

SENATE BILL REPORT

SB 6459

As Reported by Senate Committee On:
Ways & Means, 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, 2/11/14 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6459 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Bailey, Becker, Braun, Dammeier, Hewitt, Padden, Parlette, Rivers, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senators Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Billig, Conway, Fraser, Frockt, Hasegawa, Hatfield and Kohl-Welles.

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

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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 (Recommended Substitute): A new definition of AFC is established for PERS 2 and PERS 3 members. The new definition applies to the calculation of the retirement benefit for 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 or justice. For those members the AFC used to calculate the retirement allowance earned for elected service is the highest average compensation earned over a 60 consecutive month period 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.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The AFC used to calculate the retirement allowance earned for elected service is the highest average compensation earned over a 60 consecutive month period of elected service. In the original bill it was the average compensation for all periods of elected 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.

Staff Summary of Public Testimony on Original Bill: PRO: The bill is intended to prevent pension spiking that occurs when an elected official gets a high-paying non-elected job that increases the benefit earned for all prior years of lower paid elected service.

CON: The bill will make it more difficult to attract the best and brightest to the bench because it will make pay and benefits less competitive with the private bar. It will also encourage persons to not seek reelection and thereby create turnover and a significant loss of experience on the bench. Most judges retire directly from their judicial positions and therefore do not engage in pension spiking. The bill would punish those who have served the longest.

Persons Testifying: PRO: Senator Tom, prime sponsor.

CON: Chris Wickham, Superior Court Judges Assn.