



Select Committee on Pension Policy

2012 Legislative Highlights

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Session Overview

- Another unusual year
- Two special sessions - one was only a few hours long
- Pensions were a key issue
 - Included in final budget negotiations
- New studies
- No immediate rate impact from bills that passed



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Today's Presentation

- Six bills that passed
- Fifteen bills that did not pass
- Update included in meeting materials



Pension Changes For New Hires (2ESB 6378)

- Part of budget negotiations
- In brief, it does three things
 - Reduces subsidized early retirement benefits for new hires only
 - New Early Retirement Factors (ERFs)
 - PERS, SERS, and TRS
 - Codifies lower Rate-Of-Return (ROR) assumptions
 - Requires SCPP to study
 - Job classifications that entail high degrees of physical risk for possible inclusion in PSERS
 - Early retirement factors for school employees
- Will be covered in detail later today



Budget Contained A Pension Study

- Budget proviso
 - Section 606(13) of 3ESHB 2127
- WSIPP required
 - To collaborate with OSA
 - To report to SCPP and the Legislature
- Evaluation of state pension benefits
 - Benefit adequacy/comparability
 - Barriers to portability and enrollment
 - Comparison to other states
 - Level of benefits
 - Overtime and excess comp, particularly for agencies that operate on a 24-hour basis
- Report due to SCPP and W&M committees by December 1, 2012



Two Bills Passed Regarding Transfer Of Service Credit

- ESB 5159 ("CVEO bill")
 - Recommended by SCPP in 2011
 - CVEO: Commercial Vehicle Enforcement Officer
 - Allows transfer of service credit from PERS to WSPRS for former CVEOs who became commissioned troopers
- SB 6134 (Fish and Wildlife Service Credit)
 - Allows transfer of prior service credit two years earlier than under current law
 - Transfer from PERS 2/3 to LEOFF 2



Two Bills At Least Partly Related To State Supreme Court Cases

- EHB 2771 (Definition of state employee)
 - Related to the case of *Dolan v. King County*, Case No. 82842-3
 - States that for the purposes of the retirement system, the term “employer” does not include government contractors
 - Bill does not affect ruling in the case (King County public defender agencies remain part of PERS)
- SHB 1552 (Garnishment procedures)
 - Related to case of (*Anthis v. Copland*, 270 P.3d 574)
 - States that pensions are not subject to garnishment, even after being paid to the retiree or deposited in an account
 - Governor asked SCPP to study the issue
 - Will be discussed in separate briefing later today



LEOFF Merger Bills Did Not Pass

- HB 2350 and SB 6563 would have
 - Merged the LEOFF 1 and 2 retirement funds
 - Modified the LEOFF 2 Board’s duties and authority
 - Lowered the state’s contribution to LEOFF 2 to zero for the remainder of the biennium



SCPP Membership Bill Did Not Pass

- HB 2738 would have required one of four employer representatives on SCPP to be a Higher Education Retirement Plan (HERP) administrator



Two Bills On Pension Spiking/Excess Compensation Did Not Pass

- Topic will be covered in separate briefing later today
- HB 2441 (Excess Compensation)
 - Would have modified the definition of "excess compensation" to include reportable compensation exceeding one and one-half times the base salary
- SB 6543 (Plans 2/3 Overtime)
 - Would have excluded overtime from reportable compensation for most new hires
 - Would have created an employer contribution rate for overtime for current members



Judicial Retirement Bills Did Not Pass

- Seven bills modifying mandatory retirement provisions for judges
- Bills differed on
 - How provision was modified
 - Which judges were impacted
- In general, either removed mandatory retirement provision, or changed the timing



Three Bills Creating New Income Tax Did Not Pass

- Pensions generally exempt from state and local taxes
- Under each bill, pensions were not exempt from the new income tax
 - SB 6495
 - SB 6548
 - HB 2486/SB 6550



WSPRS Contribution Rate Bill Did Not Pass

- Would have set the ongoing member contribution rate to WSPRS Plans 1 and 2 at 7 percent, plus the cost of any improvements
- Current member rate for WSPRS 1/2 is 6.59 percent
- HB 2467/SB 6219



Summary

- Pensions were a key issue
- Pension changes
 - Reduction in subsidized retirement benefits for new hires only
 - Codified ROR assumptions
 - Briefing later today
- New studies
 - SCPP to study high-risk job classifications, and ERFs for school employees
 - SCPP to receive report from WSIPP on benefits adequacy, comparability, and portability
- Governor's request to study pension garnishment
 - Briefing later today

