

SENATE BILL REPORT

SHB 1268

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 4, 1991

Brief Description: Changing provisions relating to retirement service credit.

SPONSORS: House Committee on Appropriations (originally sponsored by Representatives Spanel, Silver, Hine, Forner, Paris, May, P. Johnson, Winsley, Zellinsky, Hochstatter, Nealey, Wynne, Edmondson, Bowman, D. Sommers, Brumsickle, Betrozoff, Wood, Miller, Ballard, Tate, McLean, Jacobsen, Nelson, Jones, Wineberry, Pruitt, Dellwo, R. Johnson, Ogden, Bray, Roland and Basich; by request of Joint Committee on Pension Policy).

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bluechel, Gaspard, Johnson, L. Kreidler, Murray, Newhouse, Niemi, Owen, Rinehart, L. Smith, Talmadge, West, Williams, and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: March 28, 1991; April 4, 1991

BACKGROUND:

The method used to determine service credit for employees who work less than full time varies among the different state retirement systems. For example, employees in the Teachers' Retirement System Plan I (TRS I) can earn partial service credit, i.e., service credit for a fraction of a year, if they work only part time. There are no provisions, however, allowing employees in TRS Plan II or the Public Employees' Retirement System Plan I or II (PERS I or II) to earn service credit for fractions of a year or a month.

The requirements determining whether an employee is in a position which is eligible for retirement benefits also varies among the different systems. For example, in PERS I and II, an eligible position is one in which the employee is normally required to work five or more months in a year. In TRS II, however, an eligible position is one in which the employee is normally required to work at least two months in a year.

A 1989 House Floor Resolution required the Joint Committee on Pension Policy to study the issue of retirement benefits for part time employees and to study the current and past retirement contribution requirements for employees and

employers. This bill is the result of the Joint Committee's examination of these issues. It contains changes in eligibility and service credit provisions in the various systems to make them more consistent with each other and to provide service credit commensurate with the time an employee works and with the contributions an employee makes to a pension fund.

The pension systems addressed in the bill are PERS I and II, TRS I and II, and the Law Enforcement Officers' and Fire Fighters' Retirement System Plans I and II (LEOFF I and LEOFF II).

SUMMARY:

The provisions for earning service credit in PERS I and II, LEOFF II and TRS II are changed. The provisions defining "eligible position" in PERS I and II, LEOFF II and TRS II are changed.

Generally, employees in eligible positions in PERS I receive service credit according to the following formulas:

- one service credit month for each month in which they are compensated for 70 hours or more;
- and one-quarter of a month of service credit for less than 70 hours in a month.

Generally, employees in eligible positions in LEOFF II, PERS II and TRS II receive service credit according to the following formulas:

- one service credit month for each month in which they are compensated for 90 hours or more;
- one-half month service credit for each month in which they are compensated for at least 70 hours but less than 90 hours;
- and one-quarter service credit month for each month they are compensated for less than 70 hours.

The Department of Retirement Systems (DRS) is directed to provide half-time service credit for each month of the school year to TRS II members who were under a half-time contract from October 1, 1977 through December 31, 1986, but were not granted service credit. DRS will also provide a remedial procedure for the return of contributions to members of LEOFF II, PERS I and II and TRS II for whom contributions were erroneously made.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: Sections 3-11 and 14-18 take effect September 1, 1991. All other sections take effect July 1, 1991.

TESTIMONY FOR:

This bill will fix an inequity in the system and allow parttime people to get service credit.

TESTIMONY AGAINST: None

TESTIFIED: Representative Spanel, original sponsor (pro); Gerald Allard, State Actuary; Chuck Langen, Office of the State Actuary