

HOUSE BILL REPORT

HB 1261

As Reported By House Committee On:
Appropriations

Title: An act relating to portability of public retirement benefits.

Brief Description: Regulating portability of retirement benefits.

Sponsors: Representatives Sommers, Dellwo, R. Fisher, Jacobsen, Brough, Wang, Brown, Thibaudeau, Johanson and J. Kohl.

Brief History:

Reported by House Committee on:
Appropriations, March 6, 1993, DP.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 25 members: Representatives Locke, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Linville; Peery; Rust; Sehlin; Sheahan; Sommers; Stevens; Talcott; Wang; Wineberry; and Wolfe.

Staff: Barbara McLain (786-7153).

Background: Most city, county, and state employees are members of the Public Employees' Retirement System (PERS). However, the cities of Seattle, Tacoma, and Spokane each have a city employee retirement system that covers their general government employees.

If an employee leaves employment in one retirement system and moves to another, service credit is split between the two systems. Unless there is a policy of portability, or dual membership, between the systems, the employee ends up with a lower retirement benefit than if he or she had remained in one system for an entire career.

Portability of service credit is allowed between most of the state retirement systems. In 1989, legislation was passed allowing portability among the state retirement systems and the systems in Seattle, Tacoma, and Spokane. The cities had

to submit resolutions to the Department of Retirement Systems by December 1, 1990, to begin portability.

However, the 1989 bill required the city systems to pay all of the additional cost associated with portability. This provision has been interpreted to require the city systems to pay for the cost of service credit in the state's retirement systems as well as in the city systems for anyone who took advantage of portability. None of the cities signed resolutions to join portability.

Summary of Bill: The cities of Seattle, Spokane, and Tacoma have a renewed option to make their city retirement systems portable with the state's retirement systems if they adopt a resolution to do so by December 31, 1993.

If a city adopts a resolution, portability becomes effective January 1, 1994.

The additional cost incurred as a result of an employee receiving a dual retirement benefit between a state retirement system and a city retirement system is to be borne by the retirement system incurring the additional cost, not entirely by the city retirement system.

Fiscal Note: Available.

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

Testimony For: Portability is a good recruiting tool for the cities and counties, but it should be available at a reasonable cost. Employees should have flexibility to change jobs without sacrificing their retirement. Portability is good public policy at a minimal cost.

Testimony Against: None.

Witnesses: Paul Berry (for); Mel McLane, Seattle City Retirement System (for); Duane Leonard, Tacoma City Retirement System (for); Vern Wagar, County Road Administration Board (for); Sam Kinville, State Council of County and City Employees (for); Ray Warren, International Brotherhood of Electrical Workers (for); and Joe Pestinger, SECF (for).