

HOUSE BILL REPORT

SHB 2644

As Passed Legislature

Title: An act relating to retirement contributions and recovery of overpayments.

Brief Description: Making retirement contributions and payments.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Sommers and Silver; by request of Department of Retirement Systems).

Brief History:

Reported by House Committee on:
Appropriations, February 1, 1994, DPS;
Passed House, February 12, 1994, 93-0;
Amended by Senate;
House concurred;
Passed Legislature, March 7, 1994, 93-0.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Sommers, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dunshee; G. Fisher; Foreman; Jacobsen; Lemmon; Leonard; Linville; H. Myers; Peery; Rust; Sehlin; Sheahan; Stevens; Talcott; Wang and Wolfe.

Staff: Jennifer Priddy (786-7118).

Background: Currently the statutes which define the authority of the Department of Retirement Systems (DRS) do not specifically address authority to bill for interest on contributions owed to the state by employers or members. The statutes are silent regarding collection of benefits from an estate.

All retirement systems' members may withdraw contributions in a lump sum upon termination of employment. The members may restore withdrawn contributions and service credit upon re-employment. Statutes do not address instances where a member withdraws contributions erroneously, such as when the member terminates employment temporarily, requests a

withdrawal of contributions, and then restores employment. In such cases, statutes do not specifically terminate individuals from the plan nor require restoration of contributions.

Summary of Bill: This bill provides the Department of Retirement Systems with the authority to seek re-payment of benefit overpayments except when explicitly prohibited in statute. Specifically, the department may: 1) charge interest on employer or member contributions not paid immediately after service; 2) collect overpayments and 1 percent interest per month from members when the overpayment was a result of fraud; 3) collect overpayments by reducing a retiree's future benefit; and, 4) collect overpayments made to persons or entities other than the member such as an estate or individual with power of attorney over retiree's finances. The bill requires that all previous erroneous withdrawal of contributions be treated as an authorized withdrawal and subject to the member's system rules for restoration of withdrawn contributions. Failure to restore the withdrawal within the prescribed time, which varies by system, will constitute a waiver of service credit. Additionally, if a member requests a refund of contributions and then is re-employed, the member will not receive payment of his/her contributions. A written or oral agreement for re-employment is a satisfactory basis to refuse a member's request for a withdrawal of contributions. The substitute bill ratifies DRS retroactive application of a 1990 change to how service is credited to TRS Plan 2.

The bill also ratifies the inclusion of standby pay in a member's compensation earnable within specific circumstances. Standby pay will not be included in a member's compensation earnable unless the member must remain in a specific location, either at the job site or in the immediate vicinity of the job site in order to report to work immediately upon notice. Standby pay is not intended for inclusion in a member's compensation earnable when the member is not limited to the immediate vicinity of the job site or instances where the member is only required to report to work after being notified by telephone, or pager, or some other similar notification device. Time on standby, however, may not be used to calculate retirement eligibility or benefits. In addition, the department is exempt from seeking re-payment of overpayments that have been made to members as a result of including standby pay as compensation earnable.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Witnesses: None.