
Appropriations Committee

HB 1056

Brief Description: Repealing some postretirement employment restrictions.

Sponsors: Representatives Stokesbary, Fitzgibbon, Leavitt, Simmons, Lekanoff, Rule, Griffey, Macri, Bergquist, Wylie and Ormsby; by request of Select Committee on Pension Policy.

Brief Summary of Bill

- Changes the postretirement employment restrictions on benefits eligibility for Public Employees' Retirement System, Teachers' Retirement System, and School Employees' Retirement System Plans 2 and 3 members that retired under the 2008 Early Retirement Reduction Factors (ERFs).
- Permits 2008 ERF retirees to work in retirement system-covered employment for up to 867 hours per year without suspension of retirement benefits.

Hearing Date: 1/16/23

Staff: David Pringle (786-7310).

Background:

The normal retirement age for members of Plans 2 and 3 of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS) and the School Employees' Retirement System (SERS) is age 65. The PERS, TRS, and SERS Plan 2 members with 20 years of service may retire as early as age 55 at actuarially reduced rates. The PERS, 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 the PERS, 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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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.

For individuals first employed before May 1, 2013, two early retirement factor options are available to the PERS, 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), PERS, 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. For individuals first employed on or after May 1, 2013, a 5 percent per year reduction for each year in the period between the retirement age and age 65 is available for employees retiring with 30 or more years of service.

Since 2008, most retirees have chosen the higher benefits of the 2008 ERF and the additional restrictions on benefit eligibility in postretirement employment, but some retirees have chosen lower benefits with additional access to benefits during postretirement employment.

The PERS and TRS Plans 1 closed to new members in 1977. Both Plans provided for full retirement at earlier ages than Plans 2 and 3, including after 30 years of service at any age, and at age 55 with 25 years of service. Neither Plan 1 provided for earlier retirement at reduced benefit amounts. To retire from employment with an employer, PERS, TRS, and SERS required that a member separate from service—meaning that there has been a severance of an employee's ties with an employer, based on the continued provision of services. Retirees from PERS, TRS, and SERS may generally receive their pensions while employed by a retirement system employer for up to 867 hours per year.

The main exception to the 867-hour provision is for employees that chose the 2008 ERF, those employees are generally prohibited from receiving retirement allowances while in any compensated arrangements with retirement system employers. In 2016 the Legislature temporarily removed the benefit restrictions related to reemployment of TRS Plan 2 and 3 retirees that utilized the 2008 early reduction factors, and in 2019 removed the expiration of the provision and added SERS Plan 2 and 3.

In 2022 the Legislature further extended the exceptions to the 2008 ERF restrictions and increased the hours that PERS, TRS, and SERS retirees could work in specific circumstances in schools to 1,040 hours per year until 2025, at which time the TRS and SERS limits for 2008 ERF retirees return to 867 hours under the 2019 rules, and the PERS limit returns to the original limit of no retirement benefits while working for a retirement system employer until age 65.

Summary of Bill:

The restrictions on receiving benefits during postretirement employment for PERS, TRS, and SERS Plans 2 and 3 retirees that retired under the 2008 ERF are lifted to allow receipt of pension payments during up to 867 hours per year of employment with a retirement system employer.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect on January 1, 2024