

# SENATE BILL REPORT

## SHB 2389

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As Reported By Senate Committee On:  
Ways & Means, February 25, 2002

**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:** Qualifying for a transfer payment under the public employees' retirement system plan 3.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Conway, Doumit, Cooper, Delvin, Talcott, Lovick, Lysen, Haigh and Simpson; by request of Joint Committee on Pension Policy).

**Brief History:**

**Committee Activity:** Ways & Means: 2/25/02 [DPA].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

**Staff:** Erin Hannan (786-7708)

**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 Amended 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 June 2002 for employees of state and higher education and either June 2002 or February 2003 for employees of all other organizations.

**Amended Bill Compared to Substitute Bill:** Dates to qualify for the transfer payment are changed from August 2002 to June 2002.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** No one.