

SENATE BILL REPORT

SB 6251

As Reported By Senate Committee On:
Ways & Means, February 9, 2004

Title: An act relating to permitting members of the public employees' retirement system plan 2 and plan 3 and the school employees' retirement system plan 2 and plan 3 who qualify for early retirement or alternate early retirement to make a one-time purchase of additional service credit.

Brief Description: Permitting members of the public employees' retirement system plan 2 and plan 3 and the school employees' retirement system plan 2 and plan 3 who qualify for early retirement or alternate early retirement to make a one-time purchase of additional service credit.

Revised for 1st Substitute: Permitting members of the public employees' retirement system plan 2 and plan 3, the school employees' retirement system plan 2 and plan 3, and the teachers' retirement system plan 2 and plan 3 who qualify for early retirement or alternate early retirement to make a one-time purchase of additional service credit.

Sponsors: Senators Winsley, Regala and Fraser; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/21/04, 2/9/04 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6251 be substituted therefor, and the substitute bill do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Erik Sund (786-7454)

Background: The normal retirement age under Plan 2 or Plan 3 of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), or the School Employees' Retirement System (SERS) is 65 years. Members of PERS 2, TRS 2, or SERS 2 who have at least 20 years of service become eligible for early retirement at age 55. Those belonging to PERS 3, TRS 3, or SERS 3 need only 10 years of service to be eligible for early retirement. Plan members who retire early have their retirement allowances actuarially reduced to reflect the number of years of difference between their age at retirement and age 65, except that members having at least 30 years of service are only subject to a benefit reduction of 3 percent per year of difference between their age at retirement and age 65.

There is currently no option to purchase additional service credit at the time of retirement under Plan 2 or Plan 3 of either the Public Employees' Retirement System or the School Employees' Retirement System.

Summary of Substitute Bill: Members of Plans 2 or 3 of PERS, TRS or SERS who are eligible for early retirement are allowed to purchase up to five years of additional service credit at the time of retirement. Additional service credit purchased in this way is used in the calculation of retirement benefits, and the portion of a member's retirement benefit that results from this purchased credit is not subject to an early retirement reduction. Such additional credit may not, however, be used to qualify for retirement.

Members opting to purchase service credit must pay the full actuarial cost of the increased benefit. Payment may be made in a lump sum, by rollover, and/or through a trustee-to-trustee transfer from an eligible retirement plan.

Substitute Bill Compared to Original Bill: Plans 2 and 3 of the Teachers' Retirement System are added to list of retirement plans in which the members are allowed to purchase additional service credit at the time of retirement.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: This is a good bill that would be even better if the Teachers' Retirement System should be included along with the Public Employees' and School Employees' Retirement Systems.

Testimony Against: None.

Testified: Sherry Appleton, Amalgamated Transit Union Legislative Council (pro); Ed Frazier, Chelan County Regional Justice Center (pro); Janice Greer, Washington Federation of Teachers (pro); Kenneth L. Ivey, Snohomish County Corrections (pro); Bruce Karr, Pierce County Jail (pro); Martha Karr, Pierce County Jail (pro); John Kvamme, Washington Association of School Administrators and Association of Washington School Principals (pro); Randy Parr, Washington Education Association (concerns); J. Pat Thompson, Washington State Council of County and City Employees (pro).