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# HOUSE BILL ANALYSIS

## HB 1102

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**Brief Description:** Clarifies the definition of excess compensation.

**Background:** Earnable compensation— for purposes of determining a state retirement system member’s pension is generally defined as salaries and wages payable for services rendered to the employer. Annual leave cash-outs can be included in the earnable compensation of PERS I and TRS I members. Members of PERS II, TRS II and both of the LEOFF Plans may not include any 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 their regular rate of pay, and annual leave cash-outs in excess of 240 hours. Included in the definition of excess compensation are:

- 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 a key term regular salary— is not defined in statute.

**Summary:** The concept of regular salary is removed from definition of excess compensation. The definition is further clarified by the addition of a definitive list of payment types that will trigger charges to the employer.

**Fiscal Note:** Available.



