

HOUSE BILL REPORT

HB 1025

As Reported By House Committee On:
Appropriations

Title: An act relating to membership in the public employees' retirement system.

Brief Description: Establishing membership in the public employees' retirement system.

Sponsors: Representatives D. Sommers, Ogden, Alexander, H. Sommers, Conway, Wolfe, Carlson and Bush; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 2/9/99, 2/11/99 [DP].

Brief Summary of Bill

· Allows employees of political subdivisions to participate in the Public Employees' Retirement System even if the political subdivision offers deferred compensation plans under Section 401 of the Internal Revenue Code to its employees.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Alexander, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Barlean; Benson; Boldt; Carlson; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Tokuda and Wensman.

Staff: Denise Graham (786-7137).

Background:

Current statute prohibits membership in the Public Employees' Retirement System (PERS) if an employee is a member of a retirement system "operated wholly or in part by an agency of the state or a political subdivision". This statute has the effect

of excluding from PERS those employees who are covered by another state-administered retirement system such as the Teachers' Retirement System or the Law Enforcement Officers' and Fire Fighters' Retirement System. It also excludes employees covered by the Seattle, Tacoma or Spokane city employee retirement systems; employees covered by the higher education retirement programs; and employees covered by other retirement plans operated by a political subdivision.

Whether an employee is excluded from PERS membership depends on whether the Department of Retirement Systems (DRS) determines that the employees' second retirement plan is "operated wholly or in part" by the employer. The Attorney General's Office has developed guidelines for DRS to use in evaluating whether an employer's involvement with a particular plan is significant enough to constitute the operation, in whole or in part, of the retirement plan.

Several local government employers have been reporting employees as members of PERS even though those employees are also enrolled in qualified defined contribution plans under Section 401 of the Internal Revenue Code (IRC) that are, or appear to be, operated by these employers. The Attorney General's Office has determined that there is no clear statutory authorization for local government employees to participate in Section 401 defined contribution plans and PERS for the same period of employment.

A number of Washington cities, public utility districts and transit authorities provide defined contribution plans for their employees in addition to being PERS employers.

Summary of Bill:

Participation in an employer-operated defined contribution plan administered under Section 401 of the IRC will not cause an employee to be excluded from PERS membership. Employers that have excluded employees from PERS membership due to participation in Section 401 defined contribution plans may continue to exclude such employees or may begin, prospectively, to include such employees in PERS membership.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill clears up vagueness in existing law and clarifies existing statute. It was never the intent of local governments to exclude employees from

participating in PERS by providing Section 401 plans, and this bill would ensure that this doesn't happen.

Testimony Against: None.

Testified: Representative Duane Sommers, prime sponsor; Jim Justin, Association of Washington Cities; and Pat Thompson, County and City Employees.