

HOUSE BILL REPORT

HB 1226

As Reported by House Committee On: Appropriations

Title: An act relating to restrictions on collecting a pension in the public employees' retirement system for retirees returning to work in an ineligible position or a position covered by another state retirement system.

Brief Description: Addressing the restrictions on collecting a pension in the public employees' retirement system for retirees returning to work in an ineligible position or a position covered by another state retirement system.

Sponsors: Representatives Ormsby, Alexander, Sullivan, Haigh and Ryu; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/29/13, 2/5/13 [DP].

Brief Summary of Bill

- Restores provisions allowing retirees of the Public Employees' Retirement System (PERS) who return to work in positions covered by other Department of Retirement Systems-administered plans to receive benefits for the first 867 hours of employment per year.
- Applies the 867-hour return-to-work rules only to PERS retirees hired into eligible positions.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 29 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Hudgins, Hunt, Jinkins, Kagi, Maxwell, Morrell, Parker, Pedersen, Pettigrew, Pike, Ross, Schmick, Seaquist, Sullivan and Taylor.

Staff: David Pringle (786-7310).

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.

Background:

The various plans of the Washington State Retirement System each contain rules prescribing the circumstances under which a retired employee may return to employment within a retirement system-covered position and continue to receive retirement benefits.

The 2011 Legislature passed Engrossed Substitute House Bill (ESHB) 1981 (Chapter 47, Laws of 2011, 1st Special Session), which made numerous changes to the rules under which a retired employee may return to employment from the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) in particular provisions allowing PERS and TRS Plan 1 members to work for up to 1,500 hours per year for three years (or certain part-time equivalents) without suspension of retirement benefits were eliminated.

Prior to the passage of ESHB 1981, retirees from the Plans 2 or 3 of PERS, TRS, the School Employees' Retirement System (SERS), or the Public Safety Employees' Retirement System (PSERS) who have been separated from service for one calendar month after their accrual date may work in a retirement-eligible position for up to 867 hours per calendar year without a reduction in pension benefits.

An eligible position for purposes of the state retirement systems is generally one in which retirement benefits can be earned by an employee, unless there is some individual restriction on benefits eligibility, such as already being retired, or the employee is stopped from membership due to prior service earned in another state-administered retirement plan.

The ESHB1981 removed the 867-hour option for PERS Plans 2/3 members who return to work in other systems (e.g. TRS, SERS, etc.), meaning these retirees will experience an immediate suspension of benefits so long as they continue working. The PERS retirees who return to work in PERS-covered positions may continue to work up to 867 hours per year without a suspension of benefits. The ESHB 1981 also applied the 867-hour limit to PERS retirees working in ineligible positions.

The Department of Retirement Systems (DRS) reports that it is not administering the changes made to the PERS Plans 2 and 3 benefits as they apply to members who return to work in other systems or return in ineligible positions.

Summary of Bill:

The PERS retirees who return to work in positions covered by other DRS-administered retirement systems will continue to receive retirement benefits for the first 867 hours of employment per calendar year. The application of the 867-hour return-to-work rules to PERS retirees is applied only to retirees hired into eligible positions.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) In 2011 substantial changes were made to the retire-rehire provisions. While the changes in this bill are not exactly technical, they eliminate some unintended consequences of that 2011 legislation for members of PERS Plans 2 and 3.

(Opposed) None.

Persons Testifying: Representative Ormsby, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.