

SENATE BILL REPORT

SSB 6143

AS PASSED SENATE, FEBRUARY 11, 1994

Brief Description: Establishing membership service credit.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senators Spanel, Newhouse, Bauer, Nelson, Vognild, Winsley, Moore and Haugen)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6143 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Bauer, Bluechel, Gaspard, Ludwig, McDonald, Moyer, Niemi, Pelz, Roach, Snyder, Spanel, Talmadge, Williams and Wojahn.

Staff: Denise Graham (786-7454)

Hearing Dates: February 1, 1994; February 7, 1994; February 8, 1994

HOUSE COMMITTEE ON APPROPRIATIONS

BACKGROUND:

Members of the Law Enforcement Officers' and Fire Fighters' Retirement System Plans I and II (LEOFF I and II), the Teachers' Retirement System Plans I and II (TRS I and II), the Public Employees' Retirement System Plans I and II (PERS I and II) and the Washington State Patrol Retirement System (WSPRS) who leave public employment can withdraw their retirement contributions to these systems. Any employee who later returns to an eligible position in the same retirement system can restore previously earned retirement service credit by repaying the withdrawn contributions, plus interest, within five years.

TRS Plan I and PERS Plan I require the Department of Retirement Systems to notify the employer of a returning employee, who in turn must notify the returning employee, of the amount of potential service credit that can be restored, the amount of funds required for the restoration, and the date by which the restoration must be completed.

Members of LEOFF II, TRS II and PERS II may, upon retirement, choose to receive a lump sum payment in lieu of a benefit if their monthly benefit is less than \$50. If such a person subsequently returns to member status, he or she may reinstate all previous service by repaying the lump sum payment plus interest within two years of returning to service or prior to re-retiring, whichever comes first. The amount of the lump

sum payment is reduced by the value of the retirement payments the member would have received if the lump sum payment had not been made.

Members of LEOFF II, TRS II and PERS II may receive up to two years of retirement service credit for periods of unpaid, authorized leaves of absence by paying the member, employer and, in the case of LEOFF, the state contributions plus interest within five years of resuming service. Members of the Plan II systems may also receive up to four years of service credit for military service that interrupts the members' employment by paying employee contributions plus interest within five years of resuming service in a retirement system.

Members of TRS I who teach less than full time may receive service credit if they make the necessary payments by June 30 of the year following the year in which they were employed part time.

Members of LEOFF II, PERS I and II, TRS I and II, and the WSPRS who were also previously members of another of these systems may become eligible for portability by restoring, within two years of becoming a member of the second system, contributions and interest withdrawn from the previous system.

SUMMARY:

Members who have failed to meet statutory deadlines for restoring service credit, for establishing allowable membership service not previously credited, or for restoring service credit represented by a lump sum payment in lieu of benefits may receive such service credit by paying the actuarial value of the resulting increase in their benefit.

At the time a member leaves a state-run retirement system and withdraws retirement contributions, the Department of Retirement Systems shall notify the member of the right to restore the contributions upon resuming membership in the retirement system, and the requirements involved in such restoration.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: January 1, 1995

TESTIMONY FOR:

We support removing barriers to restoring service credit, but are concerned about the use of the term "full actuarial cost."

TESTIMONY AGAINST: None

TESTIFIED: Greg Devereux, Washington Federation of State Employees

HOUSE AMENDMENT(S) :

The amendment deletes the subsection prohibiting retirement system members from restoring partial service credit. The effect is that a member may restore only part of his or her service credit so that the final service credit total does not exceed thirty years.