

SENATE BILL REPORT

SB 5349

As of January 23, 2023

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

Brief Description: Repealing some postretirement employment restrictions.

Sponsors: Senators Conway, Robinson, Wilson, C., Keiser, Hasegawa, Cleveland, Holy, Hunt, Kuderer, Nobles, Saldaña, Shewmake, Trudeau and Valdez; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/23/23.

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.

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

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.

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.

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 bill will reduce complexity in systems and plans and would provide consistency across retirement plans. Washington has one of

the most complicated pension systems in the United States. This would be a step toward reducing complexity so members can know what they are entitled to. There will continue to be an 867 hour cap on what retirees can do.

Persons Testifying: PRO: Senator Steve Conway, Prime Sponsor; Fred Yancey, Washington State School Retirees' Assn.; Shawn Merchant, Department of Retirement Systems.

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