

Estoppel Rule

Issue

Generally, members who change careers and take a position covered by another state retirement system earn benefits in the new system. However, the Estoppel Rule prevents some retirement-eligible members from earning retirement benefits in the new system.

Should members who change careers when eligible for retirement be allowed to earn benefits in a new state retirement system?

Legislation introduced in 2015 would allow those who are eligible for *early* retirement to change careers and earn benefits in the new system. The Department of Retirement Systems requested the SPP consider this legislation.

Background

Current Situation

The Estoppel Rule (RCW 41.04.270) was enacted in 1976. This rule prevents members from earning benefits in another system if they have at least 15 years of service credit and are eligible for early or normal retirement.

Service Credit Years	Retirement Eligible?		Result
	Early	Normal	
Less than 15	No	No	Dual Member
Less than 15	Yes	No	Dual Member
Less than 15	Yes	Yes	Dual Member
At least 15	No	No	Dual Member
At least 15	Yes	No	Estopped
At least 15	Yes	Yes	Estopped

Hypothetical Example:

A para-educator in the School Employees' Retirement System (SERS) Plan 3 receives teaching credentials and accepts a teaching position covered by the Teachers' Retirement System (TRS). If the member has at least 15 years of service credit and is eligible for early or normal retirement from SERS, the member will not be allowed to join TRS.

Recent Legislation

House Bill 1322 was introduced in 2015. This bill would modify the Estoppel Rule so members eligible for *early* retirement would no longer be estopped. Members eligible for normal retirement would continue to be estopped.

This bill passed the House and was not heard in the Senate. This bill would not have a fiscal impact on the current biennium. The actuarial fiscal note is available [here](#).

Highlights of Analysis

Should members who change careers when eligible for retirement be allowed to earn benefits in a new state retirement system?

Policymakers may want to consider the following:

- ❖ The Estoppel Rule pre-dated the Plans 2/3, and supports the Plans 1 design which encourages members to fully retire from public service after 30 years.¹
- ❖ Retirement system goals and plan design have changed since the Estoppel Rule was enacted. Dual membership and *early* retirement were not options when the Estoppel Rule was enacted.
- ❖ The Estoppel Rule may be inconsistent with the legislature's intent to ensure persons hired into eligible positions accrue service credit for all service rendered and that the retirement plans should not be a barrier to switching public careers.²
- ❖ If members are aware of the Estoppel Rule, it may act as a disincentive to changing public careers. If members are not aware of the Estoppel Rule and the members are estopped after taking a new job, the members may inadvertently lose benefits.

Committee Activity

The SCPP considered this issue at the September meeting.

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¹The Estoppel Rule does not contain a legislative intent section.

²See e.g. RCW 41.50.005 and 41.26.420.