
Appropriations Committee

HB 1913

Brief Description: Addressing service credit for certain school employee service workers.

Sponsors: Representatives Ormsby, Pollet, Moscoso, Appleton, Sullivan and Reykdal.

Brief Summary of Bill

- Increases the benefit calculation for each year of service earned in the School Employees' Retirement System for members employed as service workers from 2.0 to 2.1 percent of average final salary in Plan 2, and from 1.0 to 1.05 percent in Plan 3.
- Defines service worker as a classified school employee who performs service for which there are no formal qualifications, including custodians, food service workers, security, warehouse, and delivery personnel.

Hearing Date: 2/26/13

Staff: David Pringle (786-7310).

Background:

The School Employees' Retirement System Plans 2 and 3 (SERS) provide retirement benefits to eligible classified employees of the common school system who first entered state retirement system-eligible employment after 1977. Members and employers of SERS each contribute a percentage of pay earned by the member to fund the member's retirement benefits. The contributions and benefits of SERS are administered by the Department of Retirement Systems (DRS).

The PERS, TRS, and SERS Plans 2 are defined benefit plans that provide a retirement allowance based on 2 percent of final average salary for each year of service, with a normal retirement age of 65 with 5 years of service. Contributions for the plan vary from year to year with actuarial requirements, are divided equally between employers and employees, and are each paid into the defined benefit pension fund for purposes of supporting the defined benefits at retirement.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The PERS, TRS, and SERS Plans 3 are hybrid defined-benefit and defined-contribution retirement plans. Employer contributions support a defined benefit of 1 percent of final average salary for each year of service, with a normal retirement age of 65. Employee contributions are made to an individual defined contribution account. The employee's contribution rate is selected by the employee during a period following each term of employment, and is fixed for the duration of the employment relationship. Employee contributions vary between 5 percent and 15 percent of pay, and there are a variety of investment options available for members, including participation in the same combined investment fund used for the defined benefit plans.

Early retirement with a reduced benefit is available in PERS, TRS, and SERS Plans 2 and 3 for members with at least 20 years but fewer than 30 years of service credit. The retirement allowance of a member of PERS, TRS, or SERS who retires early is reduced to reflect the full actuarial cost to the retirement system of the early retirement.

Early retirement benefits with less than actuarial reductions are available to members that join SERS Plans 2 or 3 before May 1, 2013, and who have at least 30 years of service. The retirement allowance of a member who retires under the alternative early retirement provisions is reduced by 3 percent for each year of difference between the member's age at retirement and age 65. Another enhanced early retirement option was created 2007 when the Legislature repealed the gain-sharing benefits that had been provided in PERS, TRS, and SERS. Under the enhanced provisions for alternative early retirement, a member with at least 30 years of service credit can retire as early as age 62 without a benefit reduction, increasing to a 20 percent reduction for retirement at 55 years of age.

Summary of Bill:

The benefit calculation for each year of service earned in the School Employees' Retirement System for members employed as service workers is increased from 2.0 to 2.1 percent of average final salary in Plan 2, and from 1.0 to 1.05 percent in Plan 3.

Service worker is defined as a classified school employee who performs a service for which there are no formal qualifications, including custodians, food service workers, security, warehouse, and delivery personnel.

Appropriation: None.

Fiscal Note: Requested on February 22, 2013.

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