

---

## Appropriations Committee

---

### HB 1642

**Brief Description:** Providing additional plan choice to members of the teachers' retirement system plans 2 and 3, the school employees' retirement system plans 2 and 3, and the public employees' retirement systems plans 2 and 3.

**Sponsors:** Representatives Bronoske, Griffey, Couture, Reeves, Bernbaum, Shavers, Rule, Salahuddin, Nance, Reed, Goodman, Parshley, Zahn, Simmons and Leavitt.

**Brief Summary of Bill**

- Permits members of the Teachers' Retirement System (TRS) and School Employees' Retirement System (SERS) Plan 3 that were never offered the choice of membership in Plan 2 to choose membership in Plan 2 for future service.
- Permits members of the Public Employees' Retirement System, TRS, and SERS Plans 2 and 3 the opportunity to choose membership in either Plan 2 or Plan 3 upon becoming employed by a new employer.

**Hearing Date:** 2/10/25

**Staff:** David Pringle (786-7310).

**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, 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

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

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.

The PERS 2 and TRS Plan 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 65. Early retirement benefits are available beginning at age 55, with reductions depending on the member's age and years of service. Contributions for the plans vary from year to year with actuarial requirements, and 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 65. 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 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. Each time that an employee enters employment with a new employer, the employee may choose a new contribution rate.

The 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 2 by default.

The 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, however that choice was not made available for existing Plan 3 employees.

### **Summary of Bill:**

Members of the Teachers' Retirement System (TRS) and School Employees' Retirement System (SERS) Plan 3 that were never offered the choice of membership in Plan 2 have the opportunity to choose membership in Plan 2 for future service. That choice is irrevocable, and may be made during any January after the effective date of the bill.

Members of the Public Employees' Retirement System, TRS, and SERS Plans 2 and 3 have the opportunity to choose membership in either Plan 2 or Plan 3 upon becoming employed by a new

employer.

In the event that the state receives a determination letter or other formal guidance from the federal Internal Revenue Service that the provisions conflict with federal law, the provisions are suspended until the conflicts are resolved.

**Appropriation:** None.

**Fiscal Note:** Requested on February 4, 2025.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.