

# SENATE BILL REPORT

## SB 5980

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As of February 17, 2015

**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:** Senator Braun.

**Brief History:**

**Committee Activity:** Ways & Means:

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### 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.

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.

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.

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*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 Washington Elected Officials Retirement Savings Plan (EORSP) is created as a new defined contribution plan for persons who are elected to state or local government office, but not including elected judges and justices, on or after July 1, 2017. Persons who are members of PERS and are over age 50 when elected to office have the option to continue membership in PERS for their elected service. Elected officials must make an irrevocable decision in order to become a member of the plan. Persons elected to office after July 1, 2017, who are not eligible to continue in PERS and who do not elect to become members of the plan may not be a member of any other state 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:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2017.