

SENATE BILL REPORT

SB 6157

As of April 15, 2009

Title: An act relating to the calculation of compensation for public retirement purposes during the 2009-2011 fiscal biennium.

Brief Description: Calculating compensation for public retirement purposes during the 2009-2011 fiscal biennium.

Sponsors: Senators Prentice, Tom, Hobbs and Fraser.

Brief History:

Committee Activity: Ways & Means: 4/16/09.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: In the Public Employees' Retirement System (PERS) Plans 1 and 2 benefits are calculated by multiplying a member's years of eligible service multiplied by 2 percent of their final average compensation. For members of the PERS Plan 1, final average compensation is the average level of annual pay received from plan-eligible employment over the last two years before the member retires. For members of the PERS Plan 2, final average compensation is calculated in a similar fashion but over the final five years of plan-eligible employment rather than two years.

The PERS Plan 3 is a "hybrid" plan design in which employer contributions are made to support a defined benefit, and employee contributions are made into individual defined contribution accounts. A Plan 3 member's defined benefit is based upon the number of qualified years of service the member has worked multiplied by 1 percent of the average final compensation. A member's final average compensation in the PERS Plan 3 is computed using the same formula used for members of the PERS Plan 2.

A member whose salary is reduced during the two or five year period prior to retirement due to a reduced schedule, leave without pay, or other reasons will receive a smaller retirement allowance due to the lower final average compensation. A member may purchase up to two years of service credit for time spent on leave without pay, however there are no provisions to purchase an increase of a member's final average compensation in the event that the member works a reduced schedule.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The Department of Retirement Systems is directed to include a member's salary for the purpose of calculating final average compensation any compensation that is forgone by the member during the 2009-2011 fiscal biennium as a result of reduced work hours, voluntary leave without pay, or temporary furloughs, provided that the reduced compensation is part of the employer's efforts to reduce expenditures.

Appropriation: None.

Fiscal Note: Requested on April 13, 2009.

Committee/Commission/Task Force Created: No.

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