

# FINAL BILL REPORT

## HB 1023

---

---

C 223 L 99

Synopsis as Enacted

**Brief Description:** Sharing extraordinary investment gains in the teachers' retirement system plan 3.

**Sponsors:** Representatives H. Sommers, Lambert, Carlson, Ogden, Conway, D. Sommers, Alexander, Wolfe, Romero, Bush, Thomas, Keiser, Stensen, G. Chandler, DeBolt, Parlette, Talcott, K. Schmidt, D. Schmidt, Murray, Schoesler, Sump and Hurst; by request of Joint Committee on Pension Policy.

**House Committee on Appropriations**  
**Senate Committee on Ways & Means**

### **Background:**

The 1998 legislation that created the Washington School Employees' Retirement System (SSB 6306) included a provision for gain-sharing payments to members of Teachers' Retirement System Plan 3 (TRS 3 Plan). Gain-sharing payments are to be made to member accounts when the four-year average rate of return on pension assets exceeds 10 percent. The four-year average rate of return for fiscal years 1993 through 1997 was 13.07 percent. A gain-sharing payment of \$134.43 per year of service was paid to eligible members of TRS Plan 3 in July 1998.

Members who were eligible to receive the gain-sharing payment included active members with more than \$1,000 in their member accounts by August 31, 1997, retired members, and inactive vested members who had purchased an annuity from the trust or had more than \$1,000 in their member accounts.

The Department of Retirement Systems determined that members who transferred from TRS Plan 2 to TRS Plan 3 after August 31, 1997, were not eligible for the July 1998 gain-sharing payment.

### **Summary:**

Eligible active and vested members of the Teachers' Retirement System (TRS) Plan 3 who transferred from TRS Plan 2 on or after September 1, 1997, and before February 1, 1998, will receive a gain-sharing payment to their Plan 3 member account. The payment will be equal to the average benefit per year of service paid to members of TRS Plan 3 in 1998. The distribution will be based on service credit earned as of August 31, 1997.

To be eligible for the gain-sharing payment, the TRS Plan 3 member must:

- have had a member account balance of at least \$1,000 by August 31, 1997, and have earned service credit in the period from September 1, 1996, to August 31, 1997; or
- have completed ten service credit years, or completed five service credit years including 12 months after age 54, or completed five service credit years by July 1, 1996, under TRS Plan 2.

When a member of the TRS Plan 3 suffers a loss of investment return due to an error by the Department of Retirement Systems, the department shall credit the member's account from the appropriate retirement system fund with the amount necessary to correct the error.

**Votes on Final Passage:**

House 95 0  
Senate 43 0 (Senate amended)  
House 97 0 (House concurred)

**Effective:** May 10, 1999