

# School Administrator Contract Year

## Issue

School administrators are required to contract on a fiscal year that differs from the school year used for determining service credit for school employees in the Plans 2/3. As a result, Plan 2/3 administrators seeking to retire at the end of their contract year can find themselves two months short of the service credit needed to qualify for subsidized early retirement.

Stakeholders propose that Plan 2/3 administrators be allowed early access to subsidized early retirement. Their proposal would lower the service credit required for administrators to qualify for subsidized early retirement to twenty-nine years and ten months—two months less than is currently required.

## Policy Considerations

- ❖ This issue raises two key policy questions.
  - ◇ Is a policy change required to address this?
  - ◇ If so, are the retirement systems the best place to make the policy change?
- ❖ Policy makers may view this as a retirement planning, contracting, retiree health care access, or plan design issue.
- ❖ Some policy makers may prefer to address this outside of the retirement systems.
- ❖ Administrators have several options for addressing the lack of alignment between their contract year and the school year under current policy.
- ❖ The stakeholder proposal:
  - ◇ Allows administrators to qualify for subsidized early retirement at the end of their contract—eliminating possible Plan 2 member concerns about access to PEBB retiree health care insurance.
  - ◇ Provides a benefit improvement for administrators by effectively allowing them to retire two months earlier than other plan members.
  - ◇ Allows school districts to continue contracting with administrators on a fiscal year basis.
  - ◇ Sets a new precedent of providing different retirement eligibility for a specific group of members within the plans.

- ◇ Could lead to other Plans 2/3 members seeking earlier access to subsidized early retirement.
- ◇ Changes early retirement provisions that are currently subject to litigation.

## **Committee Activity**

Staff briefed the committee at the December meeting. No further action was taken.

## **Staff Contact**

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## In Brief

### Issue

*School administrators are required to contract on a fiscal year that differs from the school year. As a result, Plans 2/3 administrators seeking to retire at the end of their thirtieth contract year can find themselves two months short of the service credit needed to qualify for subsidized early retirement.*

*Stakeholders are proposing that Plans 2/3 administrators be allowed early access to subsidized early retirement.*

### Member Impact

*This issue can impact any administrator in the Plans 2/3 of TRS and SERS. Data necessary to identify these administrators is not currently collected by the Department of Retirement Systems.*

# School Administrator Contract Year

This report was presented to the SCPP on December 15, 2009, and has not been updated to reflect subsequent action.

## Current Situation

School administrators are required to contract on a fiscal year that differs from the school year used for determining service credit for school employees in the Plans 2/3. As a result, Plans 2/3 administrators seeking to retire at the end of their thirtieth contract year can find themselves two months short of the service credit needed to qualify for subsidized early retirement. Stakeholders are proposing that Plans 2/3 administrators be allowed early access to subsidized early retirement.

This issue raises two key questions for policy makers.

- ❖ Is a policy change required to address this?
- ❖ If so, are the retirement systems the best place to make the policy change?

Throughout the remainder of this paper, unless otherwise noted, the terms administrators, teachers, and school employees refer to Plans 2/3 members in these positions.

## Background

This issue is impacted by four areas of statute, two of which are outside the retirement systems. These areas are:

- ❖ Contracting requirements.
- ❖ Service credit provisions.
- ❖ Early retirement provisions.
- ❖ Retiree health care requirements.

### Contracting Requirements

School administrators are covered by the Teachers' Retirement System (TRS) or the School Employees' Retirement System (SERS). School administrators are defined as certificated employees in a superintendant, assistant superintendant, director, principal, assistant principal, coordinator, or in any other supervisory or administrative

position.\* Most administrators are required by statute\*\* to be contracted on a July through June fiscal year. In contrast, teachers are generally contracted for a September through August school year—even though most of their contract requirements are generally satisfied in June.

The requirement for administrator contracts to end on June 30 was enacted in 1990.\*\*\* The Legislature established a standardized time period for administrator contracts to prevent abuses of the average final compensation calculation.† The June 30 date may have been selected because it aligned with the service credit year used in TRS Plan 1. At that time, most administrators were likely Plan 1 members.

\*RCW 28A.405.230.

\*\*RCW 28A.400.315 and RCW 28A.405.210.

\*\*\*Section 6, Chapter 8, Laws of 1990.

†Section 1, Chapter 8, Laws of 1990.

### Service Credit Provisions

Service credit for school employees, including administrators, is granted on the basis of a September through August school year. Service credit rules do not allow a member to receive more than one month of service credit for a given month. Employees who work at least 810 hours during nine months of the school year receive twelve months of service credit for the year. However, they cannot receive the full twelve months if they retire before the end of the school year. Employees who work fewer than 810 hours or less than nine months receive service credit based on different rules (see **Appendix A**).

*School employees, including administrators, may obtain additional service credit to qualify for early retirement.*

School employees, including administrators, may obtain additional service credit to qualify for early retirement. School employees may convert up to 45 days of accrued sick leave to receive up to two months of service credit.\* Also, teachers may use an unlimited amount of out-of-state teaching experience to qualify for early retirement. Both of these types of service credit are at no cost to the member and do not apply in benefit calculations.

\*RCW 41.32.010 and RCW 41.35.010.

### Early Retirement Provisions

The Plans 2/3 provide subsidized early retirement for members with thirty years of service credit who are at least age 55. There are two forms of subsidized early retirement provided: 3% Early Retirement Factors (ERF) and 2008 ERFs. The 3% ERFs allow eligible members to retire and receive a pension reduced by 3 percent for each year the member retires prior to reaching age 65—with a maximum reduction of

30 percent. The 2008 ERFs allow eligible members to retire with unreduced benefits beginning at age 62 and prior to age 62 with benefits reduced by specified percentages—with a maximum reduction of 20 percent. The 2008 ERFs were established as part of the legislation that repealed gain sharing.\* This legislation is currently subject to litigation.

*The 2008 ERFs were established as part of the legislation that repealed gain sharing.*

Members who do not qualify for subsidized early retirement can qualify for early retirement at age 55 with twenty years of service for Plan 2 members and ten years of service for Plan 3 members. Benefits for members retiring under early retirement are subject to much higher age-based actuarial reductions that can exceed 60 percent of the benefit at the youngest age. See **Appendix B** for more information on early retirement factors.

*\*Chapter 491, Laws of 2007.*

### Retiree Health Care Requirements\*

Retired school employees may continue to participate in health and other insurance plans offered by the Public Employees' Benefits Board (PEBB) provided they immediately begin drawing their monthly benefit upon separation from service. Eligibility to participate in PEBB insurance plans for members who separate from service without immediately retiring varies depending on plan. Plan 2 members who separate when eligible to retire (at least age 55 with at least twenty years of service) but do not begin drawing their monthly retirement benefit, are not eligible to participate in PEBB insurance plans offered to retirees. In contrast, Plan 3 members separating at age 55 with at least ten years of service are eligible to participate in PEBB insurance plans, regardless of whether or not they are drawing their monthly retirement benefit. This provision is part of the overall Plan 3 design, which is geared toward a more mobile workforce. Plan 3 members must choose to participate in PEBB plans immediately upon separation from service to qualify.

*Plan 2 members who separate from service and defer retirement are not eligible for PEBB insurance plans.*

The SCPP studied the issue of Plan 2 access to PEBB during the 2007 Interim and made a recommendation to the Legislature. The Committee recommended providing retiree eligibility for insurance plans and contracts offered by PEBB to separated Plan 2 members of the Public Employees' Retirement System (PERS), TRS, and SERS who are at least age 55 and have at least twenty years of service credit. The SCPP bill (HB 3027/SB 6648) did not pass the Legislature, but did pass the House.

*\*Relevant provisions are found in RCW 41.05.08 and RCW 41.05.011.*

## Example

The lack of alignment between the administrator contract year and the school year used for determining service credit can impact administrators as illustrated in the following example.

Al has been employed by the school district for thirty years: twenty years as a teacher and ten years as a principal. During his years as a teacher, Al was contracted on a September through August school year basis. When Al became a principal, he was contracted on a July through June fiscal year basis. Thus, his administrator contract started in July—two months before his teacher contract ended in August.

During the two months that his contracts overlapped (July and August), Al received two salaries: his teacher salary and his principal salary. Members working multiple jobs do not receive more than one month of service per month, so Al received two months of service credit for this same period: one month for July and one month for August.

*Some administrators complete their thirtieth contract after working only twenty-nine years and ten months.*

This two-month overlap in contracts causes Al to complete his thirtieth contract after working only twenty-nine years and ten months. This leaves Al two months short of the service credit needed to qualify for subsidized early retirement.

## Policy Analysis

This issue raises two key questions for policy makers.

- ❖ Is a policy change required to address this?
- ❖ If so, are the retirement systems the best place to make the policy change?

To answer these questions, policy makers will likely consider how to factor retirement planning, contracting, retiree health care access, and plan design into potential solutions. Policy makers may take different views of this issue, and the view they take will likely decide their answers to the two key policy questions. Some policy makers may wish to consider options available under current policy before pursuing policy changes.

*The crux of this issue is the lack of alignment between the contract year and the service credit year.*

The crux of this issue is the lack of alignment between the contract year and the service credit year. This lack of alignment has the most impact on administrators seeking to retire after thirty years because it impacts their ability to utilize subsidized early retirement factors at the

end of their contract. However, administrators have several options for addressing this under current policy.

### Administrators Have Several Options Under Current Policy

*Administrators have several options to address the lack of alignment between their contract year and the school year.*

According to stakeholders, some administrators are able to negotiate a two-month contract to keep them employed until the end of the school year when they qualify for subsidized early retirement. Some administrators may be able to convert accrued sick leave or use out-of-state teaching experience to pick up the extra two months of service credit needed to qualify. Administrators who are unable to address this with supplemental contracts or service credit can likely extend their employment or defer retirement. Extending employment for another year allows administrators to retire at the end of their next contract under subsidized early retirement. Administrators can also separate from service and defer retirement for two months until the end of the school year—when they will pick up the two months of service credit\* needed to qualify for subsidized early retirement. However, separating from service without immediately retiring may raise additional concerns for Plan 2 members seeking access to PEBB retiree health care.

*\*Under the 12-month service credit rule. See **Appendix A**.*

### There Are Many Ways To View This Issue

*Policy makers may view this as a retirement planning, contracting, retiree health care access, or plan design issue.*

Policy makers may take different views of this issue. Some may view this as a retirement planning issue and feel that individual administrators should plan around their plan's design. Policy makers with this view would not see any need for policy changes to address this issue. Some may view this as a contracting issue and feel that the administrator contract year should be aligned with the school year. Others may view this as a retiree access to health care issue and feel that PEBB provisions should better accommodate deferred retirements. Policy makers with either of these views would see a need for policy changes, but would feel the best place to make such changes is outside of the retirement systems. Finally, some policy makers may view this as a plan design issue and feel that early retirement provisions should better accommodate administrator contracts. These policy makers would see the retirement system as the best place for policy changes addressing this issue.

## Other States

Research did not find any of Washington's peer states that provided administrators different eligibility for early retirement than other school employees.

## Stakeholder Proposal

*Stakeholders view this as a plan design issue.*

Stakeholders view this as a plan design issue and have proposed changing early retirement provisions so administrators can qualify for subsidized early retirement with twenty-nine years and ten months of service credit.

The stakeholder proposal is targeted to the administrators most impacted by this issue: those seeking to retire after thirty years of service. From the member perspective, it would allow them to qualify for subsidized early retirement at the end of their contract and thereby eliminate possible Plan 2 member concerns about accessing PEBB retiree health care insurance. From the employer perspective, it allows school districts to continue to contract with administrators on the same fiscal year and may reduce requests to write supplemental contracts. From the plan perspective, it provides a benefit improvement for administrators by effectively allowing them to retire two months earlier than other plan members and adds complexity to the plan design.

*The stakeholder proposal would set a new precedent for retirement eligibility and change provisions currently subject to litigation.*

The stakeholder proposal has implications for pension policy that may be of special interest to policy makers. Currently all members of TRS, SERS, and the PERS Plans 2/3 have the same retirement eligibility. The stakeholder proposal would set a new precedent of providing different retirement eligibility for a specific group of members within the plans. Teachers and other public employees might also like earlier access to subsidized early retirement if it is offered to administrators. Also, this proposal would change early retirement provisions that are currently subject to litigation.

## Conclusion

### Stakeholder Input

*Correspondence from:  
John Kvamme, WASA and  
AWSP, October 7, 2009.*

School administrators are required to contract on a fiscal year that differs from the school year used for determining service credit in the Plans 2/3. This lack of alignment between contract year and service credit year can impact their ability to access subsidized early retirement at the end of their thirty-year contract. Administrators have many options for addressing this under current policy such as supplemental contracts, supplemental service credit, extending employment, or deferring retirement. Policy makers may view this as a retirement planning, contracting, retiree health care access, or plan design issue. The view they take will likely decide their answers to the key policy questions of whether or not a policy change is required, and if so, whether the retirement systems are the best place to make the policy changes.

## Appendix A

### Plan 2/3 Service Credit Rules for Educational Employees

Plans 2/3 members working for an educational employer (includes all SERS, all TRS, and some PERS members) earn service credit as follows\*:

- ❖ At least 810 hours worked during a nine-month period of the school year\*\* equals twelve months of service credit.
- ❖ At least 630 hours but less than 810 hours worked during a nine-month period of the school year equals six months of service credit.
- ❖ At least 630 or more hours worked in five months of a six-month period of the school year equals six months of service credit.

Educational employees who work less than a full school year or less than 630 hours earn service credit on a month-by-month basis as follows:

- ❖ Ninety hours or more in a month equals one month of service credit.
- ❖ At least 70, but less than 90 hours in a month equals a half month of service credit.
- ❖ Less than 70 hours in a month equals a quarter month of service credit.

*\*Note: Members are awarded service credit under whichever rule provides the most service credit.*

*\*\*School year means the twelve-month period from September through August of the following year.*

## Appendix B

### Plans 2/3 Early Retirement Factors

Source: Department of Retirement Systems

<b>Early Retirement Factors</b>			
<b>Retirement age</b>	<b>At least 10 or 20 years service<sup>1</sup></b>	<b>30 years or more service</b>	
		<b>3% ERF</b>	<b>2008 ERF<sup>2</sup></b>
55	0.358	0.70	0.80
56	0.395	0.73	0.83
57	0.435	0.76	0.86
58	0.481	0.79	0.89
59	0.531	0.82	0.92
60	0.588	0.85	0.95
61	0.652	0.88	0.98
62	0.724	0.91	1.00
63	0.805	0.94	1.00
64	0.896	0.97	1.00

<sup>1</sup> Plan 3 members must have at least 10 years of service. Plan 2 members must have at least 20 years of service.

<sup>2</sup> These factors were available beginning 7/1/2008 (PERS), 9/1/2008 (SERS and TRS), and were established by legislation which ended gain sharing. If a court of law decides the repeal of gain sharing is invalid, the factors and return to work rules in place before passage of the law will apply.

**Wallis, Keri**

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**Subject:** October 20th SCPP Exec Packet  
**Attachments:** Plan 2 and 3 final year contract.doc

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**From:** john kvamme [mailto:[jekvamme@yahoo.com](mailto:jekvamme@yahoo.com)]  
**Sent:** Wednesday, October 07, 2009 11:21 AM  
**To:** Smith, Matt  
**Subject:** October 20th SCPP Exec Packet

Matt

Attached is an expanded explanation of the "Administrator ERRF Early Retirement Problem and Solution" for the SCPP Executive Committee to consider for further action. At the September SCPP Executive Committee meeting this issue was discussed, however it appeared that a more detailed explanation of the issue was needed. A draft bill has been requested from the Code Revisor's Office, however is not yet available. If it is not too late I would appreciate the attached sheet to be included in the SCPP Executive Committee packet. Please let me know if this request is too late so that I can bring copies for the committee.

John Kvamme, WASA & AWSP Consultant

## Plan 2/3 Final Year Contract

### PROBLEM

- Many school administrators that are in Plans 2 & 3 who decide to retire on July 1<sup>st</sup> 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 generally runs from September 1<sup>st</sup> through August 31<sup>st</sup> even though they generally complete their contract in June. The teacher's pay is spread through August and they generally start drawing retirement on September 1<sup>st</sup>. The contract for school administrators by statute is required to run from July 1<sup>st</sup> through June 30<sup>th</sup> 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

- Legislatively add a short paragraph to each of the TRS, SERS and PERS Plan 2 & 3 RCWs dealing with the alternate early retirement criteria.
- The paragraph would state that “a school administrator member completing twenty-nine service credit years and additionally completing ten additional service credit months through June 30 of the school administrator's fiscal thirtieth member year is eligible to retire under this RCW41.....provision.”
- 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 or an additional year in order to take advantage of alternate early retirement

## **Plan 2/3 Final Year Contract H-3661.3/10 3<sup>rd</sup> Draft**

### **PROBLEM**

- Many school administrators that are in Plans 2 & 3 who decide to retire on July 1<sup>st</sup> 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 1<sup>st</sup> through August 31<sup>st</sup> 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 1<sup>st</sup>.
- The contract for school administrators by statute is required to run from July 1<sup>st</sup> through June 30<sup>th</sup> 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 30<sup>th</sup> of the school administrator's 30<sup>th</sup> 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**

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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.

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

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

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

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

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

19 (3) ALTERNATE EARLY RETIREMENT.

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

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

14	Retirement	Percent
15	Age	Reduction
16	55	20%
17	56	17%
18	57	14%
19	58	11%
20	59	8%
21	60	5%
22	61	2%
23	62	0%
24	63	0%
25	64	0%

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

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

32 (B) Has attained age fifty-five.

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

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

7 (d) Any member who retires under the provisions of this subsection  
8 (3) is ineligible for the postretirement employment provisions of RCW  
9 41.32.802(2) until the retired member has reached sixty-five years of  
10 age. For purposes of this subsection (3), employment with an employer  
11 also includes any personal service contract, service by an employer as  
12 a temporary or project employee, or any other similar compensated  
13 relationship with any employer included under the provisions of RCW  
14 41.32.800(1).

15 (e) The subsidized reductions for alternate early retirement in  
16 this subsection (3) as set forth in section 2, chapter 491, Laws of  
17 2007 were intended by the legislature as replacement benefits for gain-  
18 sharing. Until there is legal certainty with respect to the repeal of  
19 chapter 41.31A RCW, the right to retire under this subsection (3) is  
20 noncontractual, and the legislature reserves the right to amend or  
21 repeal this subsection (3). Legal certainty includes, but is not  
22 limited to, the expiration of any: Applicable limitations on actions;  
23 and periods of time for seeking appellate review, up to and including  
24 reconsideration by the Washington supreme court and the supreme court  
25 of the United States. Until that time, eligible members may still  
26 retire under this subsection (3), and upon receipt of the first  
27 installment of a retirement allowance computed under this subsection  
28 (3), the resulting benefit becomes contractual for the recipient. If  
29 the repeal of chapter 41.31A RCW is held to be invalid in a final  
30 determination of a court of law, and the court orders reinstatement of  
31 gain-sharing or other alternate benefits as a remedy, then retirement  
32 benefits for any member who has completed at least thirty service  
33 credit years and has attained age fifty-five but has not yet received  
34 the first installment of a retirement allowance under this subsection  
35 (3) shall be computed using the reductions in (a) of this subsection.

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

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

3 (a) Completed ten service credit years; or

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

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

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

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

19 (3) ALTERNATE EARLY RETIREMENT.

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

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

33	Retirement	Percent
34	Age	Reduction
35	55	20%
36	56	17%

1	57	14%
2	58	11%
3	59	8%
4	60	5%
5	61	2%
6	62	0%
7	63	0%
8	64	0%

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

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

15        (B) Has attained age fifty-five.

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

25        (d) Any member who retires under the provisions of this subsection  
26 (3) is ineligible for the postretirement employment provisions of RCW  
27 41.35.060(2) until the retired member has reached sixty-five years of  
28 age. For purposes of this subsection (3), employment with an employer  
29 also includes any personal service contract, service by an employer as  
30 a temporary or project employee, or any other similar compensated  
31 relationship with any employer included under the provisions of RCW  
32 41.35.230(1).

33        (e) The subsidized reductions for alternate early retirement in  
34 this subsection (3) as set forth in section 8, chapter 491, Laws of  
35 2007 were intended by the legislature as replacement benefits for gain-  
36 sharing. Until there is legal certainty with respect to the repeal of  
37 chapter 41.31A RCW, the right to retire under this subsection (3) is

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

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

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

21 (a) Completed ten service credit years; or

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

24 (c) Completed five service credit years by July 1, 1996, under plan  
25 2 and who transferred to plan 3 under RCW 41.32.817;  
26 shall be eligible to retire and to receive a retirement allowance  
27 computed according to the provisions of RCW 41.32.840.

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

36 (3) ALTERNATE EARLY RETIREMENT.

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

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

14	Retirement	Percent
15	Age	Reduction
16	55	20%
17	56	17%
18	57	14%
19	58	11%
20	59	8%
21	60	5%
22	61	2%
23	62	0%
24	63	0%
25	64	0%

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

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

32 (B) Has attained age fifty-five.

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

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

7 (d) Any member who retires under the provisions of this subsection  
8 (3) is ineligible for the postretirement employment provisions of RCW  
9 41.32.862(2) until the retired member has reached sixty-five years of  
10 age. For purposes of this subsection (3), employment with an employer  
11 also includes any personal service contract, service by an employer as  
12 a temporary or project employee, or any other similar compensated  
13 relationship with any employer included under the provisions of RCW  
14 41.32.860(1).

15 (e) The subsidized reductions for alternate early retirement in  
16 this subsection (3) as set forth in section 4, chapter 491, Laws of  
17 2007 were intended by the legislature as replacement benefits for gain-  
18 sharing. Until there is legal certainty with respect to the repeal of  
19 chapter 41.31A RCW, the right to retire under this subsection (3) is  
20 noncontractual, and the legislature reserves the right to amend or  
21 repeal this subsection (3). Legal certainty includes, but is not  
22 limited to, the expiration of any: Applicable limitations on actions;  
23 and periods of time for seeking appellate review, up to and including  
24 reconsideration by the Washington supreme court and the supreme court  
25 of the United States. Until that time, eligible members may still  
26 retire under this subsection (3), and upon receipt of the first  
27 installment of a retirement allowance computed under this subsection  
28 (3), the resulting benefit becomes contractual for the recipient. If  
29 the repeal of chapter 41.31A RCW is held to be invalid in a final  
30 determination of a court of law, and the court orders reinstatement of  
31 gain-sharing or other alternate benefits as a remedy, then retirement  
32 benefits for any member who has completed at least thirty service  
33 credit years and has attained age fifty-five but has not yet received  
34 the first installment of a retirement allowance under this subsection  
35 (3) shall be computed using the reductions in (a) of this subsection.

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

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

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

12 (3) ALTERNATE EARLY RETIREMENT.

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

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

26	Retirement	Percent
27	Age	Reduction
28	55	20%
29	56	17%
30	57	14%
31	58	11%
32	59	8%
33	60	5%
34	61	2%
35	62	0%
36	63	0%

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(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

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

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