

HOUSE BILL REPORT

HB 1199

As Reported by House Committee On:
Appropriations

Title: An act relating to allowing members of the teachers' retirement system plan 1 to use extended school years for calculation of their earnable compensation.

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

Sponsors: Representatives Fromhold, Pflug, Simpson, Alexander, Cooper, Delvin, Conway, Bush, Anderson and Darneille; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/28/03, 2/5/03 [DP].

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.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

Staff: David Pringle (786-7310).

Background:

Teachers retiring from the Teachers' Retirement System Plan 1 (TRS 1) have their retirement benefit calculated on a formula based on the number of years of service multiplied by their average final compensation from their two highest paid consecutive

fiscal years. For members of TRS 1, a fiscal year for retirement purposes runs from July 1 to June 30 of each year.

Some teachers work in schools that have adopted "extended" school years that run beyond June 30 of each year. For teachers in TRS 1, this could mean an extended school year might run beyond the end of their final fiscal year of work before retirement.

The difference in the timing between the end of the statutory fiscal year and the end of the extended school year may result in different average final salaries for TRS 1 members whose annual salary is the same, depending on whether they teach in traditional or extended school year calendars.

Instead of including several weeks after the end of the second fiscal year in the average final salary, the retiring extended school year TRS 1 member includes salary from a similar period at the beginning of the first fiscal year of the two fiscal year averaging period. This is referred to as the "look-back" feature, as it looks back to the beginning of the first fiscal year for the last weeks of pay from the preceding extended school year.

If there is a difference in salary between the final several weeks of pay, and the similar several weeks from two years earlier, an extended school year teacher could receive a smaller benefit amount. Shown below is an example of a teacher who retires with a typical Average Final Compensation (AFC) of about \$53,000 and 30 years of service. The effect of the "look-back" during years of average salary increases could reduce a teacher's 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 Retiree

| | Conventional School Year | Extended School Year | Difference in Pension Amount |
|--|---------------------------------|---------------------------------|------------------------------|
| Retirement Date | 7/1/02 | 8/1/02 | - |
| 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: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: None.