

# HOUSE BILL REPORT

## HB 1298

---

---

### As Reported by House Committee On:

Appropriations

**Title:** An act relating to vesting after five years of service in the defined benefit portion of the public employees' retirement system, the school employees' retirement system, and the teachers' retirement system plan 3.

**Brief Description:** Vesting after five years of service in the defined benefit portion of the public employees' retirement system, the school employees' retirement system, and the teachers' retirement system plan 3.

**Sponsors:** Representatives Sommers, Alexander, Fromhold, Conway and Benson.

### Brief History:

#### Committee Activity:

Appropriations: 2/11/03, 2/13/03 [DPS].

#### Brief Summary of Substitute Bill

- Reduces the required length of service for vesting in the Public Employees' Retirement System, the School Employees' Retirement System, and the Teachers' Retirement System Plans 3 from 10 years to five years.

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 26 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

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

### Background:

A member of a pension plan, including the plans of the Washington state retirement systems, must complete specific amounts of qualified employment before he or she is

entitled to a pension benefit. This period of service requirement is called "vesting."

In the Public Employees' Retirement System (PERS) Plans 1 and 2, the School Employees' Retirement System (SERS) Plan 2, and the Teachers' Retirement System (TRS) Plans 1 and 2, the vesting period for employees is five years. After five years of service in a plan 1 or plan 2, members' defined benefits are based in part upon the number of qualified years of service they have worked multiplied by 2 percent of their final average salaries. The method of calculating final average salary varies by plan.

In the PERS 3, the SERS 3, and the TRS 3, the vesting period for employees is 10 years, or five years including one year after age 54. After 10 years of service, a Plan 3 member's defined benefit is based upon the number of qualified years of service he or she has worked multiplied by 1 percent of final average salary. Members who were already vested in Plan 2 when they transferred to the PERS 3, the SERS 3, or the TRS 3 remain vested members.

---

**Summary of Substitute Bill:**

Beginning May 1, 2003 the vesting period for the PERS 3, the SERS 3, and the TRS 3 is reduced to five years of qualified service at any age.

**Substitute Bill Compared to Original Bill:**

The substitute bill adds an emergency clause and takes effect May 1, 2003.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on May 1, 2003.

**Testimony For:** Ten years is too long a vesting period, and this change is a matter of fairness to bring the Plans 3 in line with the vesting periods in Plans 1 and 2. For the protection of retirees, this change is a good idea, and it brings us parallel to the vesting periods in private pension plans. Though many members are already vested by prior service transferred from Plan 2, we support this change going forward.

**Testimony Against:** None.

**Testified:** Gene Forrester, Washington Senior Citizens Lobby; David Westberg, Stationary Engineers AFL-CIO; Randy Parr, Washington Education Association; and

Lynn Maier, Washington Public Employees Association.