




2012 Legislative Update

April 25, 2012


Discussion Points

- Key Issues
- Legislation Passed Affecting L2
- Legislation Not Passed That Would Have Affected L2
- Other Pension Legislation



Key Issues

- **Merger**
 - Consolidation of trust funds
 - No changes in benefits
 - Modified Board authority and duties
- **Plan Funding/Contribution Rates**
 - Budget passed does not change contribution rates
 - Senate proposal would have reduced rates
 - Governor's Proposal would have reduced rates



Legislation Passed Affecting L2

- Supplemental Operating Budget 2011-2013
- Fish & Wildlife Enforcement Officer Service Credit Transfer
- Garnishment
- Civil Marriage and Domestic Partnership
- Employee/Employer Relationship in Retirement Systems



Legislation Not Passed That Would Have Affected L2

- Reserve Police Officer Survivor Education Benefit
- Definition of Fire Fighter/Emergency Medical Technician
- Modifying Excess Compensation Provisions
- Use of Overtime in Pension Calculations



Other Pension Legislation

- **Passed**
 - Pension Reform
 - Commercial Vehicle Enforcement Officers & Communication Officers Service Credit Transfer



Other Pension Legislation

▪ **Not Passed**

- Modifying SCPP Membership
- Eliminating Early Retirement Factors
- Changing WSPRS Member Contribution Rate
- Eliminating Judges Mandatory Retirement Age
- Modify District Court Judge Retirement Age
- Modifying Judges Retirement Provisions
- Eliminating District Court Judges Mandatory Retirement Age



Questions?

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Key Issues

Merger

Merging the Trust Funds of LEOFF Plan 1 and LEOFF Plan 2 (HB 2350/SB 6563), *Not Passed*

This legislation would have consolidated the trust funds for both Plan 1 and Plan 2 of the LEOFF Retirement System into a new fund for all LEOFF members and retirees. This bill also would have modified the authority and duties of the LEOFF Plan 2 Retirement Board to include functions related to the new combined fund, establish LEOFF Plan 2 contribution rates for the current biennium, establish a funding policy for the new fund, and provides that member retirement benefits are not diminished due to the merger.

Plan Funding/Contribution Rates

House Proposed Supplemental Operating Budget for 2011-2013 (3ESHB 2127), *Passed*

This bill makes supplemental operating appropriations for the 2011-13 biennium and contains multiple appropriations. This final budget passed by the 2012 Legislature does not change contribution rates set by the LEOFF Plan 2 Retirement Board.

Senate Proposed Supplemental Operating Budget for 2011-2013 (ESB 5967), *Not Passed*

Section 704 would have temporarily lowered contribution rates for LEOFF Plan 2 below the current levels set by the LEOFF Plan 2 Retirement Board. This proposal did not support the Board's goals of stable rates and full funding.

Section 704 of the bill would have set new contribution rates for LEOFF Plan 2 effective March 1, 2012 through June 30, 2013, as follows:

- Member: 6.53 percent (current 8.46 percent)
- Employer: 3.92 percent (current 5.24 percent)
- State: 2.61 percent (current 3.38 percent)

Governor's Proposed 2011-13 Biennial Operating Budget, *Not Passed*

Section 704 would have temporarily lowered contribution rates for LEOFF Plan 2 below the current levels set by the LEOFF Plan 2 Retirement Board. This proposal did not support the Board's goals of stable rates and full funding.

Section 704 of the bill would have set new contribution rates for LEOFF 2 effective February 1, 2012 through June 30, 2013, as follows:

- Member: 6.53 percent (current 8.46 percent)
- Employer: 3.92 percent (current 5.24 percent)
- State: 2.61 percent (current 3.38 percent)

Legislation Passed Affecting LEOFF Plan 2

House Proposed Supplemental Operating Budget for 2011-2013 (3ESHB 2127)

Section 606 of the bill provides funding for the Washington State Institute for Public Policy to conduct an evaluation of the benefits provided in the pension plans offered by public employers in the state. Specifically, the study shall examine:

- The level of benefits offered by the state retirement plans and retirement plans sponsored by local government employers relative to the benefits provided in other states;
- The adequacy of pension benefits provided to public employees, including barriers to retirement;
- Barriers to the portability of retirement benefits between public employers in the state, including opportunities to improve benefit portability and compatibility; and
- The treatment of overtime earnings in public employee retirement plans relative to the treatment of earnings in other states, including the impact of excess compensation on state retirement system contribution rates with a particular emphasis on agencies that operate on a 24-hour basis, such as the state patrol, ferry system, and state prisons.
- The Institute is directed to collaborate with the Office of the State Actuary and local government plan sponsors.
- Findings must be reported to the Select Committee on Pension Policy and the committees on Ways and Means of the House of Representatives and the Senate by December 1, 2012.

Department of Fish and Wildlife Enforcement Officer Service Credit Transfer (SB 6134)

This bill allows DRS to transfer prior service credit of a Department of Fish and Wildlife Enforcement Officer from PERS Plans 2 or 3 to LEOFF Plan 2, for those who have completed the required transfer payment, by June 30, 2012. The deadline for eligible Department of Fish and Wildlife Enforcement Officers to complete the required transfer payment remains June 30, 2014.

Concerning Garnishment (HB 1552)

This bill enacts multiple changes to the laws governing garnishment proceedings. Specifically, the statutes for certain public employee pensions are amended to provide that pensions are exempt from garnishment when in the possession of the person or deposited in a bank account.

NOTE: The Governor has requested the Select Committee on Pension Policy to review and make recommendations to the Legislature as to whether additional exceptions to the general exemption of pensions from garnishment would be appropriate, and if so, what level of garnishment would be appropriate.

Civil Marriage and Domestic Partnerships (SB 6239)

This bill allows same-gender couples to marry, and automatically converts certain domestic partnerships to marriages unless the couple marries or dissolves the partnership before June 30, 2014. Under the provisions of this bill, survivor benefits may be available to certain members of the state's retirement systems sooner than under current law.

Employee/Employer Relationships in the Retirement Systems (EHB 2771)

Under this bill, for PERS, TRS, SERS, PSERS, and LEOFF, "employer" for the retirement system does not include a government contractor. Government contractors are defined to include partnerships, limited liability companies, for-profit and nonprofit corporations, or persons that provide services pursuant to a contract with a retirement system employer. The determination of whether an employer-employee relationship exists is not based on the relationship between a government contractor and a retirement system employer, but solely on the relationship between a government contractor's employee and a retirement system employer.

Legislation Not Passed That Would Have Affected LEOFF Plan 2

Reserve Police Officer Survivor Education Benefits

This bill would correct previous statutory changes to eligibility criteria for educational waivers provided in RCW 28B.15.380 which unintentionally eliminated coverage for reserve police officers.

Definition of Fire Fighter/Emergency Medical Technician

This bill would correct previous statutory changes which expanded the definition of fire fighter to include emergency medical technicians but contained an unintentional expiration date. This bill would correct (remove) the unintentional expiration date.

Modifying Excess Compensation Provisions (HB 2441)

The excess compensation statutes apply to all of the retirement systems administered by the Department of Retirement Systems, including LEOFF Plan 2. This bill creates an additional category of excess compensation to include the portion of total reportable compensation used in the calculation of the employee's retirement allowance that exceeds one and one-half times the employee's reportable compensation over the calculation period, excluding reportable compensation from overtime, bonuses, cash outs of any form of leave, or lump-sum payments.

Use of Overtime Pension Calculations (SB 6543)

This bill would have done the following:

- Excluded overtime payments from reportable compensation for the purpose of determining the retirement allowance of members of state-administered retirement plans who first establish membership on or after July 1, 2012.
- Removed the allocating of overtime as a subject of collective bargaining.
- Collected an additional or supplemental employer contribution rate on overtime earnings for employees hired before July 1, 2012.

Passed

Commercial Vehicle Enforcement Officers and Communication Officers Service Credit Transfer (ESB 5159)

This bill, requested by the Select Committee on Pension Policy, allows current Washington State Patrol Retirement System (WSPRS) members who have service credit within Public Employees' Retirement System (PERS) Plan 2 to transfer their PERS credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS. The member must pay the full actuarial cost of the transfer.

Pension Reform (SB 6378)

This bill makes the following changes:

- Closes alternate early retirement benefits to new members of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS).
- Creates a new subsidized early retirement benefit for members joining PERS, TRS, or SERS Plans 2 and 3 on or after May 1, 2013, that provides a 5 percent per year reduction in benefits from age 65 for members retiring early at age 55 or older with at least 30 or more years of service.
- Changes the investment rate of return assumption used for calculating contribution rates in the state retirement systems on July 1, 2013, to 7.9 percent, on July 1, 2015, to 7.8 percent, and on July 1, 2017, to 7.7 percent for all pension systems *except LEOFF 2*. It also requires the State Actuary to study the financial condition of the systems after these changes are made and present the findings to the Pension Funding Council by June 17, 2017.
- Requires the Select Committee on Pension Policy to study risk classifications of employees in the Washington state retirement systems that entail either high degrees of physical or psychological risk and report to the fiscal committees no later than December 15, 2012.

Not Passed

Modifying SCPP Membership (HB 2738)

This bill would have required one of the employer representatives on the Select Committee on Pension Policy to be a plan administrator representing a Higher Education Retirement Plan sponsor.

Eliminating Early Retirement Factors (ERFs) (HB 2825)

This bill would have eliminated the subsidized early retirement benefit created in 2008 for new members of the PERS, TRS, and SERS Plans 2 and 3. The bill required the Select Committee on Pension Policy to study jobs in PERS, TRS, and SERS with high degrees of physical risk or physical requirements for older employees, and report recommendations to the Legislature by December 15, 2012.

Changing the Member Contribution Rate for WSPRS (HB 2467/SB 6219)

Beginning July 1, 2012, this bill would change the member contribution rate for WSPRS to 7 percent plus 50 percent of the contribution rate increase caused by any benefit improvements that become effective after July 1, 2012.

Eliminate the Mandatory Retirement Age for Judges (HB 1201/SB 5147)

This bill would have eliminated the requirement that any judge, including a district judge, must retire from office at the end of the calendar year in which the judge attains the age of 75 years.

Modify the Mandatory Retirement Age for District Court Judges (HB 2300)

This bill would have changed the requirement that a district judge must retire from office at the end of the calendar year in which the judge attains the age of 75 years to a district judge must retire at the end of the judge's term in which the judge reaches age 75.

Modifying Retirement Provisions for Judges (SB 5323)

This bill would have required a judge to retire from office either at the end of the calendar year in which the judge attains the age of 75 years or upon the expiration of the member's term of office after attaining such age.

Eliminating the Mandatory Retirement Provisions for District Court Judges (SB 6025)

This bill would have repealed the mandatory retirement provision for district court judges.