

SENATE BILL REPORT

SB 6656

As Reported By Senate Committee On:
Ways & Means, February 12, 2008

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 Schoesler, Murray, Holmquist, Fraser, Shin and Rasmussen; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/31/08, 2/12/08 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

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 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 the regular retirement age of 65. Early retirement with reduced benefits is available from age 55 with a minimum of 10 years of service in TRS 3 or 20 years of service in TRS 2.

A member of TRS 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 the member's final average salary. The employer and the TRS 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 3 eligible for retirement is entitled to a benefit based upon the number of years the member has worked multiplied by 1 percent of the member's final average salary, plus the balance of the

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member's individual defined contribution account. The employer funds the contributions necessary to fund the 1 percent-formula Plan 3 defined benefit, and the employee contributes to the individual member account.

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.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The five-year waiting period for the purchase of service credit for out-of-state service is an artifact of a previous version of the program and is no longer necessary. The program is very popular. It will be easier for teachers to buy this credit if they are allowed to do so earlier in their careers.

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