

HOUSE BILL REPORT

HB 3024

As Reported by House Committee On: Appropriations

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: Representatives Conway, Fromhold, Bailey, Crouse, Hurst, Simpson and Linville; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/28/08 [DP].

Brief Summary of Bill

- Reduces from five years to two years the service credit that a member must earn in the Teachers' Retirement System Plans 2 or 3 before being eligible to purchase out-of-state service credit at full actuarial cost.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 29 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Anderson, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Morrell, Pettigrew, Priest, Ross, Schmick, Schual-Berke, Seaquist and Sullivan.

Staff: David Pringle (786-7310).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Teachers' Retirement System Plans 2 and 3 (TRS 2/3) provide retirement benefits to employees certificated by the Office of the Superintendent of Public Instruction to teach for educational service or school districts, as well as to state educational service and school district superintendents and assistant superintendents. The 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.

A member of TRS Plan 2 eligible for retirement is entitled to a benefit based in part upon the number of years that the member has worked multiplied by 2 percent of his or her final average salary. The employer and the TRS Plan 2 employee each contribute one-half of the cost of the contributions required to fund the 2 percent-formula Plan 2 benefit. A member of TRS Plan 3 eligible for retirement is entitled to a benefit based upon the number of years the member has worked multiplied by 1 percent of his or her final average salary, plus the balance of the member's individual defined contribution account. The employer funds the contributions necessary to fund the 1 percent-formula Plan 3 benefit, and the employee contributes to the individual member account at a rate chosen annually by the employee, but no less than 5 percent of pay.

Members of TRS 2/3 may make a one-time purchase of up to seven years of service credit for public education experience outside Washington's retirement systems. The education experience must have been covered by a government retirement plan, and the member must have earned at least five years of service credit in TRS 2/3. In addition, the member must not be receiving, or be eligible to receive, a retirement benefit from the other 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 or early retirement. The member must pay a cost for the service credit equal to the actuarial value of the increase in value of the member's benefits.

Summary of Bill:

The required service credit that must be earned in TRS 2/3 before a member can purchase out-of-state service credit at full actuarial cost is reduced from five years to two.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) When this provision was changed to charge the full actuarial cost to the teachers' purchasing service two years ago, the reason for the five-year waiting period, which reduced

state costs, was eliminated. Now, changing the waiting period from five years to two will mostly reduce the cost for members to purchase service, as the actuarial value of the service being purchased increases as time goes by. We appreciate the work of the Select Committee on Pension Policy on this bill both this year and in past years. Please move this bill along in the process.

(Opposed) None.

Persons Testifying: Randy Parr, Washington Education Association; and John Kvamme, Washington Association of School Administrators and Association of Washington School Principals.

Persons Signed In To Testify But Not Testifying: None.