



Select Committee on Pension Policy

2013 Legislative Session Highlights

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Today's Presentation

- Session Overview
 - Bill and hearing metrics
- Bill Highlights
 - SCPP recommended
 - 2013 pension-related bills passed
 - Major pension legislation
 - Relating to SCPP 2012 interim study
 - Returning bills/concepts
- Additional detail included in meeting materials



Session Overview

- Two special sessions
- Major pension legislation introduced but not passed
- A number of returning bills/issues
- No immediate rate impacts from bills passed
- No new statutory studies for SCPP



Pension Related Bill Metrics

- Fifty-one introduced pension-related bills, including companions and substitutes
- Three bills passed
- Forty-five actuarial fiscal notes completed, including companions and substitutes



Bill Highlights

1. SCPP recommended
2. 2013 pension-related bills passed
3. Major pension legislation
4. Relating to SCPP 2012 interim study
5. Returning bills/concepts



1. SCPP Recommended DRS Retire-Rehire Bill Did Not Pass (HB 1226/SB 5633)

- Addresses restrictions on collecting a pension benefit in PERS for retirees returning to work.
- Bill restores prior policy for return-to-work rules as follows
 - Reapplies the 867-hour option for certain retirees
 - States the return-to-work policies apply to those hired only into eligible positions.
- House and Senate bills passed their respective fiscal committees



2. Three Bills Passed The Legislature

- **SHB 1180 - VolFire duty death benefits**
 - Increases lump-sum death benefits from \$152,000 to \$214,000 and increases monthly annuity from \$110 to \$500 per surviving dependent child
- **SHB 1868 (SB 5698) - Disabled LEOFF Plan 2 members**
 - Provides access to health insurance for totally disabled LEOFF 2 members that don't have access to employer sponsored retiree medical or Medicare and COBRA has expired
- **SB 5046 (HB 1266) - District judge retirement age**
 - Allows judges who turn 75 to serve the remainder of their term



3. Major Pension Bills Introduced This Session

- Defined contribution plan (SB 5851 and SB 5856)
 - Additional detail in Appendix
- Excess compensation (SB 5392 and SB 5916)
- None passed Legislature



Optional Defined Contribution Legislation (ESSB 5851)

- Creates an *optional* defined contribution plan called the Public Employees' Savings Plan (PESP)
 - New hires may join the PESP instead of a DB plan
 - Existing employees may transfer their DB membership into the PESP
- Passed the Senate



Mandatory Defined Contribution Legislation (SB 5856)

- Creates a *mandatory* defined contribution plan known as the PESP
 - Closes most Plans 2/3
 - Requires new hires and current employees aged 45 or younger to participate in PESP
- Received a public hearing in the Senate Ways and Means Committee



Excess Compensation (SB 5392)

- Expands definition of excess compensation to include increases of reportable compensation of more than *150 percent* of the prior salary averaging period as a result of
 - Overtime
 - Bonuses
 - Leave cash-outs
 - Lump sum payments
- Same bill as studied by SCPP in 2012 Interim
- Passed the Senate Ways and Means Committee



Excess Compensation And LEOFF 1 Benefits (SSB 5916)

- Expands definition of excess compensation to include increases of reportable compensation of more than *125 percent* of the prior salary averaging period
- New definition applies to all retirements occurring after June 30, 2011
- LEOFF 1 provisions on next slide



SSB 5916 (Continued)

- In addition to excess comp, includes provisions on LEOFF 1 benefits
 - Allows members or employers to appeal any determination by a disability board to the director of DRS
 - Requires DRS to review compensation increases reported for all LEOFF 1 retirees since July 1, 2010
 - Work group is created to develop a voluntary local government risk pool for LEOFF 1 retiree medical services.
- Passed the Senate Ways and Means Committee

**4. Multiple Bills Relating To SCPP High Risk Job Classification/ERF Study Introduced**

- Mandated study in 2ESB 6378 (2012) required SCPP to evaluate and study high-risk job classifications and classroom employee ERFs
- Study found that
 - Certain employers and occupations had compensable claims rates that were higher than the general population
- Two PSERS expansion bills
 - EHB 1923/SB 5781 - DSHS and Corrections
 - HB 1929/SB 5853 - Trades people at PUDs
- Two SERS enhancements for K-12 service workers
 - HB 1913/SB 5827 - Increased benefit multiplier
 - HB 1914/SB 5830 - Reinstates ERFs



EHB 1923 & SB 5781

- Expand PSERS membership definition for DSHS and corrections employees
- EHB directs OSA to study PSERS employer and membership changes since creation of system
- House bill passed the house



HB 1929 And SB 5853

- Add Public Utility Districts that provide electrical services to statutory list of PSERS employers
- HB received public hearing; no action in Senate



HB 1913 And SB 5827

- Increases benefit multiplier for K-12 Service Workers
 - Plan 2: from 2.00 percent to 2.10 percent
 - Plan 3: from 1.00 percent to 1.05 percent
 - Multiplier applies to all service credit in the plan
- HB received public hearing; no action in Senate



HB 1914 And SB 5830

- Reinstates repealed ERFs for K-12 Service Workers
 - Must be employed as a "service worker" at time of retirement
 - ERFs apply to all service credit in the plan

	Early ERFs	Alternate ERFs
Age eligibility	55	55
Years of service	20	30
Benefit Reduction (per year before age 65)	Actuarially Reduced	3%

- Applies to new employees hired on or after May 1, 2013, only
- No action on HB or SB



5. Resurfacing Of Past Bills Or Concepts

- Rule of 85 (HB 1665)
- Five-year vesting for Plan 3 (HB 1666/SB 5652)
- Definition of salary in WSPRS (HB 1904/SB 5832)
- General law enforcement authority, does not confer LEOFF 2 membership
 - State Park Rangers (SHB 1875)
 - Liquor Control Board Enforcement Officers (HB 1905)
 - Natural Resource Investigators (ESHB 1399)



Summary

- Few pension related bills passed in 2013 session
 - No immediate rate impacts
- High volume of pension-related bills introduced
- High profile bills did not pass
- No new SCPP studies



Appendix



Comparison Of PESP Bills Introduced In The 2013 Session

	SB 5851	SSB 5851 (S-1896.1)	ESSB 5851	SB 5856
Membership	All public employees except policy & fire	Same as 5851	Same as 5851	Same as 5851
Participation	Optional for new hires. Current Plan 2/3 members may make one-time, irrevocable choice	Same as 5851	Same as 5851 with additional option to transfer to from PESP to Plan 3	Mandatory for new hires & current employees under age 45 on 7/1/14
Default Plan	DB Plan 3 after 90 days	PESP	Same as 5851	PESP
Member Contributions	5% until age 35 7.5% age 35+	Same as 5851	Same as 5851	Same as 5851
Service/Contr Transfer	DB service & member contr. w/ interest/earnings transferred 7/1/15	Same as 5851	Same as 5851	DB service & member contr. w/ interest/earnings transferred 7/1/14
Transfer Payment	Made to PESP acct on 7/1/17. Represents employer provided portion of accrued benefit. Member must be continuously employed.	Same as 5851	Same as 5851	Made to PESP acct on 7/1/16. Represents employer provided portion of accrued benefit. Member must be continuously employed.

