

Retirement/Health Benefits
Bill Watch
January 15, 2010

Select Committee on Pension Policy (SCPP) Recommended Issues:

- Disability Benefits: Authorizes the Washington State Institute of Public Policy to continue to develop options for long-term disability benefits as identified in its 2009 study, and requires the Health Care Authority to institute an improved communications program around the Public Employee Benefits Board's (PEBB) optional long-term disability insurance plan.
- HB 1545 & SB 5302 Past Part-Time Service Credit: Grants half-time service credit to certain Plans 2/3 members who worked at least half-time for an educational employer prior to 1987.
- \$150,000 Death Benefit: The retirement systems provide a \$150,000 death benefit for public employees who die as a result of a duty-related injury or illness. The benefit amount has not changed since the benefit was first established in 1996. Action on this issue is pending depending on recommendation decisions at the January 18, 2010 SCPP meeting.

2010 Session Bills:

- HB 2607 Postretirement Employment Exception (Rep. Sullivan): Provides an exception to postretirement employment restrictions for retirees teaching in the high demand math, science, or special education areas. The exception leaves the 1500 hour yearly limit intact but leaves out the 1900 hour beyond 867 yearly limit, thus generally making it possible to work more than three years in retire/rehire. H. W&M
- HB 2679 Delaying Benefit Increases (Rep. Bailey): Prohibits any benefit increases in the Washington state retirement systems from being enacted until the development of a risk analysis system by the office of the state actuary (OSA) which anticipates that will be completed by December 31, 2012. The SCPP may not recommend any increases in pension benefits until the earlier of December 31, 2011, or the completion of the risk assessment by the OSA.

Other Possible Pension Issues

- Change Plans 2/3 Default: New employees hired into TRS, SERS or PERS eligible positions must make a choice between being a member of Plan 2 or of Plan 3. If a choice is not made the new member is defaulted into Plan 3. This legislation would change the default from Plan 3 to Plan 2.
- Survivor Access to Plan 1 TRS Annuity: Allows the survivor of an active Plan 1 TRS member that is eligible to retire that dies to have access to the cash-out of the member's annuity portion of the pension. Living retirees do have the option of cashing out their annuity.

- School Administrator Contract Year: Many school administrators that are in Plans 2/3 who decide to retire on July 1st of their 30th year are effectively short two months of service credit in reaching the full 30 years of service credit necessary in order to take advantage of the age 62 alternate early retirement provisions available starting in 2008. The reason for this situation is that the administrator's fiscal contract runs from July 1 thru June 30th whereas other school employees are on a September 1 to August 31 contract. This legislation would allow Plans 2/3 administrators who wish to retire on July 1 of their 30th contract year to qualify for retirement under the age 62 alternate early retirement option instead of having to work to August 31st of their 31st contract year to qualify.

Other Information:

In addition to these issues WASA and AWSP have a number of important issues that impact our members that have been submitted to the Select Committee on Pension Policy (SCPP) in the past that probably are inappropriate for attention at this time due to their cost and the economic conditions within the state and nation. These are issues such as: Plan 3 Vesting, Plan 2 Access to the PEBB, Survivor Benefits and Plan 2/3 Postretirement Employment.

SERS Plan 3 Employee Contribution Rate Option: At the request of stakeholder groups, led by PSE, the SCPP Executive Committee sent a letter to the IRS asking that there be reconsideration of allowing PERS and SERS Plan 3 members have an annual option to change the employee's contribution rate as is given TRS Plan 3 members.

A "Pension Risk Assessment Advisory Group" of the SCPP was formed this fall in response to reports from the Office of the State Actuary (OSA) regarding the health of Washington State's pension systems. The report from the OSA state that the systems face significant short – to medium-term funding challenges and business as usual is not likely to see them through. This advisory group will be meeting throughout the 2010 interim.

Constitutional Amendment on Minimum Pension Funding: The SCPP at their December 2009 meeting was given a briefing on the issue of a possible constitutional amendment on minimum pension funding. Former Representative Bill Fromhold testified at that meeting that he is currently working with James McIntire, State Treasurer, and others to develop a constitutional amendment regarding pension funding. Senator Hobbs, SCPP member, has also expressed interest in such a constitutional amendment and has developed a draft somewhat different than that shared by Bill Fromhold. A constitutional amendment would make it harder for the legislature to reduce contribution rate floors or reduce Pension Funding Council recommendations.

Gain-Sharing Trade-Off Lawsuit: Any action appears to continue to drag on. Summary judgment is scheduled for June 25, 2010 and the possibility of a trial in August, 2010.