
Transportation Committee

HB 1260

Brief Description: Establishing contribution rates in the Washington state patrol retirement system.

Sponsors: Representatives Conway, Crouse, Fromhold, Kenney, Ericks, Ormsby, Simpson and Moeller; by request of Select Committee on Pension Policy.

Brief Summary of Bill

- Sets rates for Washington State Patrol Retirement System members at 4.47 percent for members and 9.98 percent for the employer for 2007-09.
- Establishes that beginning July 1, 2007, the member contribution rate is one-third or 7 percent, whichever is less, with the employer contributing the difference.
- Establishes a floor to fund 70 percent of the retirement system's normal cost.

Hearing Date:

Staff: Jerry Long (786-7306).

Background:

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of WSPRS may retire at age 55 or after 25 years of service at any age. It is the only retirement system operated by Washington with a mandatory retirement age, which is 60 years of age.

In 2001, the Legislature adopted ESB 5143, which made 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

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Department of Transportation from the definition of salary.

ESB 5143 also changed provisions of WSPRS for members who became members after January 1, 2003. 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.

The current funding policy for WSPRS calls for the total required contribution rate to be split evenly by employees and employers, except that: (1) there is a minimum contribution rate of 2 percent for employees; and (2) the survivor benefits for deceased members who were disabled prior to July 1, 2006, are funded exclusively through employer contributions. The employee and employer contribution rates for the 2005-07 fiscal biennium are both 4.51 percent. The contribution rates adopted by the Pension Funding Council (PFC) for the 2007-09 biennium are 6.70 percent for the employees and 7.75 percent for the employer.

Presently there are 1,022 active members in WSPRS and approximately 800 retirees.

Summary of Bill:

The required member contribution rate will be one-third of the required total WSPRS contribution rate or 7 percent, whichever is less. The employer contribution rate is the remainder of the required total contribution. Contribution rates for the 2007-09 biennium are established at 4.47 percent of pay for employees and 9.98 percent for the employer.

After July 1, 2009, the total contribution rate in the WSPRS may not drop below 70 percent of the system's normal cost as calculated under the entry age normal actuarial valuation method.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.