

# SENATE BILL REPORT

## SHB 2689

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As Reported By Senate Committee On:  
Ways & Means, February 22, 2006

**Title:** An act relating to the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1.

**Brief Description:** Addressing the public employment of retirees from the teachers' retirement system plan 1 and the public employees' retirement system plan 1.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Bailey, Conway, Fromhold, Lovick, Quall, Simpson and Ormsby; by request of Select Committee on Pension Policy).

**Brief History:** Passed House: 2/11/06, 97-0.

**Committee Activity:** Ways & Means: 2/21/06, 2/22/06 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Steve Jones (786-7440)

**Background:** After members of Plan 1 of the Teachers' Retirement System and the Public Employees' Retirement System retire from service, subsequent employment with an employer under the respective retirement system will result in a reduction in the retirement benefit received by the retiree if a specified number of hours of employment per year is exceeded. Prior to 2001, the limitation was approximately five months of full-time employment before the retirement benefit was reduced. In 2001, the legislature increased the limit to 1,500 hours per year (approximately nine months of full-time employment). To qualify for the expanded limit, an employee was required to satisfy a break in employment of thirty days before re-employment.

In 2003, the legislature imposed additional requirements on employees exceeding the prior five-month limit. For members of the Public Employees' Retirement System, prior employment agreements with employers were prohibited, a three-month break in employment was required, and the employer was required to document the need for the employee and use an established hiring process. In addition, a cumulative lifetime limit of 1,900 hours (approximately three years of full-time employment) was imposed on those retirees exceeding the prior five-month limit. This cumulative limit was enacted retroactively and was calculated from the date of retirement.

Similar limitations were placed on the Teachers' Retirement System by the 2003 Legislature, but those limitations were vetoed by the Governor.

**Summary of Bill:** In the Teachers' Retirement System, a retired teacher or administrator who satisfies a break in service of at least one month may be employed for up to 867 hours per school year (approximately five months of full-time employment) without any reduction in retirement benefits. A retiree may be employed up to 1,500 hours per school year (approximately nine months of full-time employment) without any reduction in retirement benefits if: (1) the retiree satisfies a 1.5 month break in service before re-employment, (2) the employer establishes a written policy, a documented need for the rehire, and a formal hiring process. In addition, a cumulative lifetime limit of 1,900 hours (approximately three years of full-time employment) is established for those retirees exceeding 867 hours per school year. This cumulative limit is calculated prospectively, not retroactively, beginning July 1, 2006.

Prior written or oral agreements between an employer and employee to resume employment with the same employer are prohibited.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2006.

**Testimony For:** The bill is the result of a study conducted by the Office of State Actuary. The disparities between the PERS and TRS postretirement employment programs are a result of the 2003 veto. This bill will make the two systems uniform, eliminate disparities, close loopholes, reduce perceived abuses, and save money.

**Testimony Against:** None.

**Who Testified:** PRO: Representative Barbara Bailey, prime sponsor; John Kuamme, Washington Association of School Administrators.