

SENATE BILL REPORT

SB 5950

As Amended by House, March 8, 2012

Title: An act relating to nonstate pension plans offered by towns.

Brief Description: Regulating nonstate pension plans offered by towns.

Sponsors: Senators Roach and Conway.

Brief History:

Committee Activity: Ways & Means: 2/16/12, 2/23/12 [DP].

Passed Senate: 3/02/12, 47-0.

Passed House: 3/08/12, 96-2.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Brown, Conway, Fraser, Harper, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Padden, Pflug, Pridemore, Regala, Schoesler and Tom.

Staff: Erik Sund (786-7454)

Background: An employee of a local government entity may be eligible for membership in one of a variety of retirement systems established in, or authorized by, state law. The Public Employees' Retirement System (PERS) provides benefits for regularly compensated public employees and officials of state agencies and subdivisions and most local government employees. Individuals employed as full-time, fully-compensated law enforcement officers and fire fighters are eligible for membership in the statewide Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). Additionally, the cities of Seattle, Tacoma, and Spokane are authorized by statute to sponsor their own retirement systems. Some other cities, towns, and municipal corporations offer other retirement plans to their employees; however, towns have been prohibited by statute from establishing new pension plans since 1990. Defined contribution retirement plans established prior to that time are authorized, though towns are prohibited from making changes to those plans. Defined benefit plans sponsored by towns are not authorized.

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: Towns are prohibited from establishing new pension plans for their employees after January 1, 1999, rather than being prohibited from establishing plans after January 1, 1990. Any pension plan, including a defined benefit plan, that was established by a town prior to 1999 is deemed to have been authorized. Towns are prohibited from making changes to pension plans authorized after June 7, 1999, rather than after June 7, 1990.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: In 1998 the employees of South Prairie joined a union and negotiated participation in a LIUNA pension plan. The South Prairie and the members contributed to the plan for 13 years before discovering that participation in the plan was prohibited by state law. Now the town is caught because its contract requires it to contribute to the plan but the law prohibits them from doing so. The pension plan isn't as well funded as we'd like and the withdrawal of South Prairie from the plan would be damaging. This is a small fix that would mean a great deal to South Prairie.

Persons Testifying: PRO: Candice Bock, Assn. of WA Cities; Mayor Peggy Levesque, Town of South Prairie; Jermaine Smiley, Laborers' District Council.

House Amendment(s): Clarifies that a town must begin participating in a nonstate defined benefit pension plan prior to January 1, 1999, in order to be authorized to continue participating. The fact that a plan was established prior to January 1, 1999 is not sufficient for the plan to be authorized.