

Age-Based Plan Opt Out

Issue

Should new employees be allowed to opt out of retirement plan participation if they are hired at or near the normal retirement age?

Background

A stakeholder wrote to the committee asking for an opt out provision for new employees hired on or near the normal retirement age.

Highlights of Analysis

- ❖ Federal tax law prohibits retroactively opting out of the system, and requires that a choice to opt in or out be made at the time of hiring.
- ❖ Allowing members to opt out could encourage employers to incentivize opting out so as to avoid paying the employer's retirement contributions (including the Unfunded Actuarial Accrued Liability contributions).

Committee Activity

The SCPP studied this issue at the November and December meetings, and made a recommendation.

Recommendation to the 2017 Legislature

Allow new hires in the Public Employees' Retirement System Plans 2/3, Teachers' Retirement System Plans 2/3, and School Employees' Retirement System Plans 2/3 to opt out of the retirement system if they are newly hired at age 60 or older. Also allow local government employees to opt out of the retirement system if they first become eligible for membership at age 60 or older.

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