

# HOUSE BILL REPORT

## SHB 2644

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As Amended by Senate

**Title:** An act relating to retirement contributions and recovery of overpayments.

**Brief Description:** Making retirement contributions and payments.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Sommers and Silver; by request of Department of Retirement Systems).

**Brief History:**

Reported by House Committee on:  
Appropriations, February 1, 1994, DPS;  
Passed House, February 12, 1994, 93-0;  
Amended by Senate.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Sommers, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dunshee; G. Fisher; Foreman; Jacobsen; Lemmon; Leonard; Linville; H. Myers; Peery; Rust; Sehlin; Sheahan; Stevens; Talcott; Wang and Wolfe.

**Staff:** Jennifer Priddy (786-7118).

**Background:** Currently the statutes which define the authority of the Department of Retirement Systems (DRS) do not specifically address authority to bill for interest on contributions owed to the state by employers or members. The statutes are silent regarding collection of benefits from an estate.

All retirement systems' members may withdraw contributions in a lump sum upon termination of employment. The members may restore withdrawn contributions and service credit upon re-employment. Statutes do not address instances where a member withdraws contributions erroneously, such as when the member terminates employment temporarily, requests a withdrawal of contributions, and then restores employment. In such cases, statutes do not specifically terminate

individuals from the plan nor require restoration of contributions.

**Summary of Bill:** This bill provides the Department of Retirement Systems with the authority to seek re-payment of benefit overpayments except when explicitly prohibited in statute. Specifically, the department may: 1) charge interest on employer or member contributions not paid immediately after service; 2) collect overpayments and 1 percent interest per month from members when the overpayment was a result of fraud; 3) collect overpayments by reducing a retiree's future benefit; and, 4) collect overpayments made to persons or entities other than the member such as an estate or individual with power of attorney over retiree's finances. In addition, the department is exempt from seeking re-payment of overpayments that have been made to members as a result of including standby pay as compensation earnable. The bill requires that all previous erroneous withdrawal of contributions be treated as an authorized withdrawal and subject to the member's system rules for restoration of withdrawn contributions. Failure to restore the withdrawal within the prescribed time, which varies by system, will constitute a waiver of retirement allowances. Additionally, if a member requests a refund of contributions and then is re-employed, the member will not receive payment of his/her contributions. A written or oral agreement for re-employment is a satisfactory basis to refuse a member's request for a withdrawal of contributions. The substitute bill ratifies DRS retroactive application of a 1990 change to how service is credited to TRS Plan 2. The department is directed, in circumstances limited to Educational Service Districts, to waive collection of additional employer contributions required because of the retroactive application.

The bill also ratifies the inclusion of standby pay in members' compensation earnable within specific circumstances. Time on standby, however, may not be used to calculate retirement eligibility or benefits.

**EFFECT OF SENATE AMENDMENT(S):** The Senate amendments (1) clarify that past mis-reporting of stand-by pay shall not be corrected by the Department of Retirement Systems.

(2) The retroactive application of a 1990 change to how service is credited to TRS Plan 2 is ratified. No employer is exempt from paying any additional employer contributions due to the retroactive application of the rule.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** None.

**Witnesses:** None.

**VOTE ON FINAL PASSAGE:**

Yeas 93; Excused 5

Excused: Representatives Ballasiotes, G. Fisher, Horn, Riley, Van Luven