

# SENATE BILL REPORT

## SB 6651

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As of February 1, 2008

**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:** Providing for 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, Schoesler, Fraser, Holmquist, Shin and Rasmussen; by request of Select Committee on Pension Policy.

**Brief History:**

**Committee Activity:** Ways & Means: 1/31/08.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Erik Sund (786-7454)

**Background:** A member of Washington's public retirement systems must complete specific amounts of qualified employment before the member 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 individual defined contribution accounts.

In PERS 3, SERS 3, and TRS 3, the vesting requirement for the defined benefit portion of a member's plan is either ten years of service or five years of service including at least one year served after age 44. After satisfying the vesting requirement, a Plan 3 member's defined benefit is based upon the number of qualified years of service the member has worked multiplied by 1 percent of average final salary. Plan 3 members vest immediately in the defined contribution portion of their benefits.

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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.*

Prior to the enactment of Chapter 33, Laws of 2006 (SHB 2684) the Plan 3 vesting requirement had been either ten years or five years including at least one year served after age 55.

Members who transferred from Plan 2 to Plan 3 after having vested retained their vested status.

**Summary of Bill:** The vesting requirement for the defined benefit portion of Plan 3 of the Public Employees', Teachers', and School Employees' Retirement Systems (PERS 3, TRS 3, and SERS 3) is reduced to 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.

**Staff Summary of Public Testimony:** PRO: This bill would improve the equity between Plans 2 and 3, which is especially important now that new school employees have the option to enroll in either plan. It will also aid Washington school districts in their recruitment efforts.

**Persons Testifying:** PRO: John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; Randy Parr, Washington Education Association.