

SENATE BILL REPORT

SB 6457

As Reported By Senate Committee On:
Ways & Means, January 26, 2006

Title: An act relating to permitting members of the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the public safety employees' retirement system, plan 1 of the law enforcement officers' and fire fighters' retirement system, and the Washington state patrol retirement system to make a one-time purchase of additional service credit.

Brief Description: Permitting members of the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the public safety employees' retirement system, plan 1 of the law enforcement officers' and fire fighters' retirement system, and the Washington state patrol retirement system to make a one-time purchase of additional service credit.

Sponsors: Senators Pridemore, Mulliken, Fraser, Rockefeller, Rasmussen and Roach; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/23/06, 1/26/06 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Erik Sund (786-7454)

Background: The normal retirement age under Plans 2 and 3 of the Public Employees' Retirement System (PERS), the Teacher's Retirement (TRS) or the School Employees' Retirement System (SERS) is 65 years. Members of Plan 2 of PERS, TRS or SERS who have at least 20 years of service become eligible for early retirement at age 55. Those belonging to PERS 3 or SERS 3 need only 10 years of service to be eligible for early retirement.

Under Chapter 172 of the Laws of 2004 (HB 2535) members of Plan 2 or Plan 3 of PERS or SERS may purchase up to five years of additional service credit at the time of early retirement. The cost of the additional service credit is the actuarially equivalent value of the resulting increase in the members' benefit. Chapter 65 of the Laws of 2005 (HB 1327) extended this opportunity to members of the Plans 2 and 3 of TRS.

There is currently no option to purchase additional service credit at the time of retirement in the other state retirement systems, nor is there an option to purchase additional service credit PERS, TRS, or SERS at the time of regular retirement.

Summary of Bill: Members of the Public Employees', Teachers', School Employees' Plans 2 and 3, the Public Safety Employees' Retirement System Plan 2, the Law Enforcement Officers' and Fire Fighters' Plan 1, and the Washington State Patrol Retirement System may purchase up to five years of service credit at time of normal or early retirement. The service credit purchased is not regular membership service, and may not be used for purposes such as qualifying for improved early retirement benefits, such as the 3 percent per year reduction available to members of the PERS, TRS, and SERS Plans 2 and 3 with 30 years of service.

The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit. The member may pay all or part of the cost of the additional service with an eligible transfer from a qualified retirement plan. The DRS must adopt rules to ensure that all purchases and transfers comply with the requirements of the federal Internal Revenue Code and regulations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This is a good bill.

Testimony Against: None.

Who Testified: PRO: Don Carlson, Public School Employees of Washington.