

HOUSE BILL REPORT

HB 1200

As Reported by House Committee On: Appropriations

Title: An act relating to purchasing service credit in plan 2 and plan 3 of the teachers' retirement system for public education experience performed as a teacher in a public school in another state or with the federal government.

Brief Description: Purchasing service credit in plan 2 and plan 3 of the teachers' retirement system for public education experience performed as a teacher in a public school in another state or with the federal government.

Sponsors: Representatives Conway, Darneille, Haler, Simpson, Hasegawa and Haigh.

Brief History:

Committee Activity:

Appropriations: 1/22/07, 1/25/07 [DPS].

Brief Summary of Substitute Bill

- Reduces the service credit from five years to two years that a member must earn in the Teachers' Retirement System Plans 2 or 3 before being eligible to purchase out-of-state service credit at full actuarial cost.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 33 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McDonald, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

Staff: David Pringle (786-7310).

Background:

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 Teachers' Retirement System Plans 2 and 3 (TRS 2/3) provide retirement benefits to employees certificated by the Superintendent of Public Instruction to teach for educational service or school districts, as well as to state educational service and school district superintendents and assistant superintendents. The TRS 2/3 provides for full retirement benefits at age 65 and early retirement benefits beginning at age 55, following the completion of 10 years of service in TRS Plan 3 and 20 years of service in TRS Plan 2.

A member of TRS Plan 2 eligible for retirement is entitled to a benefit based in part upon the number of years that the member has worked multiplied by 2 percent of his or her final average salary. The employer and the TRS Plan 2 employee each contribute one-half of the cost of the contributions required to fund the 2 percent-formula Plan 2 benefit. A member of TRS Plan 3 eligible for retirement is entitled to a benefit based upon the number of years the member has worked multiplied by 1 percent of his or her final average salary, plus the balance of the member's individual defined contribution account. The employer funds the contributions necessary to fund the 1 percent-formula Plan 3 benefit, and the employee contributes to the individual member account at a rate chosen annually by the employee, but no less than 5 percent of pay.

Members of TRS 2/3 may make a one-time purchase of up to seven years of service credit for public education experience outside Washington's retirement systems. The education experience must have been covered by a government retirement plan, and the member must have earned at least five years of service credit in TRS 2/3. In addition, the member must not be receiving, or be eligible to receive, a retirement benefit from the other plan.

The service credit purchased is considered membership service in TRS 2/3, and it thus may be used to qualify the member for retirement or early retirement. The member must pay a cost for the service credit equal to the actuarial value of the increase in value of the member's benefits. A member that purchases out-of-state service credit may not use credit in other state's retirement systems for the purposes of qualifying for retirement in Washington.

Summary of Substitute Bill:

The required service credit that must be earned in TRS 2/3 before a member can purchase out-of-state service credit at full actuarial cost is reduced from five years to two.

Substitute Bill Compared to Original Bill:

The emergency clause that caused the bill to go into effect immediately is removed, leaving the bill to go into effect 90 days after adjournment of the Legislative session in which bill is passed.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In Support) Thank you for providing the out-of-state service credit purchase option last year, even though it may not have been used a great deal yet because the full actuarial cost purchases are not cheap. By reducing the number of years of in-state service required, the cost can be reduced a little for some teachers, as at older ages, costs increase quickly. This improvement to the Select Committee on Pension Policy bill from last year makes sense to a lot of people. Our thinking was that vesting requirements were five years in many instances, but two years is enough to ensure a new teacher is in the state to stay.

(Opposed) None.

Persons Testifying: Representative Conway, prime sponsor; Wendy Rader-Konafalski, Washington Education Association; and John Kvamme, Washington Association of School Administrators and Association of Washington School Principals.

Persons Signed In To Testify But Not Testifying: None.