

# FINAL BILL REPORT

## SB 6376

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Synopsis as Enacted

**Brief Description:** Transferring to the public employees' retirement system plan 3.

**Sponsors:** Senators Regala, Winsley, Fraser, Carlson, Jacobsen, Rasmussen, Kastama and Oke;  
by request of Joint Committee on Pension Policy.

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

**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:** The designated period to qualify for the transfer payment for transferring from PERS Plan 2 to PERS Plan 3 is changed to June 2002 for employees of state agencies and higher education institutions and either June 2002 or February 2003 for employees of all other organizations.

**Votes on Final Passage:**

Senate 46 0  
House 97 0 (House amended)  
Senate 40 0 (Senate concurred)

**Effective:** June 13, 2002