

SENATE BILL REPORT

SB 6450

As of January 26, 2006

Title: An act relating to vesting after five years of service in the defined benefit portion of the public employees' retirement system, the school employees' retirement system, and the teachers' retirement system plan 3.

Brief Description: Allowing vesting after five years of service in the defined benefit portion of the public employees' retirement system, the school employees' retirement system, and the teachers' retirement system plan 3.

Sponsors: Senators Pridemore, Mulliken, Fraser, McAuliffe and Rasmussen; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/23/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: A member of a retirement system administered by Washington State must complete a specific amount of qualified employment before he or she is entitled to a pension benefit. This period of service requirement is called "vesting."

In the Public Employees' Retirement System (PERS) Plans 1 and 2, the School Employees' Retirement System (SERS) Plan 2, and the Teachers' Retirement System (TRS) Plans 1 and 2, the vesting period for employees is five years. After five years of service in Plan 1 or Plan 2, members' defined benefits are based in part upon the number of qualified years of service they have worked multiplied by 2 percent of their final average salaries. The method of calculating final average salary varies by plan.

The Plans 3 are a "hybrid" plan design in which employer contributions are made to support a defined benefit, and employee contributions are made into individually defined contribution accounts.

In PERS 3, SERS 3, and TRS 3, the vesting period in the defined benefit portion of employees' benefits is 10 years, or five years including one year after age 54. After 10 years of service, a Plan 3 member's defined benefit is based upon the number of qualified years of service he or she has worked multiplied by 1 percent of average final salary. Plan 3 members vest immediately in the defined contribution portion of their benefits.

Members who were already vested in Plan 2 when they transferred to PERS 3, SERS 3, or TRS 3 remain vested members.

Summary of Bill: Members of PERS, TRS, and SERS Plans 3 vest after five years of service.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This bill will bring Plan 3 vesting requirements in line with the state's other retirement systems and the most other state retirement systems across the country. Newly hired teachers and other new school employees do not have the option to enroll in the Plans 2, and so reducing the vesting period for the Plans 3 from 10 years to 5 years will help school districts to retain staff members.

Testimony Against: None.

Who Testified: PRO: Don Carlson, Public School Employees of Washington; Lee Goeke, Vancouver Public Schools and Washington School Personnel Association; Randy Parr, Washington Education Association; Wendy Rader-Konofalski, American Federation of Teachers Washington; David Westberg, Stationary Engineers.