

# SENATE BILL REPORT

## SHB 1056

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As of March 16, 2023

**Title:** An act relating to repealing some postretirement employment restrictions.

**Brief Description:** Repealing some postretirement employment restrictions.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Stokesbary, Fitzgibbon, Leavitt, Simmons, Lekanoff, Rule, Griffey, Macri, Bergquist, Wylie and Ormsby; by request of Select Committee on Pension Policy).

**Brief History:** Passed House: 2/6/23, 93-0.

**Committee Activity:** Ways & Means: 3/16/23.

### Brief Summary of Bill

- Permits certain retirees of the state's retirement systems that took a specific early retirement option to work in a retirement system-covered position prior to reaching age 65, for up to 867 hours per year without a suspension of their retirement benefits.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Amanda Cecil (786-7460)

**Background:** Retirees of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) may work up to 867 hours per year in a position covered by any of the state's pension system while receiving a retirement benefit. A retiree that works more than 867 hours is reinstated as an active member and their retirement benefit ceases.

Plans 2 and 3 of the PERS, TRS, and SERS have a normal retirement age of 65 and generally may retire as early as age 55 with a reduced benefit. Benefits paid to early retirees with less than 30 years of service are calculated using early retirement factors that

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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.

There are two early retirement factor options for individuals who were first employed before May 1, 2013, and who are retiring with 30 or more years of service. The first option was created in 2000, and reduces benefits by 3 percent for each year in the period between 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 second option which provides smaller benefit reductions was implemented in 2008, as a replacement for gain-sharing benefits. Under the 2008 early retirement factors, 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.

Except in limited circumstances, members of PERS 2 and 3 that took a 2008 early retirement factor are ineligible to continue to receive a pension benefit and to return to work in covered position until they reach age 65, at which point they can work for up to 867 hours per year like other retirees. Until 2016, that restriction also applied to retirees of TRS Plans 2 and 3, when it was temporarily suspended to allow retirees to work for up to 867 hours per year as substitute teachers. This temporary suspension was made permanent in 2019, and it was expanded to cover more positions and retirees of SERS Plan 2 and 3.

In 2022, that exception was further expanded to allow all PERS, TRS, and SERS retirees, including those that took a 2008 early retirement factor, to work for a school district for up to 1040 hours per year in a non-administrative position or for a school district with less than 2000 students as a superintendent or an in-school administrator while continuing to receive a pension benefit. This expansion is in effect until July 1, 2025.

**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 early retirement factor are eliminated, allowing retirees to work up to 867 hours per year of employment without a suspension of their benefits. This would include returning to work in a contracted position.

Retirees that were eligible for the 2008 early retirement factors but who took a lower a retirement option, which allowed them to continuing working in retirement will have their retirement benefit prospectively recalculated to the higher 2008 early retirement factor.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: This opens up employment opportunities for a number of retirees and it reduces the administrative burdens in schools by allowing administrators to return to the work force. This bill reduces the complexity of the system and provides consistency across plans.

**Persons Testifying:** PRO: Fred Yancey, WA Assn. Of School Administrators; Shawn Merchant, Department of Retirement Systems.

**Persons Signed In To Testify But Not Testifying:** No one.