

# HOUSE BILL REPORT

## SB 6157

---

### As Reported by House Committee On: Ways & Means

**Title:** An act relating to the calculation of compensation for public retirement purposes during the 2009-2011 fiscal biennium.

**Brief Description:** Calculating compensation for public retirement purposes during the 2009-2011 fiscal biennium.

**Sponsors:** Senators Prentice, Tom, Hobbs and Fraser.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 4/25/09 [DP].

#### **Brief Summary of Bill**

- Provides that average final salary calculations for Public Employees' Retirement System members not be affected by salary reductions due to reduced hours, leave without pay, or furloughs taken as part of an employer's expenditure reduction effort during the 2009-11 biennium.

---

### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick, Seaquist and Sullivan.

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

#### **Background:**

In the Public Employees' Retirement System (PERS) Plans 1 and 2 benefits are calculated by multiplying a member's years of eligible service multiplied by 2 percent of their final average compensation. For members of the PERS Plan 1, final average compensation is the average

---

*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.*

level of annual pay received from plan-eligible employment over the last two years before the member retires. For members of the PERS Plan 2, final average compensation is calculated in a similar fashion but over the final five years of plan-eligible employment rather than two years.

The PERS Plan 3 is a "hybrid" plan design in which employer contributions are made to support a defined benefit, and employee contributions are made into individual defined contribution accounts. A Plan 3 member's defined benefit is based upon the number of qualified years of service the member has worked multiplied by 1 percent of the average final compensation. A member's final average compensation in the PERS Plan 3 is computed using the same formula used for members of the PERS Plan 2.

A PERS member whose salary is reduced during the two- or five-year period prior to retirement due to a reduced schedule, leave without pay, or other reasons will receive a smaller retirement allowance due to the lower final average compensation. A member may purchase up to two years of service credit for time spent on leave without pay; however there are no provisions to purchase an increase of a member's final average compensation in the event that the member works a reduced schedule.

---

**Summary of Bill:**

For members of PERS Plans 1, 2, and 3, the Department of Retirement Systems is directed to include in a member's salary for the purpose of calculating final average compensation any compensation that is forgone by the member during the 2009-2011 fiscal biennium as a result of reduced work hours, voluntary leave without pay, or temporary furloughs, provided that the reduced compensation is part of the employer's efforts to reduce expenditures.

---

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) State employees have given over \$1 billion out of their pockets to balance the budget for the upcoming biennium. These months upcoming will be perhaps the worst six months in the history of the Washington Federation of State Employees. This bill is a relatively small thing that could be done to ensure that some career employees do not have their pensions impacted by the current budget crisis if they are nearing retirement now.

(Opposed) None.

**Persons Testifying:** Dennis Eagle, Washington Federation of State Employees

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