
Appropriations Committee

HB 2390

Brief Description: Allowing members of the teachers' retirement system plan 1 to use extended school years for calculation of their earnable compensation.

Sponsors: Representatives Doumit, Cooper, Alexander, Conway, Linville, Talcott, Kirby, Lysen, Kenney, Simpson, Esser and Jackley; by request of Joint Committee on Pension Policy.

Brief Summary of Bill

- Allows members of the Teachers Retirement System Plan 1 in extended school year programs to use either two consecutive fiscal years or two consecutive extended school years, as defined by their school districts, in the calculation of their average final compensation.

Hearing Date: 1/28/02

Staff: Andrea Hardy (786-7349).

Background:

Retirement benefits for a member of the Teachers' Retirement System, Plan 1 (TRS 1) are based on years of service credit multiplied by the member's average final compensation (AFC) in the two highest compensated consecutive years of service, up to a maximum of 60 percent. AFC for TRS 1 members is defined as all wages paid to the member for services rendered during a fiscal year, which for teachers is July 1 to June 30.

Some teachers work in schools that have calendars that run beyond June 30. For teachers that are on a conventional school year schedule, June 30 typically falls in the middle of the summer, as the conventional schedule typically runs from late August until mid-June of each year.

A difference in the timing of the end of the statutory fiscal year and the end of the extended school year may result in different earnable compensation amounts for TRS 1 members whose annual salary is the same, depending on whether they teach in traditional or extended school-year calendars.

If a TRS 1 member retires at the end of an extended school year that runs beyond the end of the fiscal year, the highest two consecutive school years of compensation may not include the final weeks of their career compensation - these fall into a new fiscal year.

Instead of these last two weeks in the end of the second fiscal year, the two weeks from the "beginning" of the first fiscal year are counted in the AFC period. The table below illustrates this affect on the annual and monthly benefit amount for a TRS 1 member in an extended school year school.

Shown below is an example of a teacher who retires with a typical AFC of about \$53,000 and 30 years of service. The effect of the "look-back" during years of average salary increases could be to reduce his or her monthly pension amount by approximately \$11. For a similarly situated teacher with 15 years of service, that amount would be half, or about \$6.

The Impact of Extended School Year "Look-back" on TRS 1 Pension for a Typical 2001 Retiree

	Conventional School Year	Extended School Year	Difference in Pension Amount
Retirement Date	7/1/01	8/1/01	
AFC	\$53,426	\$53,201	\$225 in AFC
Benefit amount for 15 years of service	\$16,028 (\$1,336 per month)	\$15,961 (\$1,330 per month)	\$67 (\$5.60 per month)
Annual pension for 30 years of service	\$32,055 (\$2,671 per month)	\$31,921 (\$2,660 per month)	\$134 (\$11.20 per month)

Summary of Bill:

TRS 1 members in extended school year programs may have either two consecutive fiscal years or two consecutive extended school years, as defined by their school districts, used in the calculation of their average final compensation.

Appropriation: None.

Fiscal Note: Requested on January 24, 2002.

Effective Date: Ninety days after adjournment of session in which bill is passed.