

# SENATE BILL REPORT

## SB 5333

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As of February 6, 2009

**Title:** An act relating to a Washington state patrol retirement system deferred option plan.

**Brief Description:** Creating a Washington state patrol retirement system deferred option plan.

**Sponsors:** Senators Haugen, Swecker, Delvin and Parlette.

**Brief History:**

**Committee Activity:** Transportation: 2/05/09.

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** Dory Nicpon (786-7321)

**Background:** Commissioned employees of the Washington State Patrol (WSP) participate in the Washington State Patrol Retirement System (WSPRS).

Under current law, members of WSPRS, other than the Chief of the WSP, must retire at age 65. Members of WSPRS may retire after 25 years of service or reaching age 55.

During the last 20 years, the retirement plans for several state and local jurisdictions outside of Washington have implemented some version of a Deferred Retirement Option Program (DROP). In a typical DROP, a member of the retirement plan becomes eligible to participate in the DROP after the member becomes eligible to retire. The member elects to participate in the DROP for a specified period, during which the member is no longer considered an active member for pension purposes. The member continues to work and receive compensation, but not service credit. Some or all of the monthly retirement benefit that the member would have received is deposited into a special account, and earns interest. At the end of the DROP period, the member terminates employment, and thereafter the retirement benefit is paid directly to the member. The DROP may allow the balance of the DROP account to be distributed or rolled into a specified type of account.

**Summary of Bill:** A voluntary DROP is created for members of WSPRS. Certain retirement-eligible WSPRS members who elect to participate in DROP direct their retirement allowance into a DROP account, and they continue their employment with WSP for a specified period. At the end of the DROP period, a participating member ends employment with WSP, collects the accumulated funds in the DROP account, and starts receiving the

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member's retirement allowance. According to the member's preference, the balance of the DROP account can be paid to the member as a lump sum or rolled over into a qualified retirement account.

Beginning January 1, 2010, a member of WSPRS who has not less than 25 years of service credit, is eligible to retire, and not on disability status, may participate in the WSPRS DROP. The member must continue employment to a specified date. The member continues to receive compensation, but does not earn any additional service credit or any salary increase adjustment to the member's retirement allowance calculation. The member's retirement allowance receives adjustments for cost-of-living increases, up to 3 percent per year.

During the DROP period, the member and employer continue to make retirement contributions at the rate applicable to active members. The member's contribution is deposited into the member's DROP account. The employer contribution continues to be credited to WSPRS. The member's DROP account is credited annually with investment earnings equal to 2 percent less than the rate of return of the investment portfolio of WSPRS, but not less than zero percent.

If a member dies during the DROP period, then the balance of the member's DROP account is paid to the member's designated beneficiary or estate. Members who begin participating in DROP with 28 or more years of service credit may cease their DROP participation at any time without penalty. If a living member ceases participation in DROP before the member's service credit prior to participation in DROP plus the member's years of participation in DROP equals 28, then the member forfeits the balance in the DROP account. A member who is placed on disability during the DROP period is terminated from DROP participation and forfeits the balance of the DROP account. However, the DROP account balance may be restored to the member if the member returns to active service with WSP.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2009.

**Staff Summary of Public Testimony:** PRO: This bill will allow the WSP to retain veteran commissioned personnel, which is particularly important when the agency has recruitment difficulties. The objectives are to increase the length of service among commissioned staff and provide an employee benefit. The language regarding the eligibility of patrol officers who have attained the rank of sergeant should be clarified.

**Persons Testifying:** PRO: Tom Pillow, Rick Jensen, Washington State Patrol Troopers Association; Dave Scherf, Steve Sutton, Washington State Patrol Lieutenants Association.