

SENATE BILL REPORT

SB 5302

As of February 3, 2009

Title: An act relating to granting half-time service credit for half-time educational employment prior to January 1, 1987, in plans 2 and 3 of the school employees' retirement system and the public employees' retirement system.

Brief Description: Granting half-time service credit for half-time educational employment prior to January 1, 1987, in plans 2 and 3 of the school employees' retirement system and the public employees' retirement system.

Sponsors: Senators Kilmer, Schoesler, Hobbs, Fraser, Holmquist and Roach; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/02/09.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: The Public Employees' Retirement System (PERS) provides benefits for all regularly compensated public employees and appointed and elected officials unless they fall under a specific exemption, such as qualification for another of the state retirement systems. Covered employers include all state agencies and subdivisions and most local government employees not employed by the cities of Seattle, Tacoma, and Spokane.

The School Employees' Retirement System (SERS) was opened to membership on September 1, 2000. At that date, all employees of a school district or an educational service district (educational employees) that were previously members of PERS Plan 2 were transferred into SERS Plan 2. SERS Plan 2 members were also given an option to transfer into SERS Plan 3. PERS Plan 2 members were given an option to transfer to PERS Plan 3 when that plan was opened in 2002.

Before 1987 members of PERS Plan 2 who were employed by a school district or educational service district position received 12 months of service credit if they were continuously employed for a period of nine months and worked at least 90 hours a month in at least nine months of the school year. Members who did not qualify for a full 12 months of service credit would receive one month of service credit for each month that they worked at

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least 90 hours. No service credit was awarded for months in which a member worked fewer than 90 hours.

Currently, educational employees belonging to PERS or SERS Plan 2 or 3 who work at least 810 hours over the course of a full school year receive 12 months of service credit. Members working at least 630 hours but fewer than 810 hours over the course of a full school year or at least 630 hours over the course of five months in a six-month period are eligible for six months of service credit.

Service credit is also available on a monthly basis for members who work for less than a full year or fewer than 630 hours. A month of service credit is awarded for each month in which a member works at least 90 hours. Members working at least 70 but fewer than 90 hours are eligible for a half month of service credit. A quarter month of service credit is given any month in which a member works fewer than 70 hours.

Summary of Bill: The Department of Retirement Systems is directed to recalculate the service credit of currently active PERS and SERS Plan 2/3 members who worked in an eligible school position prior to 1987 in order to provide half years of service credit for those members who would have been eligible under current rules. A member will receive a half month of service credit for each month worked in a school year in which the member was employed for at least nine months and worked at least 630 hours in an eligible position with a school district, educational service district, the State School for the Blind, the State School for the Deaf, or an institution of higher education or community college. The new calculated half years of credit replace whatever credit a member was previously awarded for the relevant period of service. The recalculation of past service credit may not reduce a member's accumulated service credit.

To be eligible for a half year of service credit, the member must not have withdrawn contributions for the period in question.

The service credit and retirement allowance of a retired member are not affected.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill would remedy a longstanding inequity in the calculation of service credit for classified school employees. The bill represents a compromise designed to improve the equity of the system while minimizing the financial impact on the state.

Persons Testifying: PRO: Carey Ensign, David Westberg, International Union of Stationary Engineers.