

SENATE BILL REPORT

SB 5286

As Reported By Senate Committee On:
Ways & Means, March 7, 2005

Title: An act relating to postretirement employment for members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Brief Description: Restricting postretirement employment for members of the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Sponsors: Senators Kastama, Prentice and Doumit.

Brief History:

Committee Activity: Ways & Means: 2/24/05, 3/7/05 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5286 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Rasmussen and Schoesler.

Minority Report: Do not pass.

Signed by Senators Fairley, Pridemore, Regala and Thibaudeau.

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 Substitute 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 that includes public advertising; and (3) the retiree is hired into a special education, mathematics, or science position. Each year, the Superintendent of Public Instruction may submit to the Legislature recommendations for revisions to the list of difficult-to-fill job classifications. Retirees who were hired under the prior law may continue to receive benefits under the prior law until December 31, 2005.

Public Employees' Retirement System. The cumulative lifetime limit of 1,900 hours for those retirees exceeding 867 hours per year is eliminated, but any employment beyond 867 hours per year will result in a reduction in the retirement benefit unless the job is publicly advertised and the retiree is hired into one of the following difficult-to-fill job classifications: actuary, correctional health specialist, dentist, pharmacist, physician, public health advisor, radiation health physicist, or radiology technician. Employees in these job classifications may work up to 1,500 hours per year (approximately nine months of full-time employment) without any reduction in retirement benefits. Each year, employers may submit to the legislature recommendations for revisions to the list of difficult-to-fill job classifications. Retirees who were hired under the prior law may continue to receive benefits under the prior law until December 31, 2005.

Substitute Bill Compared to Original Bill: The Substitute Bill requires the job positions to be publicly advertised, and a technical correction in the description of the eligible PERS job classifications is made.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The purpose of the legislation is to return the statute to its original intent 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.

Testimony Against: The retire-rehire program addresses the state's workforce needs and provides a mechanism for public employers to retain key employees and should not be restricted. The list of eligible job classifications is far too narrow. 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.

Who Testified: PRO: Senator Jim Kastama, prime sponsor; Bob Franks, retired teacher; Dirk Klover, retired teacher.

CON: 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.