

SENATE BILL REPORT

SB 6459

As of February 11, 2014

Title: An act relating to defining the compensation used for calculating retirement benefits for elected service.

Brief Description: Defining the compensation used for calculating retirement benefits for elected service.

Sponsors: Senator Tom.

Brief History:

Committee Activity: Ways & Means: 2/03/14.

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. Those who became members of PERS prior to October 1977 are members of PERS Plan 1; those who first became PERS member after October 1, 1977 are members of PERS Plan 2 or Plan 3 (PERS 2 or PERS 3). Most trial and appellate court judges and justices are elected to office, and since July 1988 have had the option of joining PERS for their judicial service.

PERS 2 is a defined benefit plan that provides a retirement allowance based on 2 percent of the member's average final compensation (AFC) for each year of service; PERS 3 provides an allowance based on 1 percent of AFC for each year of service. Judges covered in PERS Plan 2 are eligible for a benefit based on 3.5 percent of AFC for each year of service, with a maximum benefit cap of 75 percent. Judges covered in PERS 3 receive an allowance based on 1.6 percent of AFC for each year of service, with a maximum benefit cap of 37.5 percent.

The AFC for PERS 2 and PERS 3 members is calculated as the highest average reported compensation earned over a 60 consecutive month period of PERS service. The AFC is applied to all PERS service credit, including both elected and nonelected service.

Summary of Bill: A new definition of AFC is established for PERS 2 and PERS 3 members. The new definition applies to all periods of elected service for members who are elected after July 1, 2015, to a state or local government position, including a position as an elected judge

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or justice. For those members the AFC used to calculate the retirement allowance earned for elected service is the average compensation earned for all periods of elected service and only the salary earned for the elected service is included in the calculation.

For PERS 2 and PERS 3 members who are elected after July 1, 2015 to a state or local government position and who also have periods of nonelected service at retirement there is no change to the AFC used to calculate the part of their retirement allowance earned for the periods of nonelected service.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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