

SENATE BILL REPORT

HB 2259

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 20, 1992

Brief Description: Simplifying the designation of pension funds.

SPONSORS: Representatives Spanel, McLean, Hine, Wineberry, D. Sommers, Wynne, May 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; Bailey, Bauer, Bluechel, Cantu, Gaspard, M. Kreidler, Murray, Newhouse, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: February 19, 1992; February 20, 1992

BACKGROUND:

The two primary funds in the Teachers' Retirement System (TRS) are the member reserve fund, which holds employee contributions, and the pension fund, which holds employer contributions and other moneys necessary to meet pension obligations. In the Public Employees' Retirement System (PERS), these funds are called the employees' savings fund and the benefit account fund.

Statutes for both systems create additional funds for various purposes, and require money to be transferred between funds, creating administrative burdens. For example, statutes create income funds in TRS and PERS to be used to credit interest from other funds, when in practice such credits are done through accounting mechanisms without need for separate statutory funds.

In addition, Plan I of TRS pays for certain ancillary benefits through the transfer of funds from the member reserve fund to designated auxiliary funds. The ancillary benefits provide temporary disability, lump-sum death, and survivor's benefits. Because the ancillary benefits are paid from funds outside the normal pension funding process and are not part of regular valuations of pension funds, they have tended to be overlooked.

The Joint Committee on Pension Policy studied ancillary funds in 1991, and recommended simplification and consolidation of retirement system funds.

SUMMARY:

Various funds in the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) are eliminated, including income funds in both TRS and PERS, and ancillary benefit funds in TRS. The director of the Department of Retirement Systems has authority to create such funds as are necessary to administer pension benefits. The ancillary benefits, such as temporary disability, lump-sum death, and survivor's benefits, continue to be provided, but without specific funds designated for each. References to eliminated funds, and to requirements relating to transfer of money between funds, are deleted.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one