

# FINAL BILL REPORT

## SHB 1829

---

---

### PARTIAL VETO

C 412 L 03

Synopsis as Enacted

**Brief Description:** Regulating postretirement employment in the public employees' retirement system and the teachers' retirement system.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Bailey, Sehlin, Talcott, Kristiansen, Clements, Tom, Pearson, McMahan, Benson, Woods and Pflug).

**House Committee on Appropriations**  
**Senate Committee on Ways & Means**

#### **Background:**

Retired members of Plan 1 of the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS) 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 amount 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 and TRS to mean that the member has 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 provide sanctions for the filing of false statements to the Department of Retirement Systems (DRS). 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.

Retirees from PERS 1 or TRS 1 who have been separated from service for one calendar month after their accrual date may work up to 1,500 hours per year without a reduction in pension benefits. Once the 1,500 hour limit is exceeded, pension benefits are suspended until the beginning of the following year.

The limits on post-retirement employment were expanded to the 1,500 hour limit for

PERS 1 and TRS 1 by the 2001 Legislature through the passage of Engrossed Substitute Senate Bill 5937. ESSB 5937 expressly disclaimed any contractual right to 1,500 hours of post-retirement without suspension of pension benefits, and it also contained expiration dates for the laws allowing the 1,500 hours in June of 2004 for TRS and December 2004 for PERS. The expiration dates were vetoed from the bill by the Governor.

**Summary:**

The definition of separation from service in PERS and TRS is changed to exclude circumstances where the employer and employee have an oral or written agreement to resume work for that employer following termination. The amended definitions reference the false statement provisions in PERS and TRS, and they may be violated if separation from service is claimed by an employee or an employer when an agreement exists.

The eligibility for 1,500 hours of post-retirement employment in PERS Plan 1 and TRS Plan 1 is conditioned on the employer and the employee satisfying certain conditions, and if not met, the retiree may only work for 867 hours in a year before retirement benefits will be suspended.

The required length of separation from service is lengthened from one month following accrual to one and one-half months in TRS and three months in PERS.

An employer 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 provide those records in the event of an audit.

The decision to hire a retiree must also be approved by the school board for a school district, the chief executive officer of a state agency, the Chief Clerk for the House of Representatives, the Secretary of the Senate for the Senate, or both the Chief Clerk and the Secretary of the Senate for legislative agencies, or be made according to rules adopted by a local government.

One provision of the act applies retroactively to retirees under PERS and TRS. The retiree is restricted to a cumulative total of 3,165 hours if employed as a teacher or principal, or 1,900 hours if otherwise employed, of post-retirement employment in excess of 867 hours per year while in receipt of a benefit. The 3,165 and 1,900 hour totals are applied from the date of retirement to those who retired prior to the effective date of the act. Past hirings, however, would not be re-examined under the other new conditions established in the act - - for example, satisfaction of the three-month PERS separation from service requirement.

**Votes on Final Passage:**

House 96 0  
Senate 33 16 (Senate amended)  
House (House concurred in part; refused to concur in part)  
Senate 38 11 (Senate receded in part)  
House 97 0

**Effective:** July 27, 2003

**Partial Veto Summary:** The Governor vetoed sections applicable to TRS that modified the definition of separation from service and added additional conditions for retiree eligibility for 1,500 hours of post-retirement employment without benefit suspension.