

HOUSE BILL REPORT

HB 2389

As Reported by House Committee On:
Appropriations

Title: An act relating to the transfer of seasonal and military leave of absence employees to the public employees' retirement system plan 3.

Brief Description: Allowing the transfer of seasonal and military leave of absence employees to the public employees' retirement system plan 3.

Sponsors: Representatives Conway, Doumit, Cooper, Delvin, Talcott, Lovick, Lysen, Haigh and Simpson; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/24/02, 2/5/02 [DPS].

Brief Summary of Substitute Bill

- Provides an additional opportunity for seasonal employees and employees on a military leave of absence who are members of Public Employees' Retirement System, Plan 2 to transfer to Public Employees' Retirement System, Plan 3.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, McIntire, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Staff: Andrea Hardy (786-7349).

Background:

In the 2000 legislative session, a new Public Employees' Retirement System, Plan 3 (PERS 3) was created for employees of state agencies and higher education institutions, effective March 1, 2002. PERS 3 is available to employees of local government, who may transfer to PERS 3 effective September 1, 2002.

PERS 3 is a split plan, similar to the Teachers Retirement, Plan 3, with a defined benefit portion and a defined contribution portion. The design of the defined benefit portion of PERS 3 is generally the same as PERS 2, except PERS 3 has a 1 percent benefit at retirement rather than 2 percent. The defined benefit portion is funded entirely by employer contributions; PERS 3 members make no contributions to the funding of the defined benefit portion.

Current members of PERS 2 have the option to transfer to PERS 3. Those who do so have their service credit and accumulated contributions transferred to their individual account in PERS 3. PERS 2 members who 1) are state agency and higher education employees; 2) transfer between March 1, 2002, and September 1, 2002; and 3) earn service credit in February 2003, will receive a transfer payment to their PERS 3 defined contribution accounts equal to 110 percent of their accumulated contributions. Local government employees who transfer from PERS 2 to PERS 3 between September 1, 2002, and June 1, 2003, and who earn service credit in February 2003, receive a 111 percent transfer payment. Transfer payments will be made June 1, 2003.

Initial PERS 3 legislation did not exempt seasonal employees and employees on military leave of absence from transfer window requirements. This means that, although they are regular employees and members of the PERS 2 system, seasonal employees and employees on military leave of absence may not have the opportunity to benefit from the transfer payment option because they might not be employed and earning service credit in February, 2003.

Summary of Substitute Bill:

The designated period to qualify for the transfer payment for transferring from Public Employees' Retirement System Plan 2 to Public Employees' Retirement System Plan 3 is changed to August, 2002 for employees of state and higher education and either August, 2002 or February, 2003 for employees of all other organizations.

Substitute Bill Compared to Original Bill:

The substitute bill changes the period during which an employee must earn service credit to August, 2002 for employees of state and higher education, and either August 2002 or February 2003 for employees of all other organizations.

Appropriation: None.

Fiscal Note: Requested on January 17, 2002.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill

is passed.

Testimony For: This is a technical bill, but it should be understood that there are some real people affected by the change made in this bill. Under the definition of the current transfer window, it is impossible for employees who are career seasonal employees or are on military leaves of absence to transfer to PERS 3 during the transfer window. For example, there is an employee with the Department of Natural Resources who was recently recalled to active military service. He should not be penalized because he has been called to do his duty. We encourage passage of the bill.

Testimony Against: None.

Testified: Lee Hall, Washington Public Employees Association.