Issue Digest
Late Employer Reporting/Dolan

Issue

A recent State Supreme Court case (*Dolan v. King County*) added approximately 900 existing contract employees to the Public Employees' Retirement System (PERS). As a result, those employees were awarded retroactive credit for service earned back to the beginning of their careers. This results in late reporting of an unprecedented size and cost to the system. The current settlement agreement would pass the cost to other plan members and employers.

Background

- Late and under-reporting of service create a cost to the retirement system due to the shortening, or removal, of prefunding.
- The Department of Retirement Systems (DRS) has discretionary authority to bill the responsible employer for interest on late contributions.
- The terms of the settlement agreement included the payment of attorney's fees using money from the PERS trust fund.
- DRS was not a party to the suit and has filed an appeal. The appeal is still pending in the Court of Appeals.
- The Legislature passed a bill aimed at preventing similar outcomes by clarifying that similarly situated employees are not eligible for PERS.
- The Legislature considered, but did not pass a bill that would have shifted material costs of late reporting back to responsible employers.

Questions

Does the SCPP want to study the general policy for when late reporting creates a material cost to the retirement system?

Does the SCPP want to study other impacts from the *Dolan* case once the appeal and other impacts are finalized?

Fiscal Impact

Unknown due to lack of data.

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