

SENATE BILL REPORT

SB 5792

As of February 28, 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 Honeyford, Johnson, Benton, Esser, Deccio, Benson, McCaslin and Mulliken.

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 (TRS) and the Public Employees' Retirement System (PERS) 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 30 days before re-employment.

In 2003, the Legislature imposed additional procedural 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Summary of Bill: The 2001 and 2003 provisions of the retire-rehire program are repealed. For members of Plan 1 of the Teachers' Retirement System and the Public Employees' Retirement System who have retired 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 867 hours of employment per year is exceeded (approximately five

months of full time employment). To qualify for continued retirement benefits, a 30-day break in service is required, but the procedural requirements and the 1,900-hour cumulative lifetime limit for PERS members are eliminated.

Retirees who were rehired under the 2001 and 2003 statutes may continue to receive pension benefits under those statutes until December 31, 2005.

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 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.

Testimony Against: 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.

Who Testified: PRO: Senator Jim Honeyford, 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.