Plan 2/3 Final Year Contract
H-3661.3/10 3rd Draft

PROBLEM

- Many school administrators that are in Plans 2 & 3 who decide to retire on July 1st effectively are short two months of service credit to reach full years of service when completing their last contract year of active service.
- The reason for this is that a good proportion of administrators served as teachers in this state prior to moving into an administrative position. The contract year for teachers runs from September 1st through August 31st even though they generally complete their contract in June. The teacher's pay is spread through August and they usually start drawing retirement on September 1st.
- The contract for school administrators by statute is required to run from July 1st through June 30th and their pay ends at the end of the contract. The shift from teacher to administrator contract causes many of these administrator's final contract year to be short two months of reaching an even total number of service credit years when converting the total service credit months into service credit years.
- This hasn't been a problem in the past because most retirees have been Plan 1 members. Plan 1 member service is counted by the service year, whereas Plans 2 and 3 count service by the month.
- This now causes problems for some school administrators that wish to take advantage of Plan 2 and 3 early retirement requirements (ERRF), a major requirement being that the member must have completed thirty service credit years.
- The problem of Plan 2 member access to the PEBB upon separation could also play into this situation.

SOLUTION OPTION

- Draft H-3661.3/10 adds a short paragraph to each of the TRS and SERS Plan 2 & 3 RCWs dealing with the alternate early retirement criteria.
- The paragraph would basically allow an active school administrator to take advantage of early retirement and alternate early retirement if completing 29 service credit years plus 10 additional service credit months through June 30th of the school administrator's 30th service credit year This language would allow administrators wishing to begin retirement at the end of their fiscal year to not have to work an additional two months (July and August) in order to fulfill 30 years of service.
- The possible solution of returning the contract year of administrators to be the same as teachers would cost schools two extra months for all active administrators, therefore is not a reasonable solution.

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BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: H-3661.3/10 3rd draft

ATTY/TYPIST: LL:seg

BRIEF DESCRIPTION: Calculating service credit for school administrators for alternate early retirement eligibility.

AN ACT Relating to calculating service credit for school administrators for alternate early retirement eligibility; and amending RCW 41.32.765, 41.35.680, 41.32.875, and 41.35.420.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 41.32.765 and 2007 c 491 s 2 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member with at least five service credit years of service who has attained at least age sixty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760.

(2) EARLY RETIREMENT. Any member who has completed at least twenty service credit years of service who has attained at least age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the

exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.32.802(2) until the retired member has reached sixty-five years of age. For purposes of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.32.800(1).

(e) The subsidized reductions for alternate early retirement in this subsection (3) as set forth in section 2, chapter 491, Laws of 2007 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under this subsection (3), and upon receipt of the first installment of a retirement allowance computed under this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under this subsection (3) shall be computed using the reductions in (a) of this subsection.

Sec. 2. RCW 41.35.680 and 2007 c 491 s 8 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member who is at least age sixty-five and who has:

(a) Completed ten service credit years; or

(b) Completed five service credit years, including twelve service credit months after attaining age forty-four; or

(c) Completed five service credit years by September 1, 2000, under the public employees' retirement system plan 2 and who transferred to plan 3 under RCW 41.35.510;

shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620.

(2) EARLY RETIREMENT. Any member who has attained at least age fifty-five and has completed at least ten years of service shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%

57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.35.060(2) until the retired member has reached sixty-five years of age. For purposes of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.35.230(1).

(e) The subsidized reductions for alternate early retirement in this subsection (3) as set forth in section 8, chapter 491, Laws of 2007 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under this subsection (3) is

noncontractual, and the legislature reserves the right to amend or repeal this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under this subsection (3), and upon receipt of the first installment of a retirement allowance computed under this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under this subsection (3) shall be computed using the reductions in (a) of this subsection.

Sec. 3. RCW 41.32.875 and 2007 c 491 s 4 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member who is at least age sixty-five and who has:

(a) Completed ten service credit years; or

(b) Completed five service credit years, including twelve service credit months after attaining age forty-four; or

(c) Completed five service credit years by July 1, 1996, under plan 2 and who transferred to plan 3 under RCW 41.32.817;

shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840.

(2) EARLY RETIREMENT. Any member who has attained at least age fifty-five and has completed at least ten years of service shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the

exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.32.862(2) until the retired member has reached sixty-five years of age. For purposes of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.32.860(1).

(e) The subsidized reductions for alternate early retirement in this subsection (3) as set forth in section 4, chapter 491, Laws of 2007 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under this subsection (3), and upon receipt of the first installment of a retirement allowance computed under this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under this subsection (3) shall be computed using the reductions in (a) of this subsection.

Sec. 4. RCW 41.35.420 and 2007 c 491 s 6 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member with at least five service credit years who has attained at least age sixty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400.

(2) EARLY RETIREMENT. Any member who has completed at least twenty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400, except that a member retiring pursuant to this subsection (3) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.35.060(2) until the retired member has reached sixty-five years of age. For purposes of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.35.230(1).

(e) The subsidized reductions for alternate early retirement in this subsection (3) as set forth in section 6, chapter 491, Laws of 2007 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under this subsection (3), and upon receipt of the first

installment of a retirement allowance computed under this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under this subsection (3) shall be computed using the reductions in (a) of this subsection.

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