

FINAL BILL REPORT

HB 2186

C 349 L 03

Synopsis as Enacted

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

Sponsors: By Representatives Fromhold, Armstrong and Sommers.

House Committee on Appropriations
Senate Committee on Ways & Means

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vested members withdraw their employee contributions, the service credit that they have established in the plan is also withdrawn. Unless a member restores withdrawn contributions upon resuming employment at a later date, that service credit is lost to the member.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. Because a vested Plan 3 member has no method to relinquish rights to an allowance from the defined benefit portion of Plan 3, the member is permanently barred from purchasing service credit in states with prohibitions like those in Mississippi and New Jersey.

Summary:

Vested members of PERS, SERS, and TRS Plans 3 who have withdrawn defined contributions from their member accounts may choose to irrevocably waive all rights to a defined benefit.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.

Votes on Final Passage:

House 94 0

Senate 48 0 (Senate amended)

House 91 0 (House concurred)

Effective: May 16, 2003