

HOUSE BILL REPORT

HB 1270

*As Reported By House Committee on:
Appropriations*

Title: An act relating to reorganizing the statutes governing the state's retirement system.

Brief Description: Reorganizing the statutes governing the state's retirement system.

Sponsor(s): Representatives Spanel, Silver, Hine, Paris, May, P. Johnson, Winsley, Hochstatter, Nealey, Wynne, Edmondson, Bowman, D. Sommers, Betrozoff, Wood, Horn, Miller, Ballard, McLean and Basich.

Brief History:

Reported by House Committee on:
Appropriations, February 6, 1991, DPS.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *That Substitute House Bill No. 1270 be substituted therefor, and the substitute bill do pass.*
Signed by 24 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Belcher; Braddock; Brekke; Dorn; Ferguson; Fuhrman; Hine; Lisk; May; McLean; Mielke; Nealey; Peery; Pruitt; Rust; Valle; Vance; and Wang.

Staff: Marilyn Showalter (786-7148).

Background: The State administers and funds six retirement systems: Judges' Retirement System, Judicial Retirement System (JRS), Law Enforcement Officers' and Fire Fighters Retirement System (LEOFF), Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS), and Washington State Patrol Retirement System (WSPRS). Of these, the three major systems--LEOFF, TRS and PERS--contain the vast majority of the total membership. LEOFF was initiated in 1970; TRS was initiated in 1937; and PERS was initiated in 1947. There are 57 sections in the Revised Code of Washington (RCW) pertaining to LEOFF and 109 sections, each, dealing with TRS and PERS, respectively.

When these systems were initiated, their administration was conducted by independent boards of trustees. Also, these boards were responsible for the investment of the funds they held in trust. In 1976, however, these boards were essentially preempted by the creation of the Department of Retirement Systems (DRS). At that time, the administration of retirement systems was centralized into the DRS, an executive agency of government. By 1981, the State Investment Board was created to invest trust and other funds held in state government.

A major revision occurred in 1977, with the creation of Plan II within the three major systems. This resulted in language and provisions unique to Plan I, unique to Plan II, or applicable to both plans. Some of this language is intertwined within sections or chapters of law.

Over time many provisions were enacted providing benefits that were applicable only within a specific time frame or that have become obsolete.

In Bakenhus et al v. City of Seattle et al, the State Supreme Court ruled that retirement (pension) benefits are deferred compensation and contractual in nature. A benefit cannot be reduced or taken away without a corresponding or improved benefit being received.

Repealing a section of the RCW removes it entirely from law as of the effective date of the repealing section. It is in force, however, from the date it first became effective until the date of repeal. Decodifying a section removes the section from the RCW, but the section retains its force and effect in session law. Recodifying a section moves it from its present location in the RCW to another location in the RCW; the section remains in force and effect.

The Joint Committee on Pension Policy undertook to reorganize and update the many sections within the RCW relating to the various pension systems.

Summary of Substitute Bill: The substitute bill makes no substantive changes in the law. It organizes the respective chapters dealing with LEOFF, TRS and PERS according to sections applicable to both Plan I and II within each system, sections applicable solely to Plan I, and sections applicable solely to Plan II. It decodifies or repeals obsolete statutes. It updates references to the defunct retirement boards to refer to DRS or the Director, DRS. It makes references gender-neutral. It recodifies administrative provisions under DRS statutes. There is no intent to make substantive changes in the meaning, interpretation, court construction, or constitutionality of

any provision of any retirement system addressed. The bill is technical in nature and is not to have the effect of terminating or in any way modifying any rights, proceedings, or liabilities, civil or criminal, that exist on the effective date.

Substitute Bill Compared to Original Bill: The substitute bill contains four technical changes to ensure that the bill makes no substantive changes in law.

Fiscal Note: Available.

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

Testimony For: The current retirement statutes need to be reorganized and updated. No substantive changes in law are intended.

Testimony Against: None.

Witnesses: Representative Harriet Spanel (in favor); Representative Jean Silver (in favor); Gerald Allard, State Actuary (in favor); Charles Langen, Office of State Actuary (in favor); and Kathleen Collins, Association of Washington Cities (in favor).