
Appropriations Committee

SB 5352

Brief Description: Allowing new government employees the option of opting out of retirement system membership if the employee is age sixty or older when first hired, or when the employee's employer opts into retirement plan participation.

Sponsors: Senators Braun, Dozier, King and Wilson, J..

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Allows certain public employees that first become eligible for coverage in the Public Employees' Retirement System at age 60 or older, to opt out of retirement coverage.

Hearing Date: 3/18/21

Staff: David Pringle (786-7310).

Background:

Public employees that meet the requirements for membership in one of the public pension systems are generally required to join and make contribution payments until they leave service. While all branches, departments, agencies, commissions, boards, and offices of the state are required to participate in the Public Employees' Retirement System (PERS), political subdivisions, municipal corporations, and other public entities may opt in to covering employees in the state administered PERS. If a political subdivision opts in, the decision is irrevocable and eligible employees are mandated into the plan.

The Teachers' Retirement System (TRS) provides retirement benefits to certificated public school employees, include those at charter and tribal compact schools. The School Employees' Retirement System (SERS) provides retirement benefits to classified public school employees.

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

Both employee members and employers make retirement plan contributions based on the rates established for the pension plan that provides plan membership to the employee. Contribution rates for most state retirement systems are established by the Pension Funding Council, subject to revision by the Legislature. The contributions are expressed as a percentage of compensation for the employer and employee, and support the future pension obligations that the system will have to the employee earning benefits, and to the overall liability of the employee's pension system.

Each pension system and plan has different requirements to be eligible for a retirement benefit, but no system has vesting requirements of less than five years. Retirement age also varies by system and plan, but all systems allow for a full retirement benefit by age 65. Members that leave service prior to vesting are reimbursed the employee contributions plus interest, which is currently 5.5 percent.

Summary of Bill:

Employees that first become eligible for membership in the PERS, the TRS, or the SERS at age 60 or older may opt out of membership. To be eligible to opt out of coverage the employee may not have prior service credit in any state administered retirement systems.

This opt-out provision applies to two types of employees: new employees beginning public service in the PERS, the TRS or the SERS at age 60 or older; and existing employees of a political subdivision that is opting in to the PERS when the employee is age 60 or older.

An employee opting out of membership in a retirement system does not make member contributions and does not accrue benefits. The decision of an employee to opt out of coverage must be made prior to the first date the employee would be reported to the Department of Retirement Systems and is irrevocable. If no decision is made, the employee is entered into the system. The employer of any employee opting out of membership must make contributions to the retirement system the member opted out of based on the contribution rates established for that system on that employee's salary.

If the federal Internal Revenue Service determines that the provisions of the bill are in conflict with federal law, and the conflict cannot be resolved through administrative action or statutory change, the bill is null and void.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2022.