

# SENATE BILL REPORT

## SB 6458

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As of January 25, 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:** Senators Pridemore, Mulliken, Fraser, Rockefeller, Franklin and Rasmussen; by request of Select Committee on Pension Policy.

**Brief History:**

**Committee Activity:** Ways & Means: 1/23/06.

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### SENATE COMMITTEE ON WAYS & MEANS

**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 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 have at least five, but fewer than ten, years of service credit earned in TRS at the time of purchase. In addition, 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 must pay a cost for the service credit equal to the sum of employer and employee contribution rates multiplied by the member's salary at the time of purchase and by the number of years being purchased. The contribution

rates used must be based on the member's age at entry into TRS 2/3, calculated under the entry age method. Interest is also added at the long-term investment rate of return assumption used in Washington's retirement systems, currently 8 percent per year.

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.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Testimony For:** 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:** None.

**Who Testified:** PRO: 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.