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## Appropriations Committee

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### HB 2542

**Brief Description:** Allowing members of the teachers' retirement system plan 1 who are employed less than full time as psychologists, social workers, nurses, physical therapists, occupational therapists, or speech language pathologists or audiologists to annualize their salaries when calculating their average final compensation.

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

#### Brief Summary of Bill

- Allows Certified Educational Staff Associates in the Teachers' Retirement System Plan 1 who earn less than a full year of service credit each school year to annualize their salaries for calculating average final compensation.
- Additional Certified Educational Staff Associates permitted to annualize salaries include psychologists, social workers, nurses, physical therapists, occupational therapists, speech language pathologists, and audiologists.

**Hearing Date:** 1/22/04

**Staff:** David Pringle (786-7310).

#### Background:

The Teachers' Retirement System Plan 1 (TRS 1) permits members who work less than full-time as classroom instructors, librarians, or counselors to annualize their salaries upon retirement so as to receive benefits in proportion with the amount of a full-time position that they work. TRS 1 members who work as Certified Educational Staff Associates (ESAs) in other positions such as psychologists, social workers, nurses, physical therapists, occupational therapists, speech pathologists and audiologists are not permitted to annualize their salaries.

At retirement, a TRS 1 member receives 2 percent of average final compensation for each year of service credit earned. Average final compensation in TRS 1 is based on a retiring member's two highest compensated consecutive school years.

Without the ability to annualize salary, a part-time member of TRS 1 could receive a benefit based both upon a part-time salary, and on less than a full year of service for each school year worked. For example, a half-time ESA nurse earning both half the service credit and half the salary of a full-time ESA would receive one quarter the of retirement allowance of the full-time ESA.

**Illustration of the effect of annualizing salary for part-time Educational Service Associates (ESAs)**

	Full-time ESA	Half-time counselor (can annualize)	Half-time nurse (cannot annualize)
Salary	\$50,000	\$25,000	\$25,000
Annual Contributions	\$3,000	\$1,500	\$1,500
Retirement Benefit	\$30,000	\$15,000	\$7,500

The State Actuary estimates that 41 out of a total of 12,456 active members of TRS 1 are part-time ESA's not currently permitted to annualize their salary when calculating average final compensation.

**Summary of Bill:**

The list of TRS 1 part-time Educational Service Associates who earn less than a full year of service credit each year that are permitted to annualize salaries in computing average final compensation is expanded to include psychologists, social workers, nurses, physical therapists, occupational therapists, speech language pathologists, and audiologists.

**Appropriation:** None.

**Fiscal Note:** Available.

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