

SENATE BILL REPORT

SB 5148

As Reported by Senate Committee On:
Ways & Means, February 23, 2015

Title: An act relating to allowing members who retire early under alternate early retirement provisions as set forth in RCW 41.32.765(3) and 41.32.875(3) to work as substitute teachers and continue receiving retirement benefits at the same time

Brief Description: Allowing members who retire early under alternate early retirement provisions as set forth in RCW 41.32.765(3) and 41.32.875(3) to work as substitute teachers and continue receiving retirement benefits at the same time.

Sponsors: Senators Parlette, Dammeier, Chase, Conway, McAuliffe and O'Ban.

Brief History:

Committee Activity: Ways & Means: 2/16/15, 2/23/15.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Pete Cutler (786-7474)

Background: The normal retirement age for members of Plans 2 and 3 of the Teachers Retirement System (TRS) is age 65. TRS Plan 2 members with 20 years of service and TRS Plan 3 members with ten years of service can retire as early as age 55. Benefits paid to persons who retire early from TRS Plans 2 or 3 with less than 30 years of service are calculated using early retirement factors that provide a full actuarial reduction based on the number of years between the retirement age and age 65. For example a 27 percent reduction for retirement at age 62 or a 41 percent reduction for retirement at age 60.

Two early retirement factor options are available to TRS Plan 2 and 3 members who retire with 30 or more years of service. One of the options was created in 2000 and reduces benefits by 3 percent for each year in the period between the retirement age and age 65. For example a 9 percent reduction for retirement at age 62 or a 15 percent reduction for retirement at age 60. The other option that provides smaller benefit reductions was implemented in 2008 as a replacement for gain-sharing benefits. Under the 2008 early retirement factors, TRS Plan 2 and 3 members with 30 years of service may retire at age 62 with no reduction of benefit and at age 60 with a 5 percent reduction.

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.

State law does not prohibit persons who retire from TRS Plans 2 or 3 from returning to work but it does limit when a retiree may work and continue receiving pension payments. In general, payments are suspended when a TRS retiree works more than 867 hours per year in a position included in TRS or another state retirement plan. However, payments are suspended immediately if a TRS Plan 2 or 3 retiree who retired using the 2008 early retirement factors returns to work in any kind of position with a state retirement plan employer prior to age 65. This includes returning to work as a substitute teacher.

Summary of Bill: Beginning July 1, 2015, employment as a substitute teacher is excluded from the kinds of employment that result in the suspension of pension payments for persons who retired from TRS Plans 2 or 3 using the 2008 early retirement factors.

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: School districts are in dire need of more substitute teachers. Experienced retired teachers who are trained and ready to meet kids' needs provide a great pool of high-quality substitutes who can step in when needed. The improvement in the economy, the increase in the number of teachers being hired, and increases in time lost due to illness and other factors all contribute to the shortage of substitute teachers. The cost of the bill is a small price to pay considering how much kids will benefit.

Persons Testifying: PRO: Fred Yancey, WA Assn. of School Administrators, Assn. of WA School Principals; Julie Salvi, WA Education Assn.; Mitch Denning, Alliance of Educational Assns.; Danny McDonald, Soap Lake School District.