

HOUSE BILL REPORT

SSB 5496

As Reported By House Committee On: Appropriations

Title: An act relating to exempting employers with qualified retirement plans from additional contributions.

Brief Description: Exempting employers with qualified retirement plans from additional contributions.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Bauer, Newhouse, Loveland, Cantu, Fraser, Winsley and Long).

Brief History:

Committee Activity:

Appropriations: 3/29/95, 3/30/95 [DPA].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 28 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Brumsickle; Carlson; Chappell; Cooke; Crouse; G. Fisher; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Staff: Dan Chang (786-7191).

Background: Under the Public Employees' Retirement System (PERS), both the employer and the employee make contributions to the system. The contributions are based on a percentage of the employee's salary. Approximately 1,100 political subdivisions do not participate in PERS.

Under the current law, employers who do not belong to the PERS system but wish to join must pay both the employer's and employee's contributions for the period dating back to the employee's date of hire. These back contributions are required even if employees were covered under a private retirement plan for all or part of the prior service period.

Summary of Amended Bill: The amended bill allows employers joining PERS for the first time to choose one of the following options:

- (1) The employer can begin purchasing service credit for the employees starting from the date of the employer's admission to PERS;
- (2) The employer can purchase retroactive service credit for all employees by paying the employer's and employee's back contributions; or
- (3) The employer can purchase retroactive service credit for all employees, except that the employer need not purchase credit for years the employer contributed to private retirement plans, if those contributions cannot be transferred to PERS.

Amended Bill Compared to Substitute Bill: The amended bill requires payment of interest on contributions in all cases. The amended bill is silent on the employees' option to opt out of back contribution purchases under options two and three. If the employer has not purchased back service credits because a private retirement system has been paid and credits are not transferrable to the PERS system, the amended bill does not allow employees to purchase PERS back service credit. The amended bill is silent on the right of current PERS members to purchase prior service if former employees.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: None.

Testimony Against: None.

Testified: None.