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## Appropriations Committee

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### HB 1322

**Brief Description:** Addressing membership in state retirement plans prior to attaining the normal retirement age in another plan.

**Sponsors:** Representative Reykdal.

#### Brief Summary of Bill

- Removes the "estoppel rule" prohibition on members eligible, but not receiving, early retirement benefits from a certain Washington public retirement systems from joining a subsequent retirement plan.
- Limits the prohibition to members receiving or eligible to receive "normal," or unreduced retirement benefits based on more than 15 years of service credit.

**Hearing Date:** 1/29/15

**Staff:** David Pringle (786-7310).

#### **Background:**

The Washington State Retirement Systems restrict entry into retirement plan membership for certain persons who retire out of one retirement system and return to work in a position covered by a different retirement system. Enacted in 1976, this provision is commonly referred to as the "estoppel rule," and it applies if a person is either retired or eligible to retire from one of the public retirement systems, or is receiving a disability allowance from one those systems. Members with fewer than 15 years of accumulated service credit are not subject to the estoppel rule. The estoppel rule applies to the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Public Safety Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the First-Class Cities Retirement Systems, and others, subject to some exceptions in particular plans.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Until October of 1977, members entering regular employment with state employers, local governments, or school districts most often became members of the Public Employees' Retirement System Plan 1 (PERS 1), or the Teachers' Retirement System Plan 1 (TRS 1). PERS 1 and TRS 1 provide for full earned retirement benefits, or "normal retirement" at any age with 30 years of service, age 55 with 25 years of service, or age 60 with 5 years of service.

Members of PERS 1 or TRS 1, based on retirement formulas established in the early 1970's, could receive a pension based on 2 percent of final average salary per year of service up to a maximum of 60 percent of pay, or 30 years of service. Until the enactment of the estoppel rule several years later, members might avoid the application of the 30 years of service cap on pension benefit accrual by moving from either PERS 1 or TRS 1 to a position covered by the other plan.

The PERS and TRS Plans 2 and 3, in which employees first employed after October 1977 have been enrolled, do not have limitations on the number of years of service that may be counted in the calculation of retirement benefits. The same is true for other Plans 2 and 3 such as the School Employees' Retirement System and the Public Safety Employees' Retirement System.

The Plans 2 and 3 contain early retirement provisions in addition to providing for normal (unreduced) retirement. While the Plans 2 and 3 contain a number of early retirement formula, they generally provide the option of reduced benefits beginning at age 55 or lower. The levels of reduction vary by plan, years of service earned, and date of entry by the individual into retirement plan membership. The estoppel rule prohibits a member of the Plans 2 or 3 eligible for early retirement from joining a subsequent retirement plan, just as it prevents members eligible for normal retirement from joining subsequent plans.

**Summary of Bill:**

The estoppel rule is removed for members of one Washington retirement plan from joining a subsequent retirement plan if they are eligible for early retirement benefits, but not receiving retirement benefits. The estoppel rule applies to members with 15 or more years of service, and who are either eligible for normal retirement benefits, or receiving benefits.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.