

HOUSE BILL REPORT

SB 6376

As Reported by House Committee On: Appropriations

Title: An act relating to the transfer of seasonal and military leave of absence employees to the public employees' retirement system plan 3.

Brief Description: Allowing the transfer of seasonal and military leave of absence employees to the public employees' retirement system plan 3.

Sponsors: Senators Regala, Winsley, Fraser, Carlson, Jacobsen, Rasmussen, Kastama and Oke; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 2/25/02, 2/26/02 [DPA].

Brief Summary of Bill
(As Amended by House Committee)

- Provides an additional opportunity for seasonal employees and employees on military leave of absence who are members of Public Employees' Retirement System Plan 2 (PERS 2) to transfer to PERS 3.
- Employees of state agencies and institutes of higher education will receive the transfer payment for transferring to PERS 3 if they receive service credit in June 2002. Employees of other organizations will receive the transfer payment for transferring to PERS 3 if they receive service credit in either June 2002 or February 2003.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 22 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, McIntire, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Staff: Andrea Hardy (786-7349).

Background:

In the 2000 legislative session, a new Public Employees' Retirement System Plan 3 (PERS 3) was created for employees of state agencies and higher education institutions, effective March 1, 2002. PERS 3 is available to employees of local government who may transfer to PERS 3 effective September 1, 2002.

PERS 3 is a split plan, similar to the Teachers Retirement Plan 3, with a defined benefit portion and a defined contribution portion. The design of the defined benefit portion of PERS 3 is generally the same as PERS 2, except PERS 3 has a 1 percent benefit at retirement rather than 2 percent. The defined benefit portion is funded entirely by employer contributions; PERS 3 members make no contributions to the funding of the defined benefit portion.

Current members of PERS 2 have the option to transfer to PERS 3. Those who do so have their service credit and accumulated contributions transferred to their individual account in PERS 3. PERS 2 members who: 1) Are state agency and higher education employees; 2) transfer between March 1, 2002, and September 1, 2002; and 3) earn service credit in February 2003, will receive a transfer payment to their PERS 3 defined contribution accounts equal to 110 percent of their accumulated contributions. Local government employees who transfer from PERS 2 to PERS 3 between September 1, 2002, and June 1, 2003, and who earn service credit in February 2003, receive a 111 percent transfer payment. Transfer payments will be made June 1, 2003.

Initial PERS 3 legislation did not exempt seasonal employees and employees on military leave of absence from transfer window requirements. This means that, although they are regular employees and members of the PERS 2 system, seasonal employees and employees on military leave of absence may not have the opportunity to benefit from the transfer payment option because they might not be employed and earning service credit in February 2003.

Summary of Amended Bill:

Seasonal employees who are members of PERS 2 may transfer to PERS 3 and receive the transfer payment if they apply to transfer to PERS 3 in any month that service credit is earned between March 1, 2002, and March 1, 2003. Employees who are members of PERS 2 and are on a military leave of absence during the transfer window period for their employer may opt to transfer to PERS 3 as long as they: 1) Purchase at least one month's service credit that falls within the transfer window; and 2) purchase service credit for February 2003.

The designated period to qualify for the transfer payment for transferring from PERS 2 to PERS 3 is June 2002 for employees of state and higher education and either June 2002 or

February 2003 for employees of all other organizations.

Amended Bill Compared to Original Bill:

The amended bill changes the period during which an employee must earn service credit from February 2003 to June 2002 for employees of state and higher education, and either to August 2002 or February 2003 for employees of all other organizations.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This is a good bill, but it should be amended to allow people to qualify for the transfer payment if they receive service credit in June. That way, if positions are subject to reductions in force effective in July, those employees will still be able to transfer to PERS 3 and receive the transfer payment.

Testimony Against: None.

Testified: Lynn McKinnon, Washington Public Employees Association.