
Appropriations Committee

HB 2537

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

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

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 memers 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.

Hearing Date: 1/26/04

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 minium 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.

PERS 2 members earn a benefit based on 2 percent of a member's average final salary multiplied by the years of service earned. 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. 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. 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. PSERS 2 has a normal retirement age of 60 with 10 years of service (age 65 with 5 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.