

HOUSE BILL REPORT

HB 2186

As Reported by House Committee On:
Appropriations

Title: An act relating to making an irrevocable choice to waive rights to the defined benefit under the plan 3 retirement systems.

Brief Description: Making an irrevocable choice to waive rights to the defined benefit under the plan 3 retirement systems.

Sponsors: Representatives Fromhold, Armstrong and Sommers.

Brief History:

Committee Activity:

Appropriations: 3/4/03, 3/6/03 [DP].

Brief Summary of Bill

- Permits vested members of the Public Employees' Retirement System, the School Employees' Retirement System, and the Teachers' Retirement System Plans 3 to make an irrevocable choice to waive all rights to the defined benefit portion of their retirement plan.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 25 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Buck, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

Staff: David Pringle (786-7310).

Background:

In the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS) Plans 1 and 2 of the state retirement systems, when vested members withdraw their employee contributions, the service credit that they have established in the plan is also withdrawn. Unless a member

restores withdrawn contributions upon resuming employment at a later date, that service credit is lost to the member.

In PERS, SERS, and TRS Plan 3, the withdrawal of member contributions has no effect on the defined benefit portion of a vested member's benefit. Upon returning to covered employment a member may resume earning service credit and making employee contributions to the defined contribution portion of their benefit without restoring employee contributions to the plan. The member's new employer will also make contributions that build additional service credit in the defined benefit portion.

In some circumstances, a member of Plan 3 may withdraw his or her defined contributions and leave the state permanently. Some members who have joined retirement plans in other states have had the opportunity to purchase service credit in their new plans for past years of service earned in Washington, essentially consolidating retirement benefits in the new plan.

Some plans in other states, for example the Public Employees' Retirement System of Mississippi and the New Jersey state retirement systems, prohibit the purchase of service when the new member retains eligibility for a benefit in another state retirement plan. Currently a vested Plan 3 member has no method to relinquish rights to an allowance from the defined benefit portion of Plan 3, so is permanently barred from purchasing service credit in states with prohibitions like those in Mississippi and New Jersey.

Summary of Bill:

Vested members of PERS, SERS, and TRS Plans 3 who have withdrawn defined contributions from their member accounts may choose to irrevocably waive all rights to a defined benefit. A member choosing to waive a Plan 3 defined benefit must notify the Department of Retirement Systems in writing.

Appropriation: None.

Fiscal Note: Requested on March 3, 2003.

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

Testimony For: Several members moved to New Jersey and found that they could not purchase service credit in their new retirement plans. Plan 3 is designed with portability in mind, and this change is compatible with that design goal - and won't cost Plan 3 anything.

Testimony Against: None.

Testified: Randy Parr, Washington Education Association.