SENATE BILL REPORT
SB 5021

As of January 18, 2021

Title: An act relating to the effect of expenditure reduction efforts on retirement benefits for public employees, including those participating in the shared work program.

Brief Description: Concerning the effect of expenditure reduction efforts on retirement benefits for public employees, including those participating in the shared work program.

Sponsors: Senators Hunt, Conway, Saldaña and Wilson, C.; by request of Department of Retirement Systems.

Brief History:
Committee Activity: Ways & Means: 1/18/21.

Brief Summary of Bill

- Provides that specified public pensions will not be reduced as a result of compensation reductions that are part of a public employer's expenditure reduction efforts during the 2019-2021 and 2021-23 fiscal biennia.
- Provides that the pension benefit of an employee covered by a pension system that is administered by the Department of Retirement Systems is not reduced as a result of participation in an unemployment insurance shared work program.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: Average Final Compensation and Service Credits. Most of the state's public employees are members of a pension system administered by the Department of Retirement Systems (DRS). Each of the plans within these systems includes a defined benefit component in which the retirement benefit is calculated based on the member's years of

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

service, also called service credit, and their average final compensation. A member's average final compensation is the average level of annual pay received from plan-eligible employment for a set period of time that varies by plan between two years and 60 months.

Since a member's retirement benefit is based on average final compensation, a member whose salary is reduced during the two or five year period prior to retirement due to a reduced schedule, leave without pay, or other reasons will likely receive a smaller retirement allowance due to a lower average final compensation. Depending on the amount of reduced hours the member may also earn fewer service credits.

Past Furloughs. Following the 2009 recession, the Legislature enacted ESSB 6503, which required most state agencies to reduce employee compensation costs through furloughs and other forms of leave without pay. This was in addition to furloughs and temporary salary reductions that had been part of agency reductions identified in the 2009-2011 biennial budget. During this period many local government agencies also reduced expenditures through reduced work hours, voluntary leave without pay, or temporary furloughs.

During this time SB 6157 and HB 2070 were enacted, providing that the average final compensation includes any compensation that was forgone by the member during the 2009-2011 and 2011-2013 fiscal biennia as a result of the employer's efforts to reduce expenditures.

Shared Work Program. The Employment Security Department administers the Unemployment Insurance Shared Work Program (Shared Work), which allows employers to temporarily reduce employee hours by up to 50 percent, and allows the workers to collect partial unemployment benefits. Health care, retirement, paid vacation, holiday, and sick leave benefits must continue to be provided to Shared Work employees under the same terms and conditions as when the employee worked usual weekly hours.

Unemployment insurance benefits provided to employees under a Shared Work plan are charged back to the employer, however, under the CARES Act and the Continued Assistance Act, the federal government has been and will continue to reimburse the states for 100 percent of the Shared Work unemployment insurance benefits paid through March 14, 2021. During most of COVID-19, the statutory requirement to charge the Shared Work benefits to contribution paying or reimbursable employers was waived.

Plans Administered by the Department of Retirement Systems. The following plans are administered by DRS:
- Public Employees’ Retirement System (PERS)
- Public Safety Employees’ Retirement System (PSERS)
- School Employees’ Retirement System (SERS)
- Teachers’ Retirement System (TRS)
- Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)
- Washington State Patrol Retirement System (WSPRS)

- Judicial Retirement System; and
- higher education retirement plan supplemental benefits

Summary of Bill: Average Final Compensation and Service Credits. During the 2019-2021 and 2021-2023 fiscal biennia, the average final salary and earned service credit for members of PERS, PSERS, SERS, TRS, LEOFF, WSPRS must include any compensation that was forgone as a result of reduced work hours, mandatory leave without pay, temporary layoffs, furloughs, reductions to the current pay, or other similar measures resulting from the COVID-19 budgetary crisis, if the reduced compensation is an integral part of the employers' expenditure reduction efforts, as certified by the employer. This does not include elimination of a previously agreed upon future salary increase.

Shared Work Program. The retirement benefit of an employee that is a member of a retirement system administered by DRS is not impacted by reduced hours when the reduction is part of an approved Shared Work plan. This provision applies prospectively and retroactively to July 28, 2013.

This act in intended to be curative, remedial, and retroactively applied.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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