
Appropriations Committee

HB 2389

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

Sponsors: Representatives Conway, Doumit, Cooper, Delvin, Talcott, Lovick, Lysen, Haigh and Simpson; by request of Joint Committee on Pension Policy.

Brief Summary of Bill

- Provides an additional opportunity for seasonal employees and employees on a military leave of absence who are members of Public Employees' Retirement System, Plan 2 to transfer to Public Employees' Retirement System, Plan 3.

Hearing Date: 1/24/02

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 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 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.

Appropriation: None.

Fiscal Note: Requested on January 17, 2002.

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