SENATE BILL REPORT
SB 6305

As of January 28, 2014

Title: An act relating to creating a defined contribution retirement plan option for elected officials.

Brief Description: Creating a defined contribution retirement plan option for elected officials.

Sponsors: Senators Braun, Hill, Dammeier, Baumgartner and Ericksen.

Brief History:
Committee Activity: Ways & Means: 1/27/14.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Pete Cutler (786-7474)

Background: State and local elected officials in eligible positions may join the Public Employees' Retirement System (PERS) for their elected service. The Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), Public Safety Employees' Retirement System (PSERS), and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) also have provisions that permit members of those retirement systems who are elected or appointed to state elective positions to include periods of such service in the calculation of their retirement benefits in those systems.

Most trial and appellate court judges and justices are elected to office and are covered in PERS for their service. Those who were first elected or appointed to the Supreme Court, Court of Appeals, or superior courts prior to 1988 were permitted to continue coverage in the Judicial Retirement System (JRS).

PERS, TRS, SERS, PSERS, and LEOFF Plans 2 are defined benefit plans that provide a retirement allowance based on 2 percent of the retiree's final average salary for each year of service. Judges covered in PERS Plans 1 or 2 and in JRS have a defined benefit plan that provides a retirement allowance based on 3 or 3.5 percent of final compensation for each year of service, with a maximum benefit cap of 75 percent. Judges covered in PERS Plan 3 receive an allowance based on 1.6 percent of final compensation for each year of service, with a maximum benefit cap of 37.5 percent.

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.

PERS, TRS, and SERS Plans 3 are hybrid defined-benefit and defined-contribution retirement plans. Employer contributions finance a retirement allowance based on 1 percent of the retiree's final average salary for each year of service. Plan 3 employee contributions are made to the employee's defined contribution account. The employee selects a contribution rate within 90 days of becoming a plan member and in PERS Plan 3 and SERS Plan 3 the rate is fixed for the duration of the employment relationship. Employees have several contribution options between 5 and 15 percent of pay, and a variety of investment options, including participation in the state defined benefit plan investment portfolios managed by the State Investment Board.

Summary of Bill: The Washington Elected Officials Retirement Savings Plan (EORSP) is created as a new defined contribution plan for all persons who are elected to state or local government office, including elected judges and justices, on or after July 1, 2015, including persons who have previously served as elected officials. Elected officials must make an irrevocable decision in order to become a member of the plan. Persons elected to office after July 1, 2015, who do not elect to become members of the plan may not be a member of any other retirement plan for their service as elected officials.

Members of EORSP must contribute to their defined contribution accounts at a rate equal to 5 percent of salary up to age 35 and 7.5 percent beginning at age 35. Employers must contribute to members' accounts at a rate equal to 80 percent of the employee contribution rate. In addition to the contributions made to member accounts, employers must also make contributions required to pay off the unfunded actuarial accrued liabilities of PERS Plan 1.

The State Investment Board must develop investment options for EORSP member accounts. The Department of Retirement Systems (DRS) is responsible for administering the new plan and must adopt rules that allow members the option to roll over funds from other tax-qualified accounts, subject to Internal Revenue Service (IRS) requirements. DRS may also adopt rules providing members and survivors an option to purchase an annuity using funds from the member's account, subject to IRS approval.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2015.