

HOUSE BILL REPORT

HB 2244

As Passed House:

June 18, 2001

Title: An act relating to the higher education retirement plan.

Brief Description: Pertaining to the higher education retirement plan.

Sponsors: By Representative H. Sommers.

Brief History:

Second Special Session

Floor Activity:

Passed House: 6/18/01, 84-0.

Brief Summary of Bill

- Modifies state guarantees and limits on retirement benefits in defined contribution plans for faculty and some administrative staff of higher education institutions.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority/Minority Report: None.

Staff: Laurie Schaffler (786-7143).

Background:

Faculty and some administrative staff of state institutions of higher education are not covered by state-administered defined benefit pension plans such as the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). Instead, the governing boards of the state's public four-year universities, the Evergreen State College and the State Board for Community and Technical Colleges are authorized to provide old age annuities or retirement income plans for their faculty and other employees. These plans are privately administered defined contribution plans. Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) is an example of such a plan, though there are other plans. In a defined contribution plan, the employer and employee both make contributions, which are invested and produce a return

that depends on the market, so no particular benefit is guaranteed.

Even though this is a defined contribution plan, the state guarantees the initial benefit at retirement to be 50 percent of the average annual salary paid to the retiree for his or her highest two consecutive years of full time service. If the retirement benefit does not meet 50 percent of the highest two-years' average annual salary, the state supplements the retirement income to meet that level. This benefit is fixed for the retiree's life.

For higher education employees, contribution levels are intended to be set so that maximum retirement income payout levels do not exceed 60 percent of the average of the highest of two consecutive years' salary. If a periodic review determines that retirement income levels are in excess of 60 percent of the average of the highest of two consecutive years' salary, contribution rates are to be adjusted.

Summary of Bill:

Legislative intent is declared that the state should neither guarantee nor limit the benefits in a defined contribution system.

Supplemental pension payments will not be provided to an employee who enters employment after July 1, 2001.

The bill repeals the legislative intent statement that contribution levels are to be adjusted if retirement income exceeds 60 percent of the average of the two highest consecutive years of salary.

Amended Bill Compared to Original Bill: Makes the elimination of supplemental payment in higher education defined contribution pension plans prospective only. Faculty and other employees hired after July 1, 2001 are not eligible to receive the supplemental payment. Current employees who retire in the future are eligible to receive the supplemental payment.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001.

Testimony For: None.

Testimony Against: None.

Testified: None.