

SENATE BILL REPORT

ESHB 2644

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 25, 1994

**Brief Description:** Making retirement contributions and payments.

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

**HOUSE COMMITTEE ON APPROPRIATIONS**

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass as amended.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Bluechel, Cantu, Gaspard, Hargrove, Ludwig, McDonald, Moyer, Owen, Pelz, Snyder, Spanel, Sutherland, Talmadge, West and Wojahn.

**Staff:** Denise Graham (786-7715)

**Hearing Dates:** February 24, 1994; February 25, 1994

**BACKGROUND:**

Interest and Overpayments. Currently, the Department of Retirement Systems (DRS) does not have specific statutory authority to collect interest on contributions owed to the state by employers or members. In addition, the statutes are silent regarding collection of overpayments from an estate or from an individual other than a member or a beneficiary.

Erroneous Withdrawals. All members of a state-run retirement systems may withdraw contributions in a lump sum upon termination of employment. If a member files for a refund but accepts another public employment position before the refund is made, the member is not entitled to the refund. The statutes do not address, however, the consequences of receiving a refund when the member has already accepted another position.

Termination of TRS I Membership. Members of Teachers' Retirement System (TRS) Plan I cease to become members if they have not established service credit for five consecutive years. This is not the case under any other state-run retirement system.

Standby Pay. Under current law, earnable compensation for purposes of calculating retirement benefits in the Public Employees Retirement Systems (PRS) Plans I and II does not include standby pay. DRS recently discovered, however, that

the Department of Personnel had been including standby pay in compensation reported to DRS.

Service Credit Reporting. In TRS Plan I, members earn service credit based on the number of days they work in a year. From 1977 when TRS Plan II was created until 1990, members of TRS Plan II earned service credit based on the number of hours they worked in a month. In 1990, the Legislature again changed the way TRS Plan II members earn service credit; service credit for Plan II members is now based on the number of hours they work in a year.

From 1977 until 1987, DRS allowed school districts and educational service districts to continue to report days worked by members rather than to report hours worked. When the law was changed in 1990, DRS made the change retroactively, and converted the days reported between 1977 and 1987 to hours; in the conversion, one day was equal to seven hours of service credit. As a result of the conversion, some school districts, educational service districts and employees were due a refund of contributions and some owed contributions.

**SUMMARY:**

Interest and Overpayments. The Department of Retirement Systems has broad authority to charge interest for past due contributions except where expressly prohibited from doing so in statute.

The Department of Retirement System's authority to collect benefit overpayments is extended to other persons or entities in addition to members and beneficiaries.

Any overpayment that cannot be recovered due to the inability to actuarially reduce a member's benefit constitutes a claim against the estate of a member, beneficiary or other person in receipt of an overpayment.

Erroneous Withdrawals. If a member receives a withdrawal of retirement contributions from a state-run retirement system that the member is not entitled to receive, the member may not receive service credit for the period represented by the withdrawn contributions. Erroneous withdrawals will be treated the same as authorized withdrawals, and will be subject to the same conditions for restoration as are imposed on authorized withdrawals.

Termination of TRS I Membership. Membership in the Teachers' Retirement System Plan I will no longer terminate when service credit has not been established for five consecutive years.

Standby Pay. In the Public Employees' Retirement System Plans I and II, earnable compensation includes compensation a member receives for being in standby status when the member is required to be at, or in the immediate vicinity of, a specified location and the member is required to be prepared to report immediately for work if the need arises. Time spent

in standby status is not to be included as retirement service credit.

The change in the definition of earnable compensation is made retroactively.

Service Credit Reporting. The Department of Retirement System's retroactive application of changes made in 1990 to the way service credit is to be reported by school districts and educational service districts is consistent with legislative intent.

Educational service districts which owed additional employer or employee contributions as a result of the retroactive application of the 1990 changes, and which have not paid the additional contributions as of the effective date of this act, do not have to pay the additional contributions.

**SUMMARY OF PROPOSED COMMITTEE AMENDMENT:**

The Department of Retirement Systems is not required to correct any standby pay misreported prior to the effective date of the bill.

Language waiving collection of the additional contributions owed by educational service districts due to the retroactive application of changes made in 1990 to service credit reporting is deleted.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

The inclusion of standby pay in earnable compensation makes it easier to attract people to work at sites in remote locations such as fish hatcheries.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Ed Manary, Department of Fisheries (pro); Sam Kinville, Washington State Council of County and City Employees (pro)