

SENATE BILL REPORT

SB 5617

As Reported By Senate Committee On:
Ways & Means, March 7, 2005

Title: An act relating to suspending a retirement allowance upon reemployment.

Brief Description: Suspending a retirement allowance upon reemployment.

Sponsors: Senators Parlette, Kohl-Welles, Delvin, Doumit, Franklin, Schmidt, McAuliffe and Schoesler; by request of LEOFF Plan 2 Retirement Board.

Brief History:

Committee Activity: Ways & Means: 3/7/05 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5617 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Pflug, Pridemore, Rockefeller and Schoesler.

Staff: Erik Sund (786-7454)

Background: The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) provides retirement benefits to full-time and fully-compensated law enforcement officers and fire fighters who first entered membership-eligible employment on or after October 1, 1977. Members of LEOFF 2 are eligible for full retirement benefits beginning at age 53. LEOFF 2 members who have earned 20 or more years of service credit may retire early beginning at age 50, with a 3 percent per year reduction for each year that he or she retires before age 53.

The pension benefits of retired members of the LEOFF 2 are suspended if the member is later employed in a LEOFF-covered position, or a position covered by the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS), or the Public Safety Employees' Retirement System (PSERS). A LEOFF 2 retiree may work for a private employer, or in a retirement system ineligible position for a public employer, without having his or her pension benefits suspended.

The LEOFF 2 reemployment pension benefit suspension rule is different from those of the PERS, TRS, SERS, and PSERS Plans 2 and 3. Retirees of these plans who have been separated from employment for 30 days may work in a retirement-eligible position for up to 867 hours each calendar year without suspension of pension benefits.

The general rules of Washington's retirement systems prohibit members of the LEOFF 2 from joining a second state retirement system plan if they are either receiving or are eligible to receive pension benefits from any Department of Retirement Systems (DRS) administered

pension plan, or the plans operated by the cities of Seattle, Tacoma, and Spokane (the First Class Cities retirement plans). This limit does not apply to LEOFF 2 members if the retiree/member has accumulated fewer than 15 years of service credit. The rule was created in part to prevent members of the Plans 1 from moving to a second retirement plan following the accrual of 30 years of service in one plan such as LEOFF, PERS, or TRS Plan 1.

The effect of the LEOFF 2 prohibitions are that a retiree from LEOFF 2 may neither collect their pensions, nor earn service credit if employed in a PERS, TRS, SERS, PSERS, or LEOFF-covered position.

Summary of Substitute Bill: A retiree of LEOFF 2 who becomes employed in a position that is eligible for membership in one of the other Washington State retirement systems may become a member of his or her new position's retirement plan and earn a second pension benefit. Retired LEOFF 2 members who join a second pension system make contributions and accrue service credit in the regular manner and have their LEOFF 2 retirement benefit suspended until the employment covered by the other retirement plan ends.

Substitute Bill Compared to Original Bill: The option for retired members of LEOFF 2 to continue to receive their LEOFF 2 retirement allowance while employed in a position that is eligible for membership in another Washington State retirement system is removed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This is a good bill that would help retired law enforcement officers and fire fighters who choose to begin a second career in public employment.

Testimony Against: None.

Who Testified: PRO: Steve Nelsen, Executive Director, LEOFF Plan 2 Retirement Board.