
Appropriations Committee

HB 2379

Brief Description: Addressing the need for substitutes in schools.

Sponsors: Representatives Doglio, Orcutt, Dolan, Appleton, Muri, Stambaugh, Chandler, Fey, Bergquist, Johnson, Valdez, Haler, Kilduff, Ortiz-Self, Pollet and Lovick.

Brief Summary of Bill

- Permits educators that retired under the 2008 Early Retirement Factors (ERF) to work in any nonadministrative position for up to 867 hours without suspension of pension benefits prior to attaining age 65.
- Removes the August 1, 2020, end date for the 2008 ERF retire-rehire provision permitting employment in substitute teaching and instructional positions for up to 867 hours per year.
- Expands the 2008 ERF retire-rehire provision to retirees from the School Employees' Retirement System that retired under the 2008 ERF.

Hearing Date: 1/24/18

Staff: David Pringle (786-7310).

Background:

The normal retirement age for members of Plans 2 and 3 of the Teachers' Retirement System (TRS) and the School Employees' Retirement System (SERS) is age 65. TRS and SERS Plan 2 members with 20 years of service may retire as early as age 55 at actuarially reduced rates. TRS and SERS Plan 3 members with 10 years of service can similarly retire as early as age 55. Benefits paid to persons who retire early from TRS and SERS 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, there is a 27 percent reduction of benefits for retirement at age 62 and a 41 percent reduction of benefits for retirement at age 60.

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.

Two early retirement factor options are available to TRS and SERS 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, there is a 9 percent reduction of benefits for retirement at age 62 and a 15 percent reduction of benefits 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 (ERF), TRS and SERS Plan 2 and 3 members with 30 years of service may retire at age 62 with no reduction of benefits and at age 60 with a 5 percent reduction.

State law does not prohibit persons who retire from TRS and SERS 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 or SERS retiree works more than 867 hours per year in a position included in TRS, SERS, or another state retirement plan. However, payments are suspended immediately if a TRS Plan 2 or 3 retiree who retired using the 2008 ERF returns to work in any kind of position with a state retirement plan prior to age 65. This includes returning to work as a substitute teacher.

In 2016 a temporary exception was created to the limitations on the ability of a 2008 ERF retiree to return to work prior to age 65. Until August 1, 2020, retired educators retired under the 2008 ERF may return to work for up to 867 hours per year without suspension of retirement benefits if the teacher: (1) reenters employment more than one month after retiring; and (2) is employed in a nonadministrative position. This temporary provision did not extend to SERS.

Summary of Bill:

Educators that are members of TRS Plans 2 or 3 that retired under the 2008 ERF are permitted to return to work before age 65 in any position, not just in substitute teaching and instructional positions, and work for up to 867 hours per year without suspension of pension benefits. References to "teacher," a defined term in the Teachers' Retirement System, are changed to "educator" in the amended section, a term not defined in TRS. The ending date on the current provisions of August 1, 2020, as well as the separate section expiring the section of law, are removed, making the section effective indefinitely.

A similar provision to the TRS provision is created for SERS.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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