

FINAL BILL REPORT

HB 1102

C 221 L 97

Synopsis as Enacted

Brief Description: Retirement benefits based on excess compensation.

Sponsors: Representatives Lambert, H. Sommers, Cooke, Carlson, Conway, Ogden and Mason; by request of Joint Committee on Pension Policy.

House Committee on Appropriations
Senate Committee on Ways & Means

Background: Earnable compensation— for purposes of determining a state retirement system member’s pension is generally defined as the salary or wages payable for services rendered to the employer. Annual leave cash-outs may be included in the earnable compensation of the Public Employees’ Retirement System (PERS) I and Teachers’ Retirement System (TRS) I members. Members of PERS II, TRS II and III, and both of the Law Enforcement Officers’ and Fire Fighters’ (LEOFF) Plans may not include cash-outs in their earnable compensation.

Excess compensation— is all earnable compensation used in the calculation of the retirement benefit except regular salary, overtime compensated at up to twice the employee’s regular rate of pay, and annual leave cash-outs not exceeding 240 hours. The definition of excess compensation includes:

- cash-outs for sick or any other type of leave;
- payments for, or in lieu of, personal expenses or a transportation allowance;
- termination or severance payments;
- payments added to regular wages concurrent with reduction of annual leave; and
- the portion of any payment, including overtime, that exceeds the employees’ regular rate of pay.

Employers are liable for the extra costs to the retirement system generated by retirement benefits based on excess compensation. However, administration of this provision has proved difficult because regular salary— is not defined in statute.

Summary: The definition of excess compensation, for the purpose of determining an employer’s liability for retirement benefits under the state retirement system, is modified by (1) removing the reference to regular salary;— and (2) limiting the definition, with clarifications, to the current list of payments that constitute excess compensation.

Votes on Final Passage:

House 95 0

Senate 44 0

Effective: July 27, 1997