

# FINAL BILL REPORT

## ESSB 5937

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### PARTIAL VETO

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Synopsis as Enacted

**Brief Description:** Changing postretirement employment restrictions for teachers' retirement system, public employees' retirement system, and school employees' retirement system retirees.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Shin, Rasmussen, Jacobsen, Winsley, Kohl-Welles and McAuliffe; by request of Governor Locke; Superintendent of Public Instruction).

**Senate Committee on Ways & Means**  
**House Committee on Appropriations**

**Background:** All state administered retirement plans impose restrictions on the ability of retirees to collect their retirement allowances if they return to employment in jobs that would be covered by the same retirement plan. The policy assumption underlying these restrictions is that the retirement income is provided for the purpose of permitting the employee to have financial security after he or she leaves the workforce. The federal Internal Revenue Service (IRS) has established guidelines for pension plans to follow in order to qualify for favorable tax treatment. The IRS guidelines do not limit a retiree's ability to return to work after the retiree has separated from service with an employer, and generally require that pension payments begin no later than when the member turns age 70 and six months.

Prior to April 2000, Social Security retirees under age 70 were subject to a reduction in their benefits if they had earnings over a certain level. Now there is no offset for retirees who reach the Social Security normal retirement age, which is currently age 65, but will increase eventually to age 67. Persons who are younger than the normal retirement age receive a \$1 reduction in their Social Security retirement benefits for every \$2 earned above the annual earnings limit, which is about \$10,700 for 2001.

Beginning July 2001, TRS 1 retirees who have the one calendar month break from employment may work up to 840 hours (120 days) in a school year without a reduction of their allowances. This limit was established by HB 1048, enacted in the 2001 session. PERS 1, PERS 2, SERS 2 and 3, and TRS 2 and 3 retirees who have the required break in service may work up to five months in a calendar year without a break in service. The statutes dealing with post-retirement employment were significantly amended in 1990, 1997, and 2001, as a result of changes proposed by the Joint Committee on Pension Policy (JCPP).

**Summary:** TRS 1 retirees may work 1500 hours in a school year, and PERS 1 retirees may work 1500 hours in a calendar year, without having their pensions suspended. PERS 2, SERS 2, SERS 3, TRS 2, and TRS 3 retirees may work up to 867 hours in a calendar year without a suspension of benefits. If a PERS 1 or TRS 1 retiree works more than 867 hours in the year, the retiree's employer is required to make employer pension contributions for that

retiree for the entire period of employment during that year. The Department of Retirement Systems, Department of Personnel, Superintendent of Public Instruction, and Health Care Authority are directed to jointly develop publications for use during the 2001-03 biennium to explain options for, and implications of, post-retirement employment for PERS 1 and TRS 1 active members and retirees. The ability to work 1500 hours without a reduction in pension is limited to the period ending June 30, 2004, for TRS 1, and the period ending December 31, 2004, for PERS 1. TRS 1 retirees who are re-employed as certificated employees under the bill are not included in the coverage of continuing contract statutes, nor various other statutes in the education code.

The Department of Retirement Systems must provide the State Actuary with information regarding the level of post-retirement employment reported for PERS 1 and TRS 1 retirees. The office of the State Actuary must review the actuarial impact of the temporary expansion in post-retirement employment and report to the Joint Committee on Pension Policy no later than July 1, 2003. The joint committee must solicit information from the Superintendent of Public Instruction, the Department of Personnel, the Office of Financial Management, the Department of Retirement Systems, and the Health Care Authority regarding the program impacts of the bill, and must report to the legislative fiscal committees no later than October 1, 2003 on any proposed changes to the bill. The Legislature reserves the right to amend or repeal the new PERS and TRS 1 post-retirement employment provisions.

**Votes on Final Passage:**

Senate	48 0	
House	97 0	(House amended)
Senate		(Senate refused to concur)
House		(House refused to recede)

First Special Session

Senate	47 0	
House	92 0	(House amended)
Senate		(Senate refused to concur)

Second Special Session

Senate	41 0	
House	84 1	(House amended)
Senate	39 0	(Senate concurred)

**Effective:** July 1, 2001  
December 31, 2004 (Section 12)

**Partial Veto Summary:** The sunset provisions which provided that retirees could work 1500 hours without a reduction in benefits only until 2004 were deleted.