

SENATE BILL REPORT

SB 5259

AS OF FEBRUARY 25, 1993

Brief Description: Regulating portability of retirement benefits.

SPONSORS: Senators Niemi, Wojahn, Williams, Pelz, Prentice and Winsley

SENATE COMMITTEE ON WAYS & MEANS

Staff: Denise Graham (786-7715)

Hearing Dates: March 1, 1993

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. If there is no portability between the two systems, the employee ends up with a lower retirement benefit than if he or she had remained in one system for an entire career. This is because the benefit from the first retirement system is calculated using what is typically a much lower salary because it is at the beginning of an employee's career.

With portability, the employee uses the highest base salary from any system to calculate the retirement allowance in both systems. Typically, this means that the retirement allowance received from the system with which the member first started is higher than it would be in the absence of portability.

Portability of service credit is allowed between most of the state retirement systems (PERS, Teachers' Retirement System, and the Washington State Patrol Retirement System). 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 requires the city systems to pay for all of the additional cost associated with portability. Thus, the cities must pay for the increased costs to both the state and the cities' systems.

SUMMARY:

The cities of Seattle, Spokane, and Tacoma may 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 utilizing portability between a state retirement system and a city retirement system is to be borne by the retirement system incurring the additional cost.

Appropriation: none

Revenue: none

Fiscal Note: none requested

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