

SENATE BILL REPORT

SB 5495

As of March 1, 2017

Title: An act relating to membership in state retirement plans prior to attaining the normal retirement age in another plan.

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

Sponsors: Senator Hunt.

Brief History:

Committee Activity: Ways & Means: 2/08/17.

Brief Summary of Bill

- Removes the estoppel rule prohibition on members eligible, but not receiving, early retirement benefits from certain 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.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: The Washington State Retirement Systems restrict entry into retirement plan membership to employees who retire from one retirement system and return to work in a position covered by a different 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.

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 1970s, 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 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 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 a public retirement plan 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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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