

# SENATE BILL REPORT

## SB 6157

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As Reported by Senate Committee On:  
Ways & Means, April 16, 2009

**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: 4/16/09 [DP, DNP, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore and Regala.

**Minority Report:** Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Hewitt, Parlette, Pflug and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Brandland and Honeyford.

**Staff:** Erik Sund (786-7454)

**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 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.

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*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.*

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 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:** 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:** Requested on April 13, 2009.

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

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** None.

**Persons Testifying:** No one.