

# FINAL BILL REPORT

## SB 5360

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### PARTIAL VETO C 313 L 19 Synopsis as Enacted

**Brief Description:** Addressing plan membership default provisions in the public employees' retirement system, the teachers' retirement system, and the school employees' retirement system.

**Sponsors:** Senators Conway, Hobbs, Saldaña, Dhingra, Keiser, Pedersen and Hunt; by request of Select Committee on Pension Policy.

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

**Background:** The Public Employees' Retirement System Plans 2 and 3 (PERS 2/3) provide benefits for all regularly compensated public employees and appointed officials unless they fall under a specific exemption from membership, such as qualification for another membership of the state retirement systems. Covered employees include all state agencies and subdivisions and most local government employees not employed by the cities of Seattle, Tacoma, or Spokane. The Teachers' Retirement System (TRS) covers employees certificated by the Office of the Superintendent of Public Instruction to teach and who are employed by a public school, educational service district, or the state in an instructional, administrative, or supervisory capacity.

PERS 2 and TRS 2 were created in 1977 and covered all new members of PERS and TRS. Plan 2 within each of the systems is a defined benefit plan providing a retirement allowance based on 2 percent of final average salary for each year of service and a normal retirement age of sixty-five. Early retirement benefits are available beginning at age fifty-five, with reductions depending on the member's age and years of service. Contributions for the plans vary from year to year with actuarial requirements, are divided equally between employers and employees. The School Employees' Retirement System (SERS) Plan 2 was created in 2000, along with SERS Plan 3, out of the classified school employees previously covered in PERS 2.

Plan 3 is a hybrid defined benefit and defined contribution retirement plan. Employer contributions support a 1 percent of final average salary benefit for each year of service with a normal retirement age of sixty-five. Early retirement benefits are similar to those offered in Plan 2. Employee contributions are made to an individual defined contribution account. The rate of employee contributions are selected by the employee during a period following each

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term of employment and are fixed for the duration of the employment relationship. Employee contributions vary between 5 percent and 15 percent of pay, and there are a variety of investment options available for members, including participation in the same combined investment fund used for the defined benefit plans.

TRS Plan 3 was created in 1995, SERS Plan 3 in 2000, and PERS 3 in 2002. From the creation of PERS 3, new members of PERS were given a period of 90 days to choose becoming a member of Plan 2 or Plan 3. The choice is irrevocable and is thereafter the only PERS plan in which the member may participate, including periods worked after a break in employment or with a different employer. If a member does not choose membership in either Plan 2 or Plan 3, the member is enrolled in Plan 3 by default.

TRS and SERS Plans 2 and 3 each have similar provisions providing choice of Plans 2 and 3 as PERS 2/3. The choice of Plan 2 for new employees was added by the Legislature in 2007 with the adoption of HB2391, a bill repealing gain-sharing provisions and enacting a number of other benefit enhancements to several plans of the state retirement systems. Prior to the 2007 change, and after the creation of TRS 3 and SERS 3, only Plan 3 was available to new members of those retirement systems.

**Summary:** Members that first become employed by a PERS, TRS, or SERS employer on or after July 1, 2020, that do not choose a plan within 90 days, are enrolled in a Plan 2 by default.

The bill contains a severability clause, indicating if any provision of the act or its application to any person or circumstance is held invalid, the remainder of the bill is unaffected.

**Votes on Final Passage:**

Senate	39	9	
House	73	22	(House amended)
Senate	36	13	(Senate concurred)

**Effective:** July 28, 2019

**Partial Veto Summary:**

- Removed the section declaring an emergency which made the bill effective immediately.