After July 1, 2009, the total contribution rate in the WSPRS may not drop below 70 percent of the system's normal cost as calculated under the entry age normal actuarial valuation method.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect July 1, 2007. However, the bill is null and void if both SB 6129 and SB 5937 are not enacted by June 30, 2007.

Staff Summary of Public Testimony:

(In support) This is a bill that has been worked through the Select Committee on Pension Policy. This bill is very important in the recruitment and retaining of Washington State Patrol Officers. The market is very competitive when it comes to attracting good applicants and this is one area that can assist in recruitments. It places a ceiling on the member contributions and it establishes a funding floor of 70 percent of the retirement plan's liability to make sure the plan is financially secure and the plan is presently funded at 113 percent of liabilities. The Washington State Patrol Highway Account, being in a deficit position for many reasons, needs funding placed back into the account.

(Opposed) None.

Persons Testifying: Rick Jensen, Washington State Patrol Trooper's Association; Davor Gjurasic, Washington State Patrol Lieutenant's Association; and Captain Jeff De Vere, Washington State Patrol.

Persons Signed In To Testify But Not Testifying: None.