

## **Russell, Lindsey**

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**From:** Russ Skolrood <RSkolrood@hoquiam.net>  
**Sent:** Tuesday, December 10, 2019 12:57 PM  
**To:** Office State Actuary, WA  
**Subject:** TRS plan 2 legislation  
**Attachments:** Dear Pension Policy Committee Member.docx

Please forward the attached letter to all members of the pension policy committee for their consideration. Thank you, R. Skolrood

Dear Pension Policy Committee Member,

I am writing this letter to try to influence you to look into an early out pension option for TRS2 and TRS3 Pension members. As you are well aware the negotiations that took place after the Legislatures latest attempt to meet the Supreme Courts' McCleary requirements saw many educators across the State gain large wage increases. This is the opportune time for the DRS to look at doing a one-time option of letting Plan 2/3 educators retire without penalty before the age of 62.

Giving educators that have 30+ years of teaching the option of retiring early without penalty would have a number of benefits for DRS and for the State. As you know TRS 2 members retirement is based on their 5 highest years of pay. In my case if I continue to work three more years at my elevated wage my benefit for retirement would cost DRS over \$300,000 more for an average 20 year retirement than if I were allowed to retire this year without penalty for getting out before 62. I am currently at the top of the scale and am going to be 59 at the end of the school year. Below are my calculations on the savings DRS would achieve by allowing me to retire early.

Base Salary for 5 years 2016-20 Average	\$76,640
33 Years Service	<u>X.66</u>
	\$50,580 No Reduction
20 Years receiving benefits	\$1,011,600 Total

Base Salary for 5 years 2018-22 Average	\$94,400
36 Years Service	<u>X.72</u>
	\$67,968 No Reduction
20 years receiving benefits	\$1,359,360

- Early out option	<u>-\$1,011,600</u>
- <u>Total DRS Savings</u>	<u>\$ 347,760</u>

The second benefit to allowing teachers to retire without penalty would be the relief that local school districts would gain by having teachers at the top of the scale retire and allowing them to hire new teachers at the bottom of the scale. With the new allocation model that the State uses to reimburse Districts for each FTE it makes teachers at the top of the scale a liability to the Districts budget. The State now pays Districts \$68,000 per FTE. Most pay scales top out at close to \$90,000 that makes any teacher that is at the top of the scale a \$22,000 liability to the Districts' bottom line. If you allow those teachers the option of retiring the District could then hire a new teacher at around \$50,000 which would benefit their budget by around \$18,000 per FTE. The current allocation actually has age discrimination built in that I am sure will have to be addressed anyway by the Legislature.

In closing, I am not sure how many teachers would be able to retire early due to the issue with retiree medical costs but if you can get some of them to pull the plug you could definitely save money for DRS and for many school districts that are currently struggling with their budgets. If you have any questions or concerns please contact me at anytime.

Sincerely,

Russ Skolrood

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