



2014 Legislative Update

March 26, 2014

Overview

- **Key Issues**
- **Legislation Passed Affecting LEOFF 2**
- **Legislation Not Passed That Would Have Affected LEOFF 2**
- **Other Pension Legislation**

Key Issues

Budget Bill

- Contribution Rates Unchanged
- No Alternate Revenue Payment

Legislation Passed Affecting LEOFF 2

- **Board Request Bill:** Correcting the Expiration Date of the Definition of Fire Fighter (HB 2456)
- **Board Request Bill:** Creating an Optional Life Annuity Benefit for LEOFF Plan 2 Members (SB 6120)

Legislation Not Passed That Would Have Affected LEOFF 2

- **Board Request Bill**: Career Change (HB 2479/SB 6397)
- Extending FAS/Furlough Protections to 2013-2015 Biennium (SHB 1820)
- Requiring all DRS Employers to Participate in the State Deferred Compensation Program (HB 2736)

Other Pension Legislation

- **Passed**

- **DRS & SCPP Request Bill**: Removing the Statutory Provision that Allows Members of Plan 3 Retirement Systems' to Select a New Contribution Rate Option Each Year (SB 6321)
- Allowing Purchase of Individual Securities in a Public Deferred Compensation Program (SB 6328)

Other Pension Legislation

- **Not Passed**

- Requiring Employers to Pay Additional Contributions (SHB 2018)
- DRS & SCPP Request Bill: Correcting PERS Retiree Return to Work Restrictions (HB 2407)
- Creating the “Save Toward a Retirement Today” (STaRT) Savings Plan (HB 2474)
- Addressing PERS Survivor Benefits for Deceased Domestic Partners (HB 2485)
- Reducing the Retirement Age for Time in the Uniformed Services (HB 2735)
- Defining Excess Compensation to Include High Levels of Overtime (SB 5392)
- Optional Defined Contribution Plan for Public Employees (ESSB 5851)
- Creating a Defined Contribution Retirement Plan Option for Elected Officials (SB 6305)
- Defining Compensation for Elected Official Benefit Calculations (SB 6459)



Questions?

Contact:

- Ryan Frost
- Research Analyst
- (360) 586-2325
- ryan.frost@leoff.wa.gov



2014 Legislative Update

Key Issues

Budget Bills

Making 2014 Supplemental Operating Appropriations (ESSB 6002)

The operating expenses of the state government and its agencies and programs are funded on a biennial basis by an omnibus operations budget adopted by the Legislature in odd-numbered years. In subsequent legislative sessions, a supplemental budget is adopted, making various modifications to agency appropriations. State operating expenses are paid from the state general fund and from various dedicated funds and accounts.

The 2013-15 biennial appropriations for the various agencies and programs of the state are modified. This final budget does not change contribution rates set by the LEOFF Plan 2 Retirement Board, and did not include an alternate revenue payment.

- *Delivered to Governor 3/13*

Passed Affecting LEOFF Plan 2

Board Request Bill: Correcting the Expiration Date of the Definition of Fire Fighter (HB 2456)

Eliminates the expiration date on the statutory provision in the LEOFF definition of fire fighter that includes emergency medical technicians (EMTs). This continues EMTs eligibility for LEOFF membership.

- *Delivered to Governor 3/11*

Board Request Bill: Creating an Optional Life Annuity Benefit for LEOFF Plan 2 Members (SB 6201)

Allows LEOFF Plan 2 members to roll over funds from certain tax-qualified plans to purchase a life annuity from the LEOFF Plan 2 trust fund at the time of retirement.

- *Delivered to Governor 3/12*

Legislation Not Passed That Would Have Affected LEOFF Plan 2

Board Request Bill: Career Change (HB 2479/SB 6397)

This bill would restrict the ability of a LEOFF Plan 2 retiree from continuing to receive their pension while employed in a position that performs primarily LEOFF duties but is not LEOFF eligible. An example of this type of position would be a less than full-time police chief or fire chief.

FAS/Furlough Protection (SHB 1820)

This bill would extend the modifications to salary averaging periods for retirees in the DRS administered system to include forgone salary due to employer approved budget reduction strategies, such as furloughs and salary decreases. Any retirees affected by furloughs in this biennium will have their benefits recalculated. Additionally, any employer who has approved such a strategy will be required to pay an amount equal to the employer and employee contributions on the foregone salary during the biennium. This bill was amended to require employers with approved salary reduction plans to pay an amount equal to the employee and employer contributions on all the foregone salary under the plan.

Employer Participation in the State Deferred Compensation Program (HB 2736)

This bill would require all public employers that employ members of a DRS administered retirement system to allow their employees to participate in the State administered Deferred Compensation Program.

Other Pension Bills

Passed

DRS & SCPP Request Bill: Removing the statutory provision that allows members of plan 3 of the public employees' retirement system, school employees' retirement system, and teachers' retirement system to select a new contribution rate option each year (SB 6321)

Previously, a TRS Plan 3 member has the option to change his or her contribution rate each January. This bill amended RCW 41.34.040 to remove this annual option, effective after January of 2015. While this statutory option applies to Plan 3 members of PERS and SERS as well, it has never been implemented in those plans. The Internal Revenue Service required this modification in order to ensure the Plans 3 retain favorable tax qualification.

- *Delivered to Governor 3/12*

Allowing Purchase of Individual Securities in a Public Deferred Compensation Program (SB 6328)

Allows employers to authorize employees participating in the employer sponsored deferred compensation plan to purchase individual securities within the plan investment options.

- *Delivered to Governor 3/12*

Not Passed

Regarding Additional Employer Contribution Rates (SHB 2018)

This bill would require the Pension Funding Council to assess an additional employer specific contribution rate sufficient to pay for lost investment earnings and interest when retirement contributions are made after the service was provided by the employees. This additional rate would only be assessed if the resulting liabilities from

the late reporting would require additional contribution rates to be charged to all members and employers if not paid for by the late reporting employer.

DRS & SSCP Request Bill: Correcting PERS Retiree Return to Work Restrictions (HB 2407)

ESHB 1981 of the 2011 session modified the return to work rules for PERS retirees. This bill would correct some unintended consequences of those statute changes to ensure that: PERS retirees who return to work in ineligible positions would not be subject to the 867 hour limitation and that PERS Plan 2 or Plan 3 retirees who return to work in eligible positions covered by other DRS administered systems would be eligible to work up to 867 hours before their benefit is suspended.

Creating the “Save Toward a Retirement Today” (STaRT) Savings Plan (HB 2474)

This bill would require the Department to implement a retirement savings plan option for employees of eligible private businesses.

Addressing PERS Survivor Benefits for Deceased Domestic Partners (HB 2485)

This bill would provide survivor benefits to the spouses of deceased members who were registered domestic partners, later married, but the member died prior to being eligible to add the spouse as a survivor.

Reducing the Retirement Age for Time in the Uniformed Services (HB 2735)

This bill would reduce the normal retirement age from age 65 in PERS Plan 2 and Plan 3 by up to two years for time served in the uniformed services. This potential two year reduction would apply to normal, early, and alternate early retirement calculations.

Defining Excess Compensation to Include High Levels of Overtime (SB 5392)

This bill would charge the employer the actuarial cost of the increase to a retirement pension when the total salary in the salary averaging period used to calculate the benefit is 1-1/2 times greater than the salary in the previous salary period of equal length. The employer is charged when the salary increase is due to the use of overtime, bonuses, cash outs of leave, or other lump sum payments.

Optional Defined Contribution Plan for Public Employees (ESSB 5851)

This bill would provide an additional retirement plan choice for employees hired into PERS, TRS, SERS, and PSERS eligible positions. In lieu of participating in a Plan 2 or Plan 3, new employees hired after 7/1/2014 would also be able to choose to participate in the Public Employees’ Savings Plan. PESP is a defined contribution plan, where member and employer contributions are invested at the discretion of the member in investment options provided by the Department. Additionally, all existing employees could choose to transfer their retirement benefits into the PESP between January 1, 2015 and June 30, 2015.

Creating a Defined Contribution Retirement Plan Option for Elected Officials (SB 6305)

This bill would create a retirement savings plan option for public officials elected or appointed to elective office after July 1, 2015. After this date, newly elected officials would only have the choice of participating in this savings plan option, and could not participate in one of the state administered defined benefit retirement plans, such as

PERS. This would apply to all officials elected after this date, even if they participated in a retirement plan for periods prior to July of 2015.

Defining Compensation for Elected Official Benefit Calculations (SB 6459)

This bill would calculate the PERS Plan 2 or Plan 3 benefit accrued as an elected official using only the compensation earned as an elected official. Additionally, instead of the current five year average of salary used, this would average the salary over the entire elected career. The service earned by an elected official in a non-elected position would not be affected by this bill. This would apply to all PERS Plan 2/3 officials elected after July of 2015, but would also apply to any periods of elected service prior to July of 2015 these officials had established. This bill has been amended to remove the provision of a career salary average for the elected official portion of the benefit, and create a 60 month salary average of just elected salary for the elected official portion of the benefit.