

Highlighted Pension Bills Impacting State Administered Retirement Systems

Brief Title	Bill	Requested by / Sponsor	Brief Description ¹	Cost (\$ in millions)	Immediate Rate Impact? ²	Status as of June 13
<i>Bills That Passed The Legislature</i>						
PSERS Employer Definition	<u>HB 1263</u> <u>SB 5161</u>	Select Committee on Pension Policy Crouse/Fain	Amends list of PSERS-eligible employers to include corrections entities created by interlocal agreement.	\$0.0	No	Gov. Signed, C 68 L 11
Plan 3 Default Investment Option	<u>HB 1625</u> <u>SB 5494</u>	Hunter/Brown	Changes the default investment program for the Defined Contribution component of the Plans 3.	Ind.	No	Gov. Signed, C 80 L 11
Higher Education Retirement Plans (HERPs) & Plan 1 Retire-Rehire*	<u>ESHB 1981</u>	Bailey	Limits the offering of HERPs and HERP supplemental benefits. Modifies HERP funding policy and requires OSA valuations of HERP supplemental benefits. Gives new higher ed. employees plan choice. Gives SCPP a statutory role in reviewing HERPs and requires SCPP to study HERPs in 2011. Removes option for retirees of Plans 1 to work over 867 hours while collecting their pension.	(\$23.2)	Yes	Gov. Signed, C 47 L 11

<p>Key: * = Administrative Impact for the Office of the State Actuary (OSA) Ind. = Indeterminate</p>	<p>Cost = 25-Year Total Employer Cost Not Available = Actuarial Fiscal note will be completed during the interim</p>
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Plan 1 COLA	<u>SHB 2021</u> <u>SB 5920</u>	Governor Pettigrew/Murray	Eliminates certain post-retirement COLAs, increases certain minimum benefits, and lowers minimum employer contribution rates for the Unfunded Actuarial Accrued Liability (UAAL) in PERS 1 and TRS 1	(\$7,632.1)	Yes	Gov. Signed, C 362 L 11
Average Final Compensation (AFC) Adjustment: state and local employees (11-13)	<u>HB 2070</u>	Seaquist	Requires Department of Retirement Systems (DRS) to include compensation foregone due to budget reductions during the 2011-13 Biennium when calculating AFC.	Not Available	Not Available	Gov. Signed, C 5 L 11
Bills That Did Not Pass The Legislature						
WSPRS Service Credit Buyback	<u>HB 1260</u> <u>SB 5159</u>	SCPP Bailey/Schoesler	Allows certain state troopers to consolidate prior PERS 2 service into WSPRS.	\$0.0	No	HB not heard in House SB passed W&M
TRS 1 Survivor Benefit Payment Option	<u>HB 1261</u> <u>SB 5163</u>	SCPP Seaquist/Hobbs	Provides a partial lump sum benefit payment option for certain survivors of active members of TRS 1.	\$0.3	No	HB not heard in House SB passed Senate W&M

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Brief Title	Bill	Requested by / Sponsor	Brief Description ¹	Cost (\$ in millions)	Immediate Rate Impact? ²	Status as of June 13
HERPs & Retire-Rehire: SCPP Proposal	<u>HB 1262</u>	SCPP Bailey/Murray	Limits the offering of HERPs and HERP supplemental benefits. Applies post-retirement employment rules to HERPs. Gives SCPP a statutory role in reviewing HERPs.	Ind.	No	Heard in W&M
	<u>SB 5162</u>					
Lump Sum Duty-Death Benefit	<u>HB 1450</u>	SCPP Seaquist/Conway	Increases the amount of the lump sum duty-death benefit provided for public employees and volunteer fire fighters to \$214,000.	\$13.3	No	HB not heard in House SB passed Senate W&M
	<u>SB 5160</u>					
Presumptive Medical	<u>SHB 1445</u> <u>SSB 5354</u> / <u>SB 5212</u>	LEOFF 2 Board Van De Wege/ Hargrove/ Hargrove	Adds heart problems and strokes that occur shortly after performing non-routine or strenuous work-related activities as presumptive duty-related conditions for members of WSPRS and LEOFF.	\$17.9	Yes	HB passed House Labor and Workforce Development (LWD) SB passed Senate Labor Commerce & Consumer Protection (LCCP) and heard in Senate W&M

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HERPs and Retire-Rehire: Higher Ed. & Returning to Same Employer	<u>HB 1022</u>	Carlyle	Creates new procedural requirements for rehired Higher Ed. employees and applies post-retirement employment rules to HERPs. Creates new separation from service requirements for retirees returning to the same employer. Removes option to work over 867 hours for retirees rehired by the same employer.	(\$5.7)	No	Not heard in House
HERPs and Retire-Rehire: Higher Ed. & Remove Plan 1 Extended Hours	<u>HB 1083</u>	Bailey	Applies post-retirement employment rules to employees in HERPs, and removes option for retirees of Plans 1 to work over 867 hours	(\$24.0)	Yes	Heard in House W&M
HERPs & Retire-Rehire: Governor's Proposal*	<u>SB 5474</u>	Governor Murray	Limits the offering of HERPs and HERP supplemental benefits. Limits the state contribution to HERPs and requires OSA valuations of HERP supplemental benefits. Gives new higher ed. employees plan choice.	Ind.	No	Not heard in Senate
Retire-Rehire: TRS 1 Non-Faculty Higher Ed.	<u>SB 5569</u>	Honeyford	Allows TRS retirees working in a non-instructional position in higher education to work unlimited hours while collecting their pension.	Non-zero, but Ind.	No	Passed Senate W&M

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Retire-Rehire: Remove Plan 1 Extended Hours	<u>SB 5852</u>	Hewitt	Removes the option to work more than 867 hours per year while collecting a pension for PERS and TRS Plan 1 members retiring on or after 9/1/2011.	(\$24.0)	Yes	Passed Senate and House W&M
Displaced State Debt Collector Benefits	<u>HB 1374</u> <u>SB 5284</u>	Hurst / Hobbs	Provides additional retirement benefits for state employees displaced by privatizing certain debt collection functions.	Not Available	Not Available	HB not heard in House SB not heard in Senate
State Patrol Interagency Agreements (Definition of "Salary")	<u>HB 1411</u> <u>SB 5255</u>	Van De Wege / Haugen	Expands the definition of "salary" used to calculate pension benefits for members of the WSPRS to include certain overtime.	\$16.7	Yes	HB not heard in House SB heard in Senate Transportation
Five-Year Vesting	<u>HB 1704</u>	Reykdal	Reduces the vesting period for the defined benefit portion of PERS 3, TRS 3, and SERS 3 from ten years of service to five.	\$59.4	Yes	Not heard in House
Rule of 85	<u>HB 1705</u>	Moscoco	Allows unreduced retirement based on the "Rule of 85" in Plans 2/3 of PERS, TRS, and SERS.	Not Available	Not Available	Not heard in House
Discontinue Plan 2/3 ERFs	<u>HB 1742</u>	Governor Hunter	Ends subsidized alternate early retirement for newly hired members in the Plans 2/3 of PERS, TRS, and SERS	(\$2,311.2)	No	Passed W&M

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Brief Title	Bill	Requested by / Sponsor	Brief Description ¹	Cost (\$ in millions)	Immediate Rate Impact? ²	Status as of June 13
AFC Adjustment: School Districts (09-11)	<u>HB 1787</u>	Rolfes	Requires DRS to include compensation forgone due to certain reductions in hours or pay during the 2009-11 Biennium when calculating AFC for school district employees in TRS and SERS.	Not Available	Not Available	Not heard in House
AFC Adjustment: Local Govt. (PERS, PSERS, LEOFF)	<u>HB 2018</u> <u>SB 5882</u>	Moeller / Schoesler	Requires DRS to include compensation forgone due to certain reductions in hours or pay during the 2011-13 Biennium when calculating AFC for local govt. employees in PERS, PSERS, and LEOFF.	\$22.4	Yes	HB not heard in House SB passed Senate W&M
AFC Adjustment: All PERS, state TRS & SERS (2011-13)	<u>SB 5829</u>	McAuliffe	Requires school districts to submit plans on how they will achieve budget reductions in the 2011-13 Biennium. Also requires DRS to include compensation forgone due to certain reductions in hours or pay during the 2011-13 Biennium when calculating AFC for all PERS members and state employees in TRS & SERS.	Not Available	Not Available	Heard in W&M
School Administrators Early Retirement Eligibility	<u>HB 1851</u>	Hunt	Allows school administrators earlier access to alternate early retirement provisions.	Not Available	Not Available	Not heard in House

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PERS 1 Membership (Unions & Associations)	<u>HB 1956</u> <u>SB 5833</u>	Seaquist / Fraser	Allows PERS 1 members employed by a labor union or employer association to opt out of PERS membership. Also allows PERS 1 retirees to return to work for a union or association employer for unlimited hours while receiving their full pension.	Ind.	No	HB not heard in House SB not heard in Senate
LEOFF 2 Contribution Rate	<u>HB 2068</u>	Van De Wege	Sets contribution rates for LEOFF 2 for the 2011-13 Biennium.	\$52.2	Yes	Heard in W&M
LEOFF 1 / LEOFF 2 Merger*	<u>HB 2097</u>	Sullivan	Merges the LEOFF 1 and 2 retirement funds, places LEOFF 1 under the governance of the LEOFF Board, and sets LEOFF 2 contribution rates for the 2011-13 Biennium.	(\$49.7)	Yes	Not heard in House
Constitutional Amendment on Contribution Rates	<u>HJR 4219</u> <u>SJR 8214</u>	State Treasurer Van De Wege/ Conway	Amends the state constitution and requires the Legislature to adhere to minimum contribution rates, wait at least two years before certain changes to actuarial methods or economic assumptions would become effective, and adopt policies to prevent the emergence or re-emergence of unfunded past liabilities.	(\$11.1)	Yes	HB heard in House W&M SB heard in Senate W&M

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DC Plans	<u>SB 5908</u>	Zarelli	Closes PERS, TRS, SERS, and PSERS to new employees, and creates a mandatory defined contribution plan for new employees. Also creates a three-fifths voting requirement for certain benefit changes.	\$471.9	No	Heard in W&M

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Other Pension And Non-Pension Bills of Interest ³				
Brief Title	Bill	Requested by / Sponsor	Brief Description ¹	Status as of June 13
<i>Bills That Passed The Legislature</i>				
2011-13 Operating Budget*	<u>2ESHB 1087</u>	Hunter	Section 105 requires OSA to study a merger of LEOFF 1 and LEOFF 2.	Gov. Signed, C 50 L 11 1st. Special Sess. PV
Legal Unions From Other States	<u>HB 1649</u>	Jinkins	Extends all the benefits, rights, and responsibilities that are currently provided to spouses and state registered domestic partners of members within the state retirement systems to qualified legal unions recognized by another state.	Gov. Signed, C 9 L 11
Tuition Setting*	<u>ESSHB 1795</u>	Carlyle	Grants tuition setting authority to universities. The original bill required OSA to provide actuarial analysis, program direction, and guidance on the GET program. All references to OSA were dropped from the version enacted.	Gov. Signed, C 10 L 11 1st Special Sess. PV
GET Actuary*	<u>ESSB 5749</u>	Brown	Modifies governance of the GET program and requires the state actuary to provide actuarial analysis and recommendations for the GET Program.	Gov. Signed, C 12 L 11 1st. Special Sess. PV
3% Salary Reduction	<u>ESSB 5860</u>	OFM / Murray	Implements a 3 percent salary reduction for most state employees, and extends the temporary salary freeze and prohibitions against certain performance-based awards.	Gov. Signed, C 39 L 11 1st. Special Sess.

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Brief Title	Bill	Requested by / Sponsor	Brief Description ¹	Status as of June 13
<i>Bills That Did Not Pass The Legislature</i>				
Eliminating Mandatory Retirement Age for Judges	HB 1201	Van De Wege	Eliminates the mandatory retirement age for judges, contingent on passage of a constitutional amendment.	Not heard in House
Park Rangers	HB 1321	Finn	Changes the authority of the State Parks and Recreation Commission from a limited to a general authority law enforcement agency.	Heard in Public Safety & Emergency Preparedness
L&I Duty Death Benefit	SHB 1444	Kirby	Allows certain LEOFF & WSPRS surviving spouses to continue receiving L&I survivor pensions regardless of remarriage.	Passed House LWD
Health Coverage for Retired Local Govt. Employees	HB 1693 SB 5565	Hunt / Fraser	Allows certain retired local government employees to participate in Public Employees Benefits Board (PEBB) insurance plans.	HB not heard in House SB not heard in Senate
Eliminating Mandatory Retirement Age for Judges	HB 1201	Van De Wege	Eliminates the mandatory retirement age for judges, contingent on passage of a constitutional amendment.	Not heard in House
Volunteer Fire Fighters and Reserve Officers Pension Fund Membership	HB 1723	Appleton	Expands membership in VFFRPF to include certain emergency incident support volunteers.	Not heard in House

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Brief Title	Bill	Requested by / Sponsor	Brief Description ¹	Status as of June 13
Pre-LEOFF Tax Allocations	<u>HB 1784</u>	Orwall	Requires cities and towns that enter into a regional fire protection service authority to continue to certify to the state treasurer the number of paid firefighters in the fire department immediately before entering into the regional fire protection service authority until all obligations against the firefighters' pension fund in the city or town have been satisfied.	Not heard in House
Civil Marriage Equality	<u>HB 1963</u>	Moeller	Allows same-sex partners to enter into a civil marriage and to qualify for survivor benefits prior to January 1, 2014.	Not heard in House
Actuarial Services - Risk Assessment*	<u>SHB 1998</u>	Bailey	Requires OSA to produce an actuarial study of the financial risks to state retirement systems every six years, and expands OSA's statutory duties to include advising the Governor and Legislature on financial risks.	Passed House
LEOFF 2 Alternate Revenue	<u>HB 2071</u>	Van De Wege	Cancels a potential transfer of \$5 million to the public safety enhancement account and establishes a funding policy for LEOFF 2 benefit improvements linked to future revenue transfers.	Heard in W&M
Eliminating Mandatory Retirement Age for Judges	<u>SB 5147</u>	Hargrove	Eliminates the mandatory retirement age for judges.	Not heard in Senate
Retirement of Judges	<u>SB 5323</u>	Shin	Allows members of the JRS who have reached the mandatory retirement age the option of delaying retirement to the end of their term, contingent on passage of a constitutional amendment.	Not heard in Senate

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VFFRPF Purchase of Pension Coverage	<u>SB 5365</u>	Nelson	Allows members of VFFRPF to purchase benefit service credit, at full actuarial cost, for certain periods of volunteer service.	Passed W&M
Teachers Retirement Incentive	<u>SSB 5846</u>	Brown	Provides a health insurance subsidy as a retirement incentive for certain teachers who retire prior to the 2011-12 school year.	Passed House
Teacher Bonuses and Salary Schedule	<u>SB 5914</u>	Tom	Changes personnel and pay practices for teachers regarding bonuses, salary schedules, and reductions in force.	Heard in W&M

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	<u>SB 5159</u>	
TRS 1 Survivor Benefit Payment Option	<u>HB 1261</u>	2
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<i>Bills Addressing AFC Adjustments (Salary Reductions)</i>		
AFC Adjustment: State and local employees (11-13)*	<u>HB 2070</u>	2
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HERPs & Retire- Rehire: Governor's Proposal	<u>SB 5474</u>	4
Retire-Rehire: TRS 1 Non-Faculty Higher Ed.	<u>SB 5569</u>	4
Retire-Rehire: Remove Plan 1 Extended Hours	<u>SB 5852</u>	5

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Glossary

PERS: Public Employees' Retirement System.

TRS: Teachers' Retirement System.

SERS: School Employees Retirement System.

PSERS: Public Safety Employees' Retirement System.

LEOFF: Law Enforcement Officers' and Fire Fighters'.

WSPRS: Washington State Patrol Retirement System.

AFC: Average Final Compensation.

COLA: Cost-of-Living Adjustment.

DRS: Department of Retirement Systems.

HERP: Higher Education Retirement Plan.

HB: House Bill.

L&I: Department of Labor and Industries.

LCCP: Committee on Labor, Commerce, and Consumer Protection.

LWD: Committee on Labor and Workforce Development.

OSA: Office of the State Actuary.

SB: Senate Bill.

W&M: Committee on Ways and Means.

2011 Legislative Session Highlights

Retire - Rehire: Comparison of SCPP Recommendation and Enacted Legislation

Provisions	HB 1262 / SB 5162 (SCPP Recommendation)*	ESHB 1981 (Passed Legislature)*
Limits offering of HERPs		
Can only be offered to faculty and "senior academic administrators", as defined in the bill	1	
Can only be offered to faculty and employees exempt from civil service under RCW 41.06.070(1)(cc) and (2)		2
Cannot be offered to those who are retired, or are eligible to retire from any DRS-administered system (41.45.030)	1	2
Applies postretirement employment rules to retirees receiving or accruing benefits in a HERP		
PERS postretirement employment rules applied to PERS retirees	3	19
Makes current practice explicit for SERS and PSERS		15/16/17
Makes current practice explicit for TRS 2/3		11/12/13/14
Modifies Plans 1 extended hours		
Removes optional Plans 1 extended hours from PERS and TRS completely		10/19
Prohibits HERP supplemental payments to higher education employees who:		
Are hired after the effective date of the act	1	
Are hired on or after July 1, 2011		2
Prefunding of HERP Supplemental Benefits		
Creates fund to prefund HERP supplemental benefits, and sets employer contribution rates for prefunding		7
New hires eligible for HERPs must make irrevocable choice for retirement plan		
New faculty must choose TRS 3, or HERP w/o supplemental benefit		9
New non-faculty must choose PERS 3, or HERP w/o supplemental benefit		18

* Numbers in boxes represent bill section numbers enacting those provisions.

Provisions	HB 1262 / SB 5162 (SCPP Recommendation)*	ESHB 1981 (Passed Legislature)*
Limits state contributions to HERPS		
Limits state contribution to HERP to 6% of salary (except SBCTC and HECB)		7
Separation from Service Requirements		
Creates presumption for PERS that separation of service was not valid if the employee returns to same employer within 3 months	3	
SCPP Duties		
Requires SCPP to evaluate suitability and necessity of HERPs, and report to Legislature by December 31, 2011		7
Changes list of committees responsible for determining when and how periodic review of HERPs will take place		
Adds SCPP	2	7
Adds Pension Funding Council		7
Requires OSA to contract with institutions for:		
Actuarial valuation of HERPs, every two years		7
Experience study of HERPs, at least once every six years		7
Technical Change		
Technical change -- requires the institution to determine certain aspects of monthly benefits. (Currently done by DRS)		8
Effective Date		
Effective Dates	7/1/2011	Most sections effective 7/1/2011 -- Sections 10 and 19 take effect 7/1/2012

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