

HOUSE BILL REPORT

SHB 1737

As Reported by House Committee On: Appropriations

Title: An act relating to the availability of retired teachers as substitutes.

Brief Description: Addressing the availability of retired teachers as substitutes.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Orcutt, Santos, Magendanz, Bergquist, Ortiz-Self, Kilduff, Kagi, Zeiger, Tarleton, Muri, Condotta and Pollet).

Brief History:

Committee Activity:

Appropriations: 2/11/15, 2/25/15 [DPS], 1/18/16, 1/21/16 [DP2S].

Brief Summary of Second Substitute Bill

- Provides the opportunity for retired teachers to receive their pensions while working up to 630 hours per year as a substitute teacher in an instructional capacity, even though they retired under early retirement provisions that would otherwise immediately suspend pension benefits upon employment.
- Limits the duration the 630-hour provision is available to retired teachers until August 1, 2020.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 31 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Cody, Condotta, Dent, Fitzgibbon, Haler, Hansen, Harris, G. Hunt, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Robinson, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Taylor, Tharinger, Van Werven and Walkinshaw.

Minority Report: Do not pass. Signed by 1 member: Representative Hudgins.

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:

Washington retirement systems have various rules relating to the conditions under which a retiree may return to work for a retirement system-participating employer and continue to receive pension benefits. Most governmental employers in the state participate in the state retirement systems. For members of the Teachers' Retirement System (TRS), pension benefits will generally be suspended after a member works for more than 867 hours per year with a participating employer.

The TRS Plans 2 and 3 have a normal, or unreduced, retirement age of 65. Members may retire as early as age 55, but unless the member has earned 30 or more years of service, an early retiree's benefit is actuarially reduced to the equivalent value as waiting to begin the benefit at age 65. For members with 30 or more years of service, TRS Plans 2 and 3 provide two different sets of "subsidized" early retirement. These benefits are considered to be subsidized because the cost to the entire plan of the early retirement benefit is greater than the equivalent benefit that the member would be entitled to at the normal retirement age of 65. At age 55, the full actuarial reduction to a member's benefit is 64 percent.

In 2000 the Legislature created an early retirement formula, or factor (ERF), that permitted members with 30 years of service to receive a pension reduced by 3 percent per year of service beginning as early as age 55. Members retiring under these provisions are able to work for up to 867 hours per year without suspension of benefits, just like those retiring at age 65. At age 55, the reduction to the member's benefit from the 2000 ERF is 30 percent.

In 2008 as part of the legislation that eliminated gain-sharing for members of the TRS, an additional, optional ERF, was created. Under this "2008 ERF" eligible members may retire with unreduced pensions beginning at age 62, and face significantly smaller reductions than the 2000 ERF at ages between 55 and 62. At age 55, the reduction to the member's benefit from the 2008 ERF is 20 percent. However, members choosing to retire under the 2008 ERF are prohibited from utilizing the post-retirement employment provisions, and have benefits suspended immediately upon entering any compensated arrangement with a retirement system employer.

In 2012 the Legislature reduced early retirement benefits for anyone hired into the Public Employees' Retirement System, the School Employees' Retirement System, and the TRS after May 1, 2013. These 2012 ERFs provide for a 5 percent per year reduction to benefits beginning at age 55 for members with 30 or more years of service. Though few members will retire using these provisions for many years, those retiring under the 2012 ERF are not prohibited from receiving pension payments for the first 867 hours of post-retirement employment with a retirement system employer.

Summary of Second Substitute Bill:

Teachers that retired under the 2008 early retirement reduction factors of the Teachers' Retirement System Plans 2 or 3 and are less than 65 years of age may be employed as substitute teachers in an instructional capacity for up to 630 hours per school year without

suspension of their retirement benefits. This provision allowing for the 630 hours of employment without suspension of benefits expires August 1, 2020. School districts employing retired substitute teachers under this provision must have a documented shortage of certified substitute teachers. The bill contains an emergency clause and takes effect immediately.

Second Substitute Bill Compared to Substitute Bill:

The substitute bill: changes the date at which the additional post-retirement employment options cease from August 1, 2019 to August 1 2020; and contains an emergency clause and takes effect immediately.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) A constituent asked "Why are retired teachers locked out of substituting?" After understanding the "deal" that was struck when the 2008 early retirement factors were created, this bill was prepared in a fashion to help the school districts, rather than simply improve benefits for retirees. There is a very serious shortage of qualified substitutes in some districts. In Kelso, a landslide and the inability to get substitutes forced the closure of a school. Loosen these restrictions for a short period of time and see how it works. More kids can get a good day of education. Though the hours were bumped up from the original proposal, I still support the bill. The bill should be more flexible, as 98 percent of principals say they are in crisis or struggling to find substitutes. Many principals are covering classrooms in their schools, and the Office of Superintendent of Public Instruction is issuing many emergency substitute certificates. We have a long-term shortage of substitutes for math and a few other subjects. Please remove the sunset clause and expand the number of hours. There are small school districts in some educational service district areas that have critical shortages of substitutes. This bill could help, particularly with special needs students. Revising these return-to-work rules won't fix the problem of the substitute shortage, but will quickly provide some relief to schools. This group is limited in size, so keep the hours they can work high to provide districts the most assistance. There is a small fiscal impact, but the cost to schools can be great, so get these experienced teachers back in the classrooms right away – please add an emergency clause, and boost the hours to the 867 available in the other plans. Teachers choosing the 2008 early retirement reduction factor are prevented from working in the profession – if districts are taking unqualified teachers as substitutes, why can't those teachers work?

(Opposed) None.

Persons Testifying: Representative Orcutt, prime sponsor; Bob Butts, Office of Superintendent of Public Instruction; Betsy P. Elgar, Betsy Pauline Elgar Real Estates Free and Clear; Melissa Gombosky, Educational Service District 105; Peter Diedrick, Washington State School Retirees' Association; Julie Salvi, Washington Education Association; Fred Yancey, Washington Association of School Administrators, Association of Washington School Principals, and Washington State Schools Retirees' Association; and Robert Kedenburg.

Persons Signed In To Testify But Not Testifying: None.