

# SENATE BILL REPORT

## ESHB 2680

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As Reported By Senate Committee On:  
Ways & Means, February 27, 2006

**Title:** An act relating to purchasing service credit in plan 2 and plan 3 of the teachers' retirement system for public education experience performed as a teacher in a public school in another state or with the federal government.

**Brief Description:** Purchasing service credit in plan 2 and plan 3 of the teachers' retirement system for public education experience performed as a teacher in a public school in another state or with the federal government.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Conway, Fromhold, Lovick, Kenney, Quall, Simpson and Moeller; by request of Select Committee on Pension Policy).

**Brief History:** Passed House: 2/14/06, 96-0.

**Committee Activity:** Ways & Means: 2/27/06 [DPA].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

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

**Staff:** Erik Sund (786-7454)

**Background:** The Teachers' Retirement System Plans 2 and 3 (TRS 2/3) provide retirement benefits to employees certificated by the Superintendent of Public Instruction to teach for the state, educational service, or school districts, as well as state, educational service, and school district superintendents and assistant superintendents. TRS 2/3 provides for full retirement benefits at age 65, and early retirement benefits beginning at age 55, following the completion of 10 years of service in TRS Plan 3 and 20 years of service in TRS Plan 2.

Members of TRS 2/3 who have teaching experience from another state, and earned retirement service credit in an out-of-state retirement plan, may use the years of service from that state in determining eligibility to retire. However, if the out-of-state service enables a teacher to retire earlier than TRS 2/3 otherwise allows, the retiring teacher's benefit is actuarially reduced to recognize the difference between the age the member retires, and the age that they would first be able to retire based on Washington service alone.

**Summary of Amended Bill:** Members of TRS 2/3 may make a one-time purchase of up to seven years of service credit for public education experience outside of Washington's retirement systems. The education experience must have been covered by a government

retirement plan, and the member must not be receiving, or be eligible to receive, a retirement benefit from the out-of-state plan.

The service credit purchased is considered membership service in TRS 2/3, and it thus may be used to qualify the member for retirement. The member shall pay a cost for the service credit equal to the actuarial value of the increase in value of the member's benefits.

A member may pay for all or part of the cost of a service credit purchase with an eligible rollover from a eligible qualified retirement plan. The Department of Retirement Systems is authorized to adopt rules to ensure that all transfers or rollovers used for the purchase of service credit comply with the Internal Revenue Code and regulations adopted by the federal Internal Revenue Service.

**Amended Bill Compared to Original:** The original bill required that a member have between five and ten years of service in TRS Plan 2 or 3 in order to be eligible to purchase service credit, while the amended bill does not include this restriction. The amended bill states that a member purchasing service credit for educational experience earned out of state may not use credit in other state retirement for the purpose of qualifying for retirement. The amended bill also clarifies that members of TRS 2 or 3 who purchase service credit must pay the full actuarial cost of the resulting benefit increase, while the original bill only required this of TRS 3 members.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2007.

**Testimony For:** (From SB 6458) This bill would have an important effect on Washington school districts' efforts to recruit teachers from other states. Washington is one of only four states that does not allow the purchase of retirement system service credit for teaching service in other states. The bill would have a strong positive impact on school recruitment and retention efforts at relatively low cost to the state.

**Testimony Against:** (From SB 6458) None.

**Who Testified:** PRO: (From SB 6458) Don Carlson, Public School Employees of Washington; Lee Goeke, Vancouver Public Schools; John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; Randy Parr, Washington Education Association.