

HOUSE BILL REPORT

EHB 2122

As Passed House
April 17, 1993

Title: An act relating to early retirement under the public employees' and teachers' retirement systems.

Brief Description: Authorizing early retirement for certain employees of PERS and TRS.

Sponsors: Representatives Linville, Locke, Peery, Lemmon, Dellwo and Anderson; by request of Office of Financial Management.

Brief History:

Reported by House Committee on:
Appropriations, April 9, 1993, DPA;
Passed House, April 17, 1993, 92-4.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 23 members: Representatives Locke, Chair; Valle, Vice Chair; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Leonard; Linville; Morton; Peery; Sehlin; Sheahan; Stevens; Talcott; Wang; and Wolfe.

Minority Report: Do not pass. Signed by 2 members: Representatives Rust and Sommers.

Staff: Barbara McLain (786-7153).

Background: Under Plan I of the Public Employees' and Teachers' Retirement systems (PERS and TRS), employees may retire with full retirement benefits if they have:

- (1) 30 years of service credit, regardless of age;
- (2) At least 25 years of service credit and are at least age 55; or
- (3) At least five years of service credit and are at least age 60.

In 1992, the Legislature created a temporary opportunity for PERS and TRS I members to retire five years early. The members had to retire by August 31, 1992.

Out of 15,990 eligible PERS and TRS members, approximately 12.6 percent, or 2,024, took advantage of the early retirement.

The 1992 early retirement law also contained provisions limiting the reemployment of early retirees, either through personal service contracts or on a temporary or project status. School districts were given the option of phasing over a three-year period the payment of accumulated sick leave to early retirees.

Summary of Bill: Plan I members of the Public Employees' and Teachers' Retirement systems (PERS and TRS) who meet certain criteria can retire early. To qualify for this retirement, the member must have: (1) at least 25 years of service credit, regardless of age; (2) at least 20 years of service credit and be at least age 50; or (3) at least five years of service credit and be at least age 55. No change is made to the calculation of a retiring member's pension benefit.

In addition, PERS members must be employed in an eligible position on March 1, 1993. An eligible position is one which normally requires five or more months of service of at least 70 hours a month. TRS members must be employed by an employer on March 1, 1993, in a position other than as a substitute teacher to be eligible for the early retirement. Members who work for school districts must submit written notification to their employer and the required application form to the Department of Retirement Systems no later than July 1, 1993, and must be retired no later than August 31, 1993. Other members have until August 31, 1993, to submit the notification and application, and must be retired no later than December 31, 1993.

State agencies and school districts are prohibited from engaging persons who retire under the early retirement option on personal service contracts through June 30, 1995, for state agencies, or August 31, 1995, for school districts. State agencies are also prohibited from rehiring early retirees as temporary or project employees. Under certain circumstances, the director of the Office of Financial Management, or the Superintendent of Public Instruction, in the case of school districts, can grant exceptions to these prohibitions. Exceptions granted are reported quarterly to the fiscal committees of the Legislature.

School district employees who retire early are eligible to receive, at the time they separate from district employment, at least one-half of the remuneration due to them for accrued leave for illness and injury. School districts must

pay the remainder no later than three years after the employee separates from employment, or when the employee would ordinarily have been eligible to retire, whichever occurs first.

The Office of the State Actuary is directed to study the utilization and impact of the early retirement option. An initial report is to be submitted to the Joint Committee on Pension Policy and the fiscal committees of the Legislature by December 31, 1993, with a final report by October 1, 1994.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: None.

Testimony Against: None.

Witnesses: None.