

HOUSE BILL REPORT

HB 1737

As Reported by House Committee On: Appropriations

Title: An act relating to the availability of retired teachers as substitutes.

Brief Description: Addressing the availability of retired teachers as substitutes.

Sponsors: Representatives Orcutt, Santos, Magendanz, Bergquist, Ortiz-Self, Kilduff, Kagi, Zeiger, Tarleton, Muri, Condotta and Pollet.

Brief History:

Committee Activity:

Appropriations: 2/11/15, 2/25/15 [DPS].

Brief Summary of Substitute Bill

- Provides the opportunity for retired teachers to receive their pensions while working up to 630 hours per year as a substitute teacher in an instructional capacity, even though they retired under early retirement provisions that would otherwise immediately suspend pension benefits upon employment.
- Limits the duration the 630-hour provision is available to retired teachers until August 1, 2019.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Condotta, Dent, Dunshee, Fagan, Haler, Hansen, G. Hunt, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Pettigrew, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Taylor, Tharinger, Van Werven and Walkinshaw.

Minority Report: Do not pass. Signed by 2 members: Representatives Chandler, Ranking Minority Member; Hudgins.

Staff: David Pringle (786-7310).

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.

Background:

Washington retirement systems have various rules relating to the conditions under which a retiree may return to work for a retirement system-participating employer and continue to receive pension benefits. Most governmental employers in the state participate in the state retirement systems. For members of the Teachers' Retirement System (TRS), pension benefits will generally be suspended after a member works for more than 867 hours per year with a participating employer.

The TRS Plans 2 and 3 have a normal, or unreduced retirement age of 65. Members may retire as early as age 55, but unless the member has earned 30 or more years of service, an early retiree's benefit is actuarially reduced to the equivalent value as waiting to begin the benefit at age 65. For members with 30 or more years of service, TRS Plans 2 and 3 provide two different sets of "subsidized" early retirement. These benefits are considered to be subsidized because the cost to the entire plan of the early retirement benefit is greater than the equivalent benefit that the member would be entitled to at the normal retirement age of 65. At age 55, the full actuarial reduction to a member's benefit is 64 percent.

In 2000 the Legislature created an early retirement formula, or factor (ERF), that permitted members with 30 years of service to receive a pension reduced by 3 percent per year of service beginning as early as age 55. Members retiring under these provisions are able to work for up to 867 hours per year without suspension of benefits, just like those retiring at age 65. At age 55, the reduction to the member's benefit from the 2000 ERF is 30 percent.

In 2008 as part of the legislation that eliminated gain-sharing for members of the TRS, an additional, optional ERF, was created. Under this "2008 ERF" eligible members may retire with unreduced pensions beginning at age 62, and face significantly smaller reductions than the 2000 ERF at ages between 55 and 62. At age 55, the reduction to the member's benefit from the 2008 ERF is 20 percent. However, members choosing to retire under the 2008 ERF are prohibited from utilizing the postretirement employment provisions, and have benefits suspended immediately upon entering any compensated arrangement with a retirement system employer.

In 2012 the Legislature reduced early retirement benefits for anyone hired into the Public Employees' Retirement System, the School Employees' Retirement System, and the TRS after May 1, 2013. These 2012 ERFs provide for a 5 percent per year reduction to benefits beginning at age 55 for members with 30 or more years of service. Though few members will retire using these provisions for many years, those retiring under the 2012 ERF are not prohibited from receiving pension payments for the first 867 hours of postretirement employment with a retirement system employer.

Summary of Substitute Bill:

Teachers that retired under the 2008 early retirement reduction factors of the Teachers' Retirement System Plans 2 or 3 and are less than 65 years of age may be employed as substitute teachers in an instructional capacity for up to 630 hours per school year without

suspension of his or her retirement benefit. This provision allowing for the 630 hours of employment without suspension of benefits expires August 1, 2019. School districts employing retired substitute teachers under this provision must have a documented shortage of certified substitute teachers.

Substitute Bill Compared to Original Bill:

The substitute bill increases the number of hours that a substitute may work without suspension of benefits from 216 hours to 630 hours. A requirement is also added that requires school districts to document a shortage of certified substitute teachers to qualify retirees to work without immediate suspension of pension benefits under the temporary provisions.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) When retiring teachers made the choice of the 2008 ERF, a deal was a deal. But to benefit the students in our schools, where there is a shortage of substitutes now, a temporary adjustment is needed. While the number of hours is something that could be worked on, it should not be increased to blow the whole system open. A limited exception for the benefit of the schools and children is needed—not for the retired teachers. The current system does not work well. These limitations don't affect a TRS Plan 1 retiree, but policies are needed that work for the TRS Plans 2 and 3 retirees. The district has a great shortage of substitutes—so acute last year that the district joined an Educational Service District Co-op to find more qualified substitutes. A school district increased the rate of pay for substitutes and these measures increased the number and quality of substitutes, but emergency substitutes are still used. It would be much better to have qualified substitutes instead.

(In support with concerns) Only 216 hours may not be enough, and there are some other ideas that should be looked at. This restriction was added as part of the gain-sharing tradeoff. The hours limit seems arbitrary in the bill, and seems very disruptive. Consider the concept of allowing the districts to use any substitutes they need. Small districts need more flexibility. The hours should be expanded. Often, principals are pressed into duty as substitute teachers, but that takes them away from their other duties. Today, two principals missed a day of advanced training as they were covering in classrooms.

(Opposed) None.

Persons Testifying: (In support) Representative Orcutt, prime sponsor; and Tita Mallory, McCleary School District.

(In support with concerns) Julie Salvi, Washington Education Association; Fred Yancy, Washington Association of School Administrators and Association of Washington School Principals; Edith Ruby, Washington State School Retirees Association; and Dominick Cvitanich, Olympia School District.

Persons Signed In To Testify But Not Testifying: None.