

***Appropriations Committee***

***HB 1046***

***Brief Description:*** *Modifying the Washington state patrol retirement system retirement and survivor benefits.*

***Sponsors:*** *Representatives Doumit, Alexander, Conway, Lambert, H. Sommers, Delvin, Kagi, O'Brien, McIntire, Hurst, Haigh, Kenney, Edmonds and Simpson; by request of Joint Committee on Pension Policy.*

***Brief Summary of Bill***

- *For the Washington State Patrol Retirement System, reduces member contribution rates, establishes a new cost of living adjustment and creates a second tier of benefits for new hires.*

***Hearing Date:*** *2/8/01*

***Staff:*** *Andrea Hardy (786-7349).*

***Background:***

*The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). The WSPRS was created in 1947, and is the only state administered retirement system that still contains many of the plan provisions that were altered or eliminated in the creation of plans 2/3 in other retirement systems. Major characteristics of the current WSPRS are as follows.*

***Average Final Salary***

*The WSPRS retirement allowance is based on an average of the member's two highest paid years. Using a two-year average pay calculation permits substantial increases in the retirement benefit close to retirement by inclusion of voluntary overtime and lump sum payments. All other open state administered retirement plans use a five-year average.*

***Military Service Credit***

*WSPRS members receive free service credit for military service rendered prior to their*

*joining the retirement plan. All other open state retirement plans provide credit only for periods of military service that interrupt service to the retirement plan service. These plans require payment of the employee contributions for the military service credit.*

#### ***Cost-of-Living Adjustment***

*WSPRS retirement allowances are increased by an annual automatic 2 percent cost of living adjustment (COLA). The COLA is based on the retiree's initial benefit; it does not compound. All other open state plans provide an annual automatic COLA based on the change in the Seattle area CPI, up to 3 percent, compounded.*

#### ***Survivor Allowance***

*The WSPRS survivor allowance for post-retirement deaths is the lesser of 50 percent of the member's final average salary or the member's retirement allowance. The survivor benefits are paid automatically to the member's lawful spouse, at no cost to the member. In all other open state retirement plans, a member who wishes to provide a post-retirement survivor benefit pays for it by way of an actuarial reduction in the member's retirement allowance.*

#### ***Disability Benefits***

*WSPRS disability benefits are not based on the member's length of service, and they are funded from the agency's operating funds. In the other open state retirement plans, disability benefits are based on the member's length of service and are paid by the retirement plan as an actuarially reduced retirement allowance.*

#### ***Employee Contribution***

*The member contribution for the WSPRS is fixed in statute at 7 percent of pay (this rate was reduced by the Legislature temporarily for fiscal year 2001 to 3 percent of pay), regardless of the funding status of the system.*

#### ***Summary of Bill:***

*Several changes are made to the WSPRS. A second tier for new hires is created, and changes are made to the benefit structure for current commissioned officers of the WSP. The changes for new members affect those commissioned officers hired after January 1, 2003.*

#### ***Average Final Salary***

*The definition of "average final salary" for new WSPRS members is changed from a two-year average to a five-year average. For existing members, the definition of "salary" is amended to prospectively exclude voluntary overtime. For new members, the definition is amended to exclude voluntary overtime, annual leave, and holiday leave cash-outs.*

#### ***Military Service Credit***

*New WSPRS members may receive service credit for military service credit only when it is interruptive, and they must pay their member contributions in order to purchase the service credit.*

#### ***Cost-of-Living-Adjustment***

*The COLA is changed to a CPI-based compounding COLA with a maximum annual increase of 3 percent per year. This new COLA applies to all existing retirees and beneficiaries. The minimum retirement allowance is automatically increased by 3 percent each year.*

***Survivor Allowance***

*New actuarially equivalent survivor benefit options are provided for new WSPRS employees.*

***Disability Benefits***

*The duty-disability benefit for new WSPRS members is a minimum of 50 percent of compensation at the member's existing wage, less any workers' compensation and pension payments. The non-duty disability benefit for new members is the member's accrued pension, actuarially reduced from when the member would have been eligible for service retirement.*

***Employee Contribution***

*The member contribution rate is set at the greater of 2 percent or the employer contribution rate, and the "aggregate actuarial cost method" is established as the method for setting contribution rates.*

***Appropriation: None.***

***Fiscal Note: Available.***

***Effective Date: The bill takes effect July 1, 2001.***