

SENATE BILL REPORT

HB 1327

As Reported By Senate Committee On:
Ways & Means, March 23, 2005

Title: An act relating to permitting members of the teachers' retirement system plan 2 and plan 3 who qualify for early retirement or alternate early retirement to make a one-time purchase of additional service credit.

Brief Description: Permitting members of the teachers' retirement system plan 2 and plan 3 who qualify for early retirement or alternate early retirement to make a one-time purchase of additional service credit.

Sponsors: Representatives Alexander, Conway, Crouse, Simpson, Linville and Chase; by request of Select Committee on Pension Policy.

Brief History: Passed House: 3/08/05, 91-0.

Committee Activity: Ways & Means: 3/23/05 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Erik Sund (786-7454)

Background: The normal retirement age under Plan 2 or Plan 3 of the Teachers' Retirement System (TRS 2 or TRS 3) is 65 years. Members TRS 2 who have at least 20 years of service become eligible for early retirement at age 55. Those belonging to TRS 3 need only 10 years of service to be eligible for early retirement. Plan members who retire early have their retirement allowances actuarially reduced to reflect the number of years of difference between their age at retirement and age 65, except that members having at least 30 years of service are only subject to a benefit reduction of 3 percent per year of difference between their age at retirement and age 65.

The 2004 Legislature enacted House Bill 2535, which provided the opportunity for members of the Public Employees' Retirement System and the School Employees' Retirement Systems Plans 2 and 3 to purchase up to five years of additional service credit at the time of retirement. The cost of the additional service credit is the actuarially equivalent value of the resulting increase in the members' benefit.

Summary of Bill: Members of TRS 2 or TRS 3 who are eligible for early retirement are allowed to purchase up to five years of additional service credit at the time of retirement. The cost of the additional service credit is the actuarially equivalent value of the resulting increase in the members' benefit. Additional service credit purchased in this way is used in the

calculation of retirement benefits, and the portion of a member's retirement benefit that results from this purchased credit is not subject to an early retirement reduction. Such additional credit may not, however, be used to qualify for retirement.

Members opting to purchase service credit must pay the full actuarial cost of the increased benefit. Payment may be made in a lump sum, by rollover, and/or through a trustee-to-trustee transfer from an eligible retirement plan.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect July 1, 2006.

Testimony For (on companion Senate Bill 5512): This bill would provide the same benefit to TRS members that the PERS and SERS members already enjoy. The Senate already passed a bill in 2004 that would have added this benefit to TRS.

Testimony Against (on companion Senate Bill 5512): None.

Who Testified (on companion Senate Bill 5512): PRO: John Kvamme, Washington Association of School Administrators and Association of Washington School Principals.