

SENATE BILL REPORT

SB 5359

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 7, 1991

**Brief Description:** Allowing the transfer of certain retirement credits from out-of-state teacher retirement plans.

**SPONSORS:** Senators Craswell, Conner, Rinehart, Gaspard, Murray, Bailey and Bauer.

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** That Substitute Senate Bill No. 5359 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Gaspard, Johnson, L. Kreidler, Metcalf, Murray, Newhouse, Niemi, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

**Staff:** Denise Graham (786-7715)

**Hearing Dates:** February 28, 1991; March 7, 1991

**BACKGROUND:**

Neither Plan I nor Plan II of the Teachers' Retirement System (TRS) allows service credit for credit earned as a teacher in out-of-state retirement systems prior to becoming a teacher in this state.

TRS Plan I members may retire at any age once they have 30 years of service credit, at age 55 if they have 25 years of service credit, or at age 60 if they have five years of service credit. Upon retiring, Plan I members may withdraw all retirement contributions they have made.

TRS Plan II members may retire at age 55 if they have 20 years of service, or at age 65 if they have five years of service. Plan II members who retire before age 65, however, have their benefit actuarially reduced.

**SUMMARY:**

An active member of TRS I or TRS II who has qualified for service credit in a teacher's retirement plan in another state may petition the Department of Retirement Systems to have the out-of-state service included in the computation of his or her service credit in this state. The teacher must agree in writing to pay all actuarial and administrative costs. A current member must request the service credit within two years of the bill's effective date. In the future, a member must make the request within two years of first becoming a teacher in Washington.

Purchasing out-of-state service credit allows a teacher in TRS Plan I to retire earlier and to increase the size of his or her benefit.

For a TRS Plan II member, purchasing out-of-state service credit increases the size of his or her benefit but does not affect the age at which he or she can retire with full benefits.

**EFFECT OF PROPOSED SUBSTITUTE:**

The proposed substitute addresses the financial and technical problems identified in the testimony on the original bill and clarifies the effects of the original bill.

Service in an out-of-state teachers' public school retirement system may be used in determining the age at which a member of the Teachers' Retirement System may retire. The benefit a member receives will be actuarially reduced to take into account the difference between the age the member would have been able to retire and the actual retirement age.

Any teacher may purchase additional benefit by making a contribution to an annuity fund. The contribution would be actuarially converted into a monthly benefit at the time of retirement. The member must pay all administrative and clerical costs.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

This bill would provide a good recruitment tool and allow the state to attract more teachers with experience from out-of-state. It would also allow teachers to retire after 30 years of service, even if some of those years were spent teaching in another state.

**TESTIMONY AGAINST:**

There are technical and constitutional problems with the bill. In addition, since the employee must pay all of the costs, it would be too expensive for a teacher coming in from out of state to take advantage of the provisions of the bill.

**TESTIFIED:** Dale Vincent (pro); Walter Ball, Association of Washington School Principals (pro); Gerald Allard, State Actuary; Paul Neal, Department of Retirement Systems; Kris Van Gorkom, Washington Association of School Administrators (pro); Ed Heiser, Jay Pearson, Guy Holt, Washington School Districts (pro); Karen Davis, Rich Matzen, Washington Education Association (pro); Wayne Eirish (pro)