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## Appropriations Committee

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### HB 2640

**Brief Description:** Restricting teachers' retirement system plan 1 postretirement employment.

**Sponsors:** Representatives Bailey, Sehlin, Miloscia, Roach, Boldt, Tom, Talcott, Mielke, McMahan, Holmquist and Schindler.

#### Brief Summary of Bill

- Defines separation from service in the Teachers' Retirement System (TRS) as excluding circumstances where an employee and his or her employer have an oral or written agreement to return to work following termination.
- Lengthens the break in employment after separation from service in TRS 1 required for 1,500 hours of postretirement employment without suspension of pension benefits to one and one-half months.
- Limits the cumulative lifetime total a retired member of TRS 1 may work beyond 867 hours each school year without suspension of retirement benefits to 1,900 hours after the effective date of the act.
- For retired TRS 1 employees who work beyond 867 hours in a school year, the employer is required to pay both employer contributions as if the member were active, and an additional amount equivalent to TRS 1 employee contributions.

**Hearing Date:** 2/5/04

**Staff:** David Pringle (786-7310).

#### Background:

Retired members of the Public Employees' Retirement System, Plan 1 (PERS 1), or the Teachers' Retirement System (TRS 1), who re-enter employment with an eligible employer within one month of retiring are subject to a benefit reduction. The reduction is equal to 5.5 percent of the monthly benefit for every eight hours worked that month and is applied until such time as the retiree remains absent from eligible employment for at least one full calendar month.

A member must separate from service in order to qualify for a retirement allowance. Separation from service is defined in PERS to mean that the member has no oral or written agreement to resume work with their employer after entering retirement. In contrast, separation from service in

TRS requires that the member have no written agreement to resume work with their employer after entering retirement. After entering retirement status, a member may begin his or her retirement allowance on the first day of the month following the month that he or she applies for retirement benefits. The date that retirement benefits begins is referred to as a member's "accrual date."

Both PERS and TRS have provided sanctions for filing false statements to the Department of Retirement Systems (DRS) since 1947. A person who files a false record or false statement to the DRS in any attempt to defraud the retirement systems is guilty of a gross misdemeanor in PERS and a felony in TRS. The felony provision in TRS was made a class "B" felony by the 2003 Legislature.

Retirees from PERS 1 who have been separated from service for one calendar month after their accrual date may work up to 867 hours per calendar year without a reduction in pension benefits. Retirees from PERS 1 who have been separated from service for three calendar months, and whose hiring meets specific approval and record-keeping requirements, may work up to 1,500 hours per calendar year without a reduction in pension benefits. Once the 1,500 hour limit is exceeded, pension benefits are suspended until the beginning of the next calendar year.

The number of years a PERS 1 retiree may work for 1,500 hours without a reduction in benefits is limited, however. Each PERS 1 retiree may only work for a lifetime cumulative limit of 1,900 hours beyond 867 hours per calendar year.

Retirees from TRS 1 who have been separated from service for one calendar month may work up to 1,500 hours per year without a reduction in pension benefits.

The 2003 Legislature passed SHB 1829, which added additional restrictions on reemployment by retirees that currently apply to PERS 1 but not TRS 1. SHB 1829 contained provisions adding similar restrictions to TRS 1, but those sections were vetoed from the bill by the Governor.

### **Summary of Bill:**

The definition of "separation from service" in TRS 1 excludes circumstances where an employer and an employee have a written or oral agreement to resume employment following termination.

The break in employment after separation from service required for 1,500 hours of post-retirement employment in TRS 1 is one and one-half calendar months,

A school board approve the hiring, and must document a justifiable need to hire a retiree into the position being filled. The employer must also hire the retiree through the established process for the position, retain records of the procedures followed and decisions made in hiring, and provides those records in the event of an audit.

After the effective date of this act, a TRS 1 retiree is restricted to a lifetime cumulative total of 1,900 hours of post-retirement employment in excess of 867 hours per school year while in receipt of a benefit.

The employer of retired TRS 1 employees who work more than 867 hours in a school year is required to pay both employer contributions as if the member were active, and an additional amount of employer contributions equivalent to the TRS 1 employee contributions that the employee would have made if active.

**Appropriation:** None.

**Fiscal Note:** Available.

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