

HOUSE BILL REPORT

HB 1296

As Amended by Senate

Title: An act relating to employer responsibility for retirement contributions.

Brief Description: Making retirement contributions and payments.

Sponsors: Representatives Sommers, Carlson and Sehlin; by request of Department of Retirement Systems.

Brief History:

Committee Activity:

Appropriations: 2/23/95, 2/28/95 [DP].

Floor Activity:

Passed House: 3/8/95, 96-0.

Senate Amended.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 30 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Staff: Dan Chang (786-7191).

Background: Both employers and employees (members) make contributions to the state retirement system. The Department of Retirement System (DRS) collects these contributions directly from the employer who is responsible for collecting their employees' contributions.

Currently, most employers deduct member contributions on a pre-tax basis. There are some employers, however, who choose not to do this. Because of this difference, two procedures for collecting contributions have evolved.

Collection procedures are essentially the same. An exception occurs, however, when an employee no longer works for the employer, *and* past contributions are still owed. This may happen if an employee was first hired on a part-time basis, then became a permanent employee at a later date. Part-time employees do not pay contributions. If

they become permanent employees at a later date, then contributions from the original date of hire will be owed.

Employers who deduct member contributions on a pre-tax basis become liable for paying their employees' contributions. Therefore, if an employee terminates while contributions are still owed, the employer must pay both *their own* contribution and their employee's. They then must seek reimbursement from their former employee.

Employers who *do not* deduct employee contributions on a pre-tax basis are not liable for their employees' contributions. Therefore, when an employee terminates while contributions are owed, the employer only pays the employer's own contribution. DRS collects the employee contribution directly from the employee if he or she wishes to receive service credit.

Summary of Bill: The bill establishes a single billing practice for collecting contributions. In all cases, the following procedures will apply.

If a member is currently an employee, DRS will collect both the employer's and employee's contributions directly from the employer.

If the member is no longer an employee, DRS will collect the employer contribution directly from the employer. If the former employee wishes to establish service credit for a period in which the employer did not transfer the member's contributions, then the member must pay the employee's contribution to DRS.

By rule, DRS shall establish procedures for collection of member contributions needed to establish service credit.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendments permit certain dual members, who failed to restore withdrawn contributions within the 2 year deadline, to restore contributions under the same terms and conditions and without further liability as if contributions were restored on a timely basis.

To qualify, the dual member: 1) must have filed an extension with the director of the Department of Retirement Systems prior to January 1, 1995; the director's findings must show that the failure was because the department's customary bulletins and other notifications furnished to the member's employer were not furnished to the member by the employer, 2) must not have otherwise received notice through other channels of communication, and 3) must not have been at fault.

The election to restore contributions must be made no later than July 1, 1995, or prior to retirement, whichever comes first.

The Senate amendments require that funding be specifically provided and referenced in the omnibus appropriations act, otherwise the act is null and void.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: This bill will simplify the collection process and make it easier on the employer.

Testimony Against: None.

Testified: Sheryl Wilson, Department of Retirement Services.

Yeas 96; Excused 2

Excused: Ballasiotes, Van Luven