

HOUSE BILL REPORT

HB 2537

As Passed Legislature

Title: An act relating to establishing a public safety employees' retirement system plan 2.

Brief Description: Establishing a public safety employees' retirement system plan 2.

Sponsors: By Representatives Alexander, Fromhold, Conway, G. Simpson, Moeller and Chase; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/26/04, 2/10/04 [DP].

Floor Activity:

Passed House: 2/13/04, 97-0.

Passed Senate: 3/11/04, 49-0.

Passed Legislature.

Brief Summary of Bill

- Creates the "Public Safety Employees' Retirement System Plan 2" (PSERS 2) and specifically lists the job classes of full-time, fully compensated members of the Public Employees' Retirement System Plans 2 and 3 (PERS 2/3) that are eligible for membership.
- Allows PSERS 2 members a normal retirement age of 60 with 10 years of service, and early retirement beginning at age 53. Members with 20 years of service may retire early with a 3 percent per year reduction to their benefits.
- Defines membership in PSERS Plan 2 as prospective. Members who transfer from PERS 2/3 will be dual members, and receive benefits from each plan under the portability rules.
- Includes specific job classes: city corrections officers; jailers; police support officers; custody officers and bailiffs; county corrections officers; county probation officers and probation counselors; state correctional officers; correctional sergeants and community corrections officers; liquor enforcement officers; park rangers; commercial vehicle enforcement officers; and gambling special agents.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Staff: David Pringle (786-7310).

Background:

The Public Employees' Retirement System Plans 2 and 3 (PERS 2/3) provides the broadest eligibility rules of Washington State retirement system plans. All regularly compensated employees and appointed and elected officials of included employers first employed on or after October 1, 1977, are members of PERS plan 2/3 unless they fall under a specific exemption. Covered employers include all state agencies and subdivisions and most local government employees not employed by the cities of Seattle, Tacoma, and Spokane. If public employees normally work enough to meet the minimum eligibility standards, at least five months in which 70 or more hours are worked, per year, and are not members of another Washington State plan they generally enter PERS 2/3.

The PERS 2 members earn a benefit based on 2 percent of a member's average final salary multiplied by the years of service earned. The PERS 3 members earn a benefit based on 1 percent of a member's average final salary multiplied by the years of service, plus an individual defined contribution account where all employee contributions plus earnings are deposited.

Members of PERS 2/3 have a normal retirement age of 65, and may retire early with sufficient service beginning at age 55. Members retiring early with less than 30 years of credited service have their benefit fully actuarially reduced for the difference between age 65 and age at retirement. The PERS 2/3 members with 30 or more years of service have their benefit reduced by 3 percent per year for the difference between age 65 at age at retirement.

Membership in the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) is limited to: a) full-time, fully authorized general authority law enforcement officers; and b) full-time fire fighters. The LEOFF 2 members must also be employed by a general authority law enforcement agency or a fire department.

Enforcement officers with either limited authority, or employed by limited authority law enforcement agencies, are ineligible for LEOFF 2 membership. Among the employers specifically excluded from LEOFF 2 because of the limited authority of the officers or agency include the state departments of Corrections, Natural Resources, and Social and Health Services, the State Gambling Commission, the State Lottery Commission, the

State Parks and Recreation Commission, the State Liquor Control Board, and others.

Members of LEOFF 2 earn a benefit based on 2 percent of a member's average final salary. Members of LEOFF 2 have a normal retirement age of 53, and may early retire with 20 years of service beginning at age 50. With 20 years of service, a LEOFF 2 member's early retirement benefit is reduced by 3 percent for each year before 53.

The portability rules in Chapter 41.54 RCW provide for the retirement benefits of members with service in several systems or plans. Among the most important principles in the portability rules is that years of service in several plans may be combined to determine the eligibility for benefits from each plan; however, each benefit is still only available under the terms of that plan. The member's base salary from any one of the systems may also be used for calculating the benefit from the others.

Summary of Bill:

The Public Safety Employees' Retirement System, Plan 2 (PSERS 2) is created, effective July 1, 2006. Specified job classes currently covered by PERS 2/3 are covered by PSERS 2. The PSERS 2 has a normal retirement age of 60 with 10 years of service (age 65 with five years of service), and early retirement beginning at age 53. Members with 20 years of service may retire early with a 3 percent per year reduction to their benefits.

The legislative intent is that PSERS 2 encompass PERS 2/3 members with distinct law enforcement responsibilities and powers, including to protect lives and property, endure a high degree of physical risk, arrest, conduct criminal investigations, enforce the criminal laws of Washington, pass examinations and law enforcement training, and be authorized to carry a firearm.

No member is covered by PSERS 2 unless the member is specifically included in the definition of PSERS member, which includes: city corrections officers; jailers; police support officers; custody officers and bailiffs; county corrections officers; probation officers and probation counselors; state correctional officers; correctional sergeants and community corrections officers; liquor enforcement officers; park rangers; commercial vehicle enforcement officers; and gambling special agents.

Membership in PSERS 2 is prospective. Members of PERS 2/3 prior to the creation of PSERS 2 shall choose to remain members of PERS 2/3 or transfer to PSERS 2 for purposes of future service between July 1, 2006, and September 1, 2006. Members who transfer from PERS 2/3 will be dual members, and receive benefits from each plan under the portability rules. Members of PERS 1 are ineligible to transfer to PSERS 2.

The remainder of PSERS 2 is consistent with the Plan 2/3 design.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2006.

Testimony For: The Select Committee on Pension Policy, and its public safety subcommittee had several hearings on this bill and concluded that employing people in these fields until age 65 was unreasonable. For example, age 65 employees wrestling with prisoners. Please balance the costs of the bill against the personnel problems caused by the current system - recruitment, worker's compensation claims, and lost time. Corrections officers don't just protect prisoners from each other, but also protect the general public when transporting prisoners, and when other employees like doctors and nurses work in jails and prisons. It is hard on employee morale to be backed up by a grandparent during a prison riot. Community corrections officers are a good addition to this bill - they don't sit at desks, but are in the community supervising and making arrests of parole violators. The safety of a community is dependent on the safety of the jails and courtrooms. When you are older and hurt on the job, you leave on disability or just quit. Injury gets more frequent and recovery more difficult with age. The cost of recruiting and training is \$20,000 per employee, and this will help with retention. Other states have much better benefits for public safety workers. It does not feel right that I am now too old to adequately protect my fellow corrections officers. This bill won't help me personally, but please pass this to help the younger employees. The State Park Rangers would be helped with this, and so would the Liquor Control Officers. At age 65 I will have a large retirement benefit, but I won't be in any shape to enjoy it. I've known only two officers that have worked until age 65 - the rest have taken substantial early retirement penalties.

Testimony Against: We feel that bus drivers should be included in the public safety plan. Transit workers are at risk, picking up prisoners, and we need the protection for our children and grandparents that a younger workforce would provide. Third service paramedics that do not work for fire departments also need to have their high retirement age addressed. Unlike fire fighter paramedics, we were not brought into LEOFF 2 last year. While we agree about the hardships of requiring these employees to work until age 65, local government will face long term costs from this bill.

Persons Testifying: (In support) Mike Ryherd, Teamsters; Jim King, Citizens for Parks and Recreation; Tim Thompson, Washington Public Employees Association; Ralph Patton, Washington Correction Center; Virgil Vasquez, Washington Correction Center; Kelly Peterson, Washington Correction Center; Hal Stewart, Washington State Jail Association, Pierce County Corrections; Tiffany Gay, Washington State Jailers Association; Chris Merritt, King County Paramedics; Representative Bill Hinkle; Tim Mills, Thurston County Jail; Pat Thompson, Washington State Council of County and

City Employees; Terry Cousins, Washington State Jail Association; Bev Hermanson, Washington Federation of State Employees; Paul Pastor, Pierce County Sheriff; Kenneth Ivey, Washington State Jailers Association; Doug Malidore, Pierce County Sheriff's Office; Sauni Holt, Washington State Jail Association; and Brock Logan, Washington State Council of County and City Employees.

(Opposed) Jim Justin, Association of Washington Cities.

(Other) Jim Blodgett, Department of Corrections; Jim Fitzgerald, Amalgamated Transit Union Legislative Council; David Plummers, Amalgamated Transit Union; and Dee Wakeknight Amalgamated Transit Union.

Persons Signed In To Testify But Not Testifying: None.