

SENATE BILL REPORT

SB 5176

As Reported By Senate Committee On:
Ways & Means, January 30, 2007

Title: An act relating to the portability of public retirement benefits.

Brief Description: Addressing the portability of public retirement benefits.

Sponsors: Senators Pridemore, Schoesler, Fairley, Rockefeller, Keiser, McAuliffe, Jacobsen, Franklin, Berkey, Rasmussen and Fraser; by request of Select Committee on Pension Policy and LEOFF Plan 2 Retirement Board.

Brief History:

Committee Activity: Ways & Means: 1/18/07, 1/30/07 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Erik Sund (786-7454)

Background: If a member of one of the retirement systems administered by the state or by one of the First Class cities leaves eligible employment for that plan and subsequently enters employment covered by another such retirement system, then he or she is eligible for dual membership. The plans eligible for dual membership include the Public Employees' Retirement System (PERS) Plans 1, 2, and 3; the Teachers' Retirement System (TRS) Plans 1, 2, and 3; the School Employees' Retirement System (SERS) Plans 1, 2, and 3; the Law Enforcement Officers and Fire Fighters' Retirement System (LEOFF) Plan 2; the Washington State Patrol Retirement Systems (WSPRS) Plans 1 and 2; the Public Safety Employees' Retirement System (PSERS); the Statewide City Employees' Retirement System (SCERS); and the retirement systems of the cities of Seattle, Spokane, and Tacoma. LEOFF Plan 1, the Judges' Retirement System, and the Judicial Retirement System are not included in the portability statutes that govern dual membership. The Legislature has reserved the right to amend or repeal the portability statutes.

Dual members may combine service credit earned in all eligible systems for the purpose of determining eligibility for retirement and for other benefits. They may also use their highest base salary from an eligible system in order to calculate their benefit in another system. "Base

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

salary" in this context does not include overtime payments or lump sum payments such as for the cash out of leave or severance pay. Some of the elements excluded from base salary for the purpose of calculating dual members' benefits are allowable for the purpose of calculating benefits in some of the eligible plans.

Currently, all dual members are subject to a maximum benefit rule. Under this rule, the sum of the retirement allowances that a dual member receives may not exceed the largest amount that he or she would receive if all service had been rendered in any one system. When a dual member's combined allowance exceeds the limit, the allowances from each system are reduced on a proportional basis according to years of service.

LEOFF 2, PERS 3, TRS 3, and SERS 3 all provide indexing of a term-vested benefit for members with at least 20 years of service credit. Under this provision, the retirement allowance of a member who separates from service is increased by 3 percent per year until he or she chooses to collect the allowance. Under current law, dual members belonging to LEOFF 2 are not able to combine their LEOFF 2 service with service in another system in order to qualify for an indexed benefit.

Summary of Bill: Dual members, except for those belonging for WSPRS, are allowed to include in their base salary previously excluded forms of payment, such as overtime, as long as the type of payment in question is reportable under both of the retirement systems to which the member belongs.

The maximum benefit rule is not applied to dual members who have both (a) fewer than 15 years of service in a plan with a benefit cap (such as PERS 1 or TRS 1); and (b) service in a plan with no benefit cap (such as PERS 2 or LEOFF 2).

Dual members belonging to LEOFF 2 may combine years of service in both plans for the purpose of qualifying for the indexing of a term-vested benefit.

Appropriation: None.

Fiscal Note: Requested on January 12, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony: PRO: The current laws discriminate against hourly employees that are members of more than one retirement system by excluding overtime pay from their base salaries. This bill would provide equitable treatment both for employees who are paid by the hour and for salaried employees.

Persons Testifying: PRO: Amber Lewis, Washington Federation of State Employees; Steve Nelson, LEOFF Plan 2 Retirement Board; Pat Thompson, Washington State Council of County and City Employees.