

SENATE BILL REPORT

SB 5244

As of February 28, 2005

Title: An act relating to the public employment of retirees from the teachers' retirement system and the public employees' retirement system.

Brief Description: Restricting the public employment of retirees from the teachers' retirement system and the public employees' retirement system.

Sponsors: Senators Regala, Fraser and Rasmussen; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/24/05.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

Background: After members of Plan 1 of the Teachers' Retirement System and the Public Employees' Retirement System retire from service, subsequent employment with an employer under the respective retirement system will result in a reduction in the retirement benefit received by the retiree if a specified number of hours of employment per year is exceeded. Prior to 2001, the limitation was approximately five months of full-time employment before the retirement benefit was reduced. In 2001, the legislature increased the limit to 1,500 hours per year (approximately nine months of full-time employment). To qualify for the expanded limit, an employee was required to satisfy a break in employment of thirty days before re-employment.

In 2003, the legislature imposed additional requirements on employees exceeding the prior five-month limit. For members of the Public Employees' Retirement System, prior employment agreements with employers were prohibited, a three-month break in employment was required, and the employer was required to document the need for the employee and use an established hiring process. In addition, a cumulative lifetime limit of 1,900 hours (approximately three years of full-time employment) was imposed on those retirees exceeding the prior five-month limit. This cumulative limit was enacted retroactively and was calculated from the date of retirement.

Similar limitations were placed on the Teachers' Retirement System by the 2003 Legislature, but those limitations were vetoed by the Governor.

Summary of Bill: Teachers Retirement System. A retired teacher or administrator who satisfies a break in service of at least one month may be employed for up to 867 hours per school year (approximately five months of full-time employment) without any reduction in retirement benefits. A retiree may be employed up to 1,500 hours per school year (approximately nine months of full-time employment) without any reduction in retirement

benefits if: (1) the retiree satisfies a 1.5 month break in service before re-employment, (2) the employer establishes a written policy, a documented need for the rehire, and a formal hiring process. In addition, a cumulative lifetime limit of 3,165 hours (approximately five years of full-time employment) is established for those retirees exceeding 867 hours per school year. This cumulative limit is calculated prospectively, not retroactively, beginning January 1, 2006.

Prior written or oral agreements between an employer and employee to resume employment with the same employer are prohibited.

Public Employees' Retirement System. The previous cumulative lifetime limit of 1,900 hours for those retirees exceeding 867 hours per year is increased to 3,165 hours (approximately five years of full-time employment). This cumulative limit is calculated prospectively, not retroactively, beginning January 1, 2006. Hours accumulated by retirees under the previous 1,900-hour limit do not count towards the new cumulative limit.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2006.

Testimony For: The retire-rehire program addresses the state's workforce needs and provides a mechanism for public employers to retain key employees. Until the state has five years' actuarial data, it is premature to make any projections of fiscal impact. While retirees draw retirement benefits for a longer period of time and make fewer retirement contributions, this fiscal impact is partially offset because the employees no longer accrue retirement credit. School districts have experienced a 20 percent turnover in school principals, and the retire-rehire program helps small rural school districts recruit administrators. Teachers who are rehired have no continuing contract rights. The retire-rehire program helps retired employees meet their health care costs. The bill brings into alignment the Teachers' Retirement System and the Public Employees' Retirement System.

Testimony Against: The original intent of the statute was to help public employers recruit and retain employees for difficult-to-fill positions. The implementation of the retire-rehire program has been expanded far beyond the Legislature's original expectations. Younger employees, particularly beginning teachers, are denied entry-level job opportunities as a result of this program. These jobs are rarely advertised and many qualified candidates never have an opportunity to apply. The retire-rehire program is very badly abused and manipulated. There is no teacher shortage except in very limited areas and fields, or small rural school districts. Teachers often wait to announce their retirement until the school year is about to begin, giving the school district little opportunity to seek other qualified candidates. Time limits on rehired positions are necessary and the lifetime limitation on rehires should not be extended for another five years.

Who Testified: PRO: Randy Parr, Washington Education Association; Lynn Maier, Washington Public Employees Association; Cassandra de la Rosa, Retired Public Employees

Association; John Kvamme, Washington Association of School Administrators & Association of Washington School Principals.

CON: Bob Franks, retired teacher; Dirk Klover, retired teacher.