

HOUSE BILL REPORT

HB 1268

*As Reported By House Committee on:
Appropriations*

Title: An act relating to granting whole and partial retirement service credit.

Brief Description: Changing provisions relating to retirement service credit.

Sponsor(s): Representatives Spanel, Silver, Hine, Forner, Paris, May, P. Johnson, Winsley, Zellinsky, Hochstatter, Nealey, Wynne, Edmondson, Bowman, D. Sommers, Brumsickle, Betrozoff, Wood, Miller, Ballard, Tate, McLean, Jacobsen, Nelson, Jones, Wineberry, Pruitt, Dellwo, R. Johnson, Ogden, Bray, Roland and Basich; by request of Joint Committee on Pension Policy.

Brief History:

Reported by House Committee on:
Appropriations, February 18, 1991, DPS.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *That Substitute House Bill No. 1268 be substituted therefor, and the substitute bill do pass.*
Signed by 24 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Bowman; Braddock; Brekke; Dorn; Ferguson; Fuhrman; Hine; Lisk; McLean; Mielke; Nealey; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; Vance; and Wang.

Staff: Marilyn Showalter (786-7148).

Background: Treatment of retirement benefits for employees who work less than full time varies among the different state retirement systems. Responding to a 1989 House Floor Resolution, the Joint Committee on Pension Policy has recommended changes in eligibility and credit provisions in the various systems in order to make them more consistent with each other and in order to provide service credit commensurate with the time an employee works and with the contributions an employee makes to a pension fund. The pension systems addressed by the Joint Committee include the Public Employees' Retirement System, Plans I and II (PERS I

and PERS II); the Teachers' Retirement System, Plans I and II (TRS I and TRS II); and the Law Enforcement Officers' and Fire Fighters' Retirement System, Plans I and II (LEOFF I and LEOFF II).

Under LEOFF I and II and TRS I, there is no definition of an eligible position; although in LEOFF, uniform personnel must be employed full time in order to be eligible for membership. Under PERS I and II, an eligible position is one that normally requires compensation in five or more months in a year. Under TRS II an eligible position is one that normally requires two or more uninterrupted months of creditable service during the school year.

One of the major factors affecting a member's ultimate retirement allowance is the amount of service credit granted. Under LEOFF I the employee must be employed full time in order to be a member. Therefore, only full service credit may be granted.

Under TRS I, one year of service credit is granted when compensation is received for teaching four-fifths or more of a school year, 144 days of the 180-day period. Fractional-year credit is given when compensation is received for teaching more than 20 days but fewer than 144 days in the school year.

Under PERS I, except for classified employees of the common schools, Educational Service Districts (ESDs), higher education including community colleges, the School for the Blind, and the School for the Deaf, members in an eligible position compensated for at least 70 hours in a month are granted one month's service credit. PERS I members in eligible positions who are educational classified employees listed parenthetically above receive 12 months of service credit when they work 70 hours per month or more during nine months in the school year. Otherwise, they are granted one month of service credit if they are compensated for 70 or more hours in a month.

Under LEOFF II and PERS II, other than educational classified employees listed above and under TRS II, members are granted one month's service credit when they are compensated for 90 or more hours in a month. Under PERS II and TRS II, the member must be in an eligible position. TRS II members and substitute teachers and PERS II members who are educational classified employees listed above receive 12 months of service credit when they are compensated for 810 or more hours during nine months of the school year. Otherwise, they are granted one month of service credit if they earn compensation for 90 or more hours in a month.

Substitute teachers receive service credit retrospectively. At the completion of the school year, these substitutes may provide the Department of Retirement Systems (DRS) proof of their compensation to meet the requirements of either Plan I, four-fifths of a school year for full credit, or more than 20 days but fewer than 144 days per school year for partial service credit, or Plan II, 12 months service credit if compensated for 810 hours or more during nine months of the school year, or one month's service credit if compensated for 90 or more hours in a month.

Certificated employees who are members of TRS II are required to make contributions monthly. Prior to January 1, 1988, these employees were required to make contributions even if they did not work enough hours to receive service credit. This resulted in continual withdrawal of contributions by those members.

From January 1, 1987, to the present, only persons who work either 70 or more hours per month in an eligible position within PERS I or 90 or more hours per month in PERS II and TRS II are required to make contributions to their retirement system. The implementation of this provision, however, is difficult primarily because of twice-monthly payrolls. Consequently, a number of employees who were eligible to receive credit have not in fact received it, while others have contributed when they were not in fact eligible.

Summary of Substitute Bill: A service credit month means a month or an accumulation of fractional months of service credit which is equal to one. A service credit year is an accumulation of service credit months which is equal to one when divided by 12.

An eligible position in TRS II is one in which the certificated employee is expected to receive compensation during five months of the school year.

A member of PERS I in an eligible position, other than a classified employee of the common schools, Educational Service Districts (ESDs), higher education including community colleges, the School for the Blind, or the School for the Deaf, who is compensated for 70 or more hours in a month earns a service credit month. A similar member of PERS I who is compensated for fewer than 70 hours per month earns one-quarter service credit month of service. PERS I members in eligible positions listed above earn 12 service credit months of service when they are compensated for at least 630 hours during the school year.

Educational classified employees under PERS II or a member of TRS II in an eligible position and compensated for 810 or more hours in five months of the school year earn one service credit month of service. Members who are compensated for at least 630 hours but fewer than 810 hours in five months of the school year earn one-half service credit month of service.

All other members of Plan II of LEOFF, PERS and TRS in eligible positions and compensated for 90 or more hours in a month earn one service credit month of service. If they receive compensation for at least 70 hours but fewer than 90 hours per month, they earn one-half service credit month of service. If they receive compensation for less than 70 hours per month, they earn one-quarter service credit month of service.

Substitute teachers may earn service credit in TRS I and TRS II in the same manner if they opt to apply to DRS at the end of the school year for such service and pay the necessary employee contributions.

Normal retirement in Plan II requires at least five service credit years of service and attainment of age 58 in LEOFF and age 65 in PERS and TRS. Early retirement requires at least 20 service credit years of service and attainment of age 50 in LEOFF and age 55 in PERS and TRS.

DRS must credit at least one-half service credit month for each month of a school year from October 1, 1977, through December 31, 1986, to a member of TRS II who was employed by an employer and made contributions under a contract for half-time employment as determined by DRS for such school year. Any withdrawn contributions must be restored.

DRS must provide a remedial procedure for the return of contributions to members of LEOFF Plan II, PERS I and II, and TRS II for whom contributions were erroneously made.

Substitute Bill Compared to Original Bill: The substitute bill removes the appropriation found in the original bill, changes the effective date of several sections to September 1, 1991, and clarifies several other provisions.

Fiscal Note: Available.

Effective Date of Substitute Bill: September 1, 1991, except for two sections that take effect July 1, 1991.

Testimony For: Treatment of retirement benefits among the different pension systems with respect to work that is less than full-time should be made more consistent and should

give service credit commensurate with hours worked and contributions made.

Testimony Against: None.

Witnesses: Representative Harriet Spanel and Representative Jean Silver, Sponsors; Kathleen Collins, Association of Washington Cities (raised concern about local impact); Gerald Allard, State Actuary; Charles Langen, Office of the State Actuary; Karen Davis, Washington Education Association; and Wendy Rader-Konofalski, Washington Federation of Teachers.