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## Appropriations Committee

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### HB 1317

**Brief Description:** Changing member contribution rates in the Washington state patrol retirement system.

**Sponsors:** Representatives Conway, Fromhold and Crouse; by request of Select Committee on Pension Policy.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Reduces the employee contribution rate for members of the Washington State Patrol Retirement System (WSPRS) from one-half of the total required contribution rate to the lesser of one-third of the total rate or 7 percent of pay.</li></ul>
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**Hearing Date:** 2/16/05

**Staff:** David Pringle (786-7310).

**Background:**

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). WSPRS was created in 1947, and until January 1, 2003 was the only state administered retirement system that still contained many of the plan provisions that were altered or eliminated for new members in the creation of plans 2 or 3 in other retirement systems.

Members of WSPRS may retire at age 55 or after 25 years of service at any age. It is also the only plan operated by Washington with a mandatory retirement age, 60. The average retirement age in WSPRS is the lowest of the state retirement systems, 52.3 years, a comparison that includes the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 at age 53.7, LEOFF Plan 2 at age 56.9, and the Teachers' Retirement System Plan 1 at age 58.5.

In 2001, the Legislature adopted ESB 5143, following study and recommendation of the bill by the Joint Committee on Pension Policy. The 2001 legislation contained the following changes to WSPRS for members who joined the plan prior to January 1, 2003:

- 1) Increased the annual cost of living adjustment (COLA) benefits of retirees and survivors from a 2 percent per year simple increase to a 3 percent per year compounded Consumer Price Index-based increase;

- 2) changed the employee contribution rate from a fixed 7 percent of pay to the greater of 2 percent or one-half of the total contribution rate required by the plan (with the state paying the other half); and
- 3) excluded voluntary overtime earned by members working for the Department of Transportation from the definition of salary.

ESB 5143 also made major changes to characteristics of WSPRS for members who first joined after January 1, 2003. In total, they changed the benefits for new members from a plan more like the Plans 1 of the Washington State Retirement Systems to one more like the Law Enforcement Officers' and Fire Fighters' retirement system Plan 2. Some of the changes included:

- 1) Changed the period used for calculating average final salary from two years to five years;
- 2) Excluded annual and holiday pay cash-outs from calculation of average final salary;
- 3) Changed military service credit provisions to permit only the purchase of up to five years of interruptive military service credit; and
- 4) Eliminated an automatic post-retirement death benefit and replaced it with an optional, actuarially-reduced survivor benefit like that offered in the Plans 2 and 3 of the state retirement systems.

Currently, all members of WSPRS pay an employee contribution rate of 2 percent, and under current law the Actuary expects the member rate to rise to 4.51 percent on July 1, 2005, and about 8 percent July 1, 2007.

**Summary of Bill:**

The member contribution rate for WSPRS is reduced to the lesser of one-third of the total required contribution rate or 7 percent. The minimum member contribution rate remains at 2 percent.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect July 1, 2005.