

# FINAL BILL REPORT

## HB 2537

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Synopsis as Enacted

**Brief Description:** Establishing a public safety employees' retirement system plan 2.

**Sponsors:** By Representatives Alexander, Fromhold, Conway, G. Simpson, Moeller and Chase; by request of Select Committee on Pension Policy.

**House Committee on Appropriations**  
**Senate Committee on Ways & Means**

**Background:**

The Public Employees' Retirement System Plans 2 and 3 (PERS 2/3) provide the broadest eligibility rules of Washington State retirement system plans. All regularly compensated employees and appointed and elected officials of covered employers first employed on or after October 1, 1977, are members of the PERS 2/3 unless they fall under a specific exemption. Covered employers include all state agencies and subdivisions and most local government employees not employed by the cities of Seattle, Tacoma, and Spokane. If public employees normally work enough to meet the minimum eligibility standards, at least five months in which 70 or more hours are worked per year, and are not members of another Washington State plan, they generally enter the PERS 2/3.

PERS 2 members earn a benefit based on 2 percent of a member's average final salary multiplied by the years of service earned. PERS 3 members earn a benefit based on 1 percent of a member's average final salary multiplied by the years of service, plus an individual defined contribution account where all employee contributions plus earnings are deposited.

Members of the PERS 2/3 have a normal retirement age of 65 and may retire early with sufficient service beginning at age 55. Members retiring early with less than 30 years of credited service have their benefit fully actuarially reduced for the difference between age 65 and age at retirement. PERS 2/3 members with 30 or more years of service have their benefit reduced by 3 percent per year for the difference between age 65 at age at retirement.

Membership in the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) is limited to: (a) full-time, fully authorized general authority law enforcement officers; and (b) full-time fire fighters. LEOFF 2 members must also be employed by a general authority law enforcement agency or a fire department.

Enforcement officers with limited authority, or employed by limited authority law enforcement agencies, are ineligible for LEOFF 2 membership. Among the employers specifically excluded from the LEOFF 2 because of the limited authority of the officers or agency include the state departments of Corrections, Natural Resources, and Social and Health

Services, the State Gambling Commission, the State Lottery Commission, the State Parks and Recreation Commission, the State Liquor Control Board, and others.

Members of the LEOFF 2 earn a benefit based on 2 percent of a member's average final salary. Members of the LEOFF 2 have a normal retirement age of 53 and may retire early with 20 years of service beginning at age 50. With 20 years of service, a LEOFF 2 member's early retirement benefit is reduced by 3 percent for each year before 53.

The portability rules in the state public retirement law provide for the retirement benefits of members with service in several systems or plans. Among the most important principles in the portability rules is that years of service in several plans may be combined to determine the eligibility for benefits from each plan; however, each benefit is still only available under the terms of that plan. The member's base salary from any one of the systems may also be used for calculating the benefit from the others.

**Summary:**

The Public Safety Employees' Retirement System Plan 2 (PSERS 2) is created, effective July 1, 2006. Specified job classes currently covered by the PERS 2/3 are covered by PSERS 2. The PSERS 2 has a normal retirement age of 60 with 10 years of service (age 65 with five years of service), and early retirement beginning at age 53. Members with 20 years of service may retire early with a 3 percent per year reduction of their benefits.

The legislative intent is that the PSERS 2 encompass the PERS 2/3 members with distinct law enforcement responsibilities and powers, including to protect lives and property, endure a high degree of physical risk, have arrest authority, conduct criminal investigations, enforce the criminal laws of Washington, pass examinations and law enforcement training, and be authorized to carry a firearm.

No member is covered by the PSERS 2 unless the member is specifically included in the definition of PSERS member, which includes: city corrections officers; jailers; police support officers; custody officers and bailiffs; county corrections officers; probation officers and probation counselors; state correctional officers; correctional sergeants and community corrections officers; liquor enforcement officers; park rangers; commercial vehicle enforcement officers; and gambling special agents.

Membership in the PSERS 2 is prospective. Members of the PERS 2/3 prior to the creation of the PSERS 2 must choose, between July 1, 2006, and September 1, 2006, to remain members of the PERS 2/3 or transfer to the PSERS 2 for purposes of future service. Members who transfer from the PERS 2/3 will be dual members and receive benefits from each plan under the portability rules. Members of the PERS 1 are ineligible to transfer to the PSERS 2.

The remainder of the PSERS 2 is consistent with the PERS 2/3 design.

**Votes on Final Passage:**

House	97	0
Senate	49	0

**Effective:** July 1, 2006