

Multiple Agency Fiscal Note Summary

Bill Number: 1056 HB	Title: Postretirement employment
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Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Retirement Systems	2.3	0	0	707,000	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	Fiscal note not available											
Total \$	2.3	0	0	707,000	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Preliminary
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Individual State Agency Fiscal Note

Bill Number: 1056 HB	Title: Postretirement employment	Agency: 124-Department of Retirement Systems
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.7	0.0	2.3	0.0	0.0
Account					
Department of Retirement Systems	707,000	0	707,000	0	0
Expense Account-State 600-1					
Total \$	707,000	0	707,000	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: David Pringle	Phone: 360-786-7310	Date: 01/04/2023
Agency Preparation: Amy McMahan	Phone: 360-664-7307	Date: 01/12/2023
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 01/12/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/12/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill would allow retirees of the Teachers Retirement System (TRS) Plans 2 and 3, School Employees Retirement System (SERS) Plans 2 and 3, and Public Employees Retirement System (PERS) Plans 2 and 3, who retired under the 2008 Early Retirement Factor (ERF), to return to work under a DRS covered employer before attaining age 65, allowing them to work up to 867 hours in each year without a suspension of their retirement benefit.

Section 1 of the bill amends RCW 41.32.765 to allow TRS 2 members who retired under alternate early retirement factors (aka, the 2008 ERF) to, beginning January 1, 2024, work up to 867 hours without a suspension of their benefit prior to reaching 65 years of age.

Section 2 amends RCW 41.32.802 to remove language that allowed a retired (TRS 2) teacher to work up to 867 hours per calendar year without a suspension of their benefit if they reentered employment more than one calendar month after retirement and they were employed in a non-administrative capacity.

Section 3 amends RCW 41.32.862 to remove language that allowed a retired (TRS 3) teacher to work up to 867 hours per calendar year without a suspension of their benefit if they reentered employment more than one calendar month after retirement and they were employed in a non-administrative capacity.

Section 4 amends RCW 41.32.875 to allow TRS 3 members who retired under alternate early retirement factors (aka, the 2008 ERF) to, beginning January 1, 2024, work up to 867 hours without a suspension of their benefit prior to reaching 65 years of age.

Section 5 amends RCW 41.35.060 to remove language that allowed a retired (SERS 2/3) school employee to work up to 867 hours per calendar year without a suspension of their benefit if they reentered employment more than one calendar month after retirement and they were employed in a non-administrative position.

Section 6 amends RCW 41.35.420 to allow a retired SERS 2 member who retired under alternate early retirement factors (aka, the 2008 ERF) to, beginning January 1, 2024, work up to 867 hours without a suspension of their benefit prior to reaching 65 years of age.

Section 7 amends RCW 41.35.680 to allow a retired SERS 3 member who retired under alternate early retirement factors (aka, the 2008 ERF) to, beginning January 1, 2024, work up to 867 hours without a suspension of their benefit prior to reaching 65 years of age.

Section 8 amends RCW 41.40.630 to allow a retired PERS 2 member who retired under alternate early retirement factors (aka, the 2008 ERF) to, beginning January 1, 2024, work up to 867 hours without a suspension of their benefit prior to reaching 65 years of age.

Section 9 amends RCW 41.40.820 to allow a retired PERS 3 member who retired under alternate early retirement factors (aka, the 2008 ERF) to, beginning January 1, 2024, work up to 867 hours without a suspension of their benefit prior to reaching 65 years of age.

Section 10 identifies that the bill takes effect January 1, 2024.

Please note that the current bill language does not limit the number of hours a 2008 ERF retiree works if working for a local government in an eligible position outside of the retirement system they retired from. This contradicts RCWs 41.32.802(2) (a) for TRS, 41.40.037(2)(a) for PERS, and 41.35.060(2)(a) for SERS. Based on this, DRS would create clarifying WACs

to properly administer the intent of this bill that would allow retirees to work up to 867 hours per calendar year within any DRS retirement system.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Administrative Assumptions:

- DRS processes and systems must still allow the current 1040-hour limit rule through July 1, 2025.
- DRS will request that employers provide data to clearly identify retirees that have returned to work. This will include a new data element that will require employers to clearly identify a member has returned to work.
- Public employers may need to make changes to their payroll systems to report data to DRS, including HRMS.
- All letters associated with the retiree return to work laws will be revised.
- DRS customer notifications concerning return to work will be made available in the customer’s Online Account Access (OAA).
- Any retiree who retired under the 2008 ERF and return to work as a subcontractor through a DRS covered employer must now have their hours reported towards the 867-hour limit.
- First Class Cities (Seattle, Spokane, Tacoma) must now report the hours of employees who are 2008 ERF retirees, as they are now subject to the 867-hour limit.

To implement this legislation, DRS will:

- Confirm project scope, timeline, and conduct project implementation tasks,
- Conduct business analysis and business process design,
- Complete systems changes, which includes defining system requirements, coding system changes in our web and Linux applications, testing, and deploying those changes,
- Update agency WACs,
- Support employers through updates to their reporting systems,
- Update member guides, all relevant letters and forms, communicate to members and employers, and
- Train employers and team members.

To support this implementation, DRS will form a project team that will include a project manager, business analyst, management analyst, IT system administrator, web programmer, communication consultant, and retirement specialist. DRS will also hire a contractor to implement changes to Linux applications.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
600-1	Department of Retirement Systems Expense Account	State	707,000	0	707,000	0	0
Total \$			707,000	0	707,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.7		2.3		
A-Salaries and Wages	473,000		473,000		
B-Employee Benefits	150,000		150,000		
C-Professional Service Contracts	84,000		84,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	707,000	0	707,000	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Communications Consultant 5	84,396	0.5		0.3		
IT Application Develop-Journey	96,888	0.6		0.3		
IT Application Develop-Snr/Spec	112,176	0.2		0.1		
IT Business Analyst-Journey	96,888	1.4		0.7		
IT Project Management-Mgr	123,636	1.1		0.6		
IT System Admin-Journey	101,748	0.0		0.0		
IT System Admin-Snr/Spec	106,824	0.2		0.1		
Management Analyst 3	69,264	0.4		0.2		
Retirement Specialist 3	61,224	0.3		0.2		
Total FTEs		4.7		2.3		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Relevant WACs must be updated according to the provisions of this bill.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1056 HB

Title: Postretirement employment

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
 Counties:
 Special Districts:
 Specific jurisdictions only:
 Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
 Expenditures represent one-time costs:
 Legislation provides local option:
 Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 01/11/2023
Leg. Committee Contact: David Pringle	Phone: 360-786-7310	Date: 01/04/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/11/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/11/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This legislation will repeal certain postretirement restrictions on employment in RCWs to allow current and future retirees within the state's retirement systems the option to work a certain number of hours per calendar year without suspension of their retirement benefits. The legislation establishes an effective date of January 1, 2024.

Section 1 would amend RCW 41.32.765(3) to allow current or future retirees of the teachers' retirement system the option to work up to 867 hours per calendar year without suspension of his or her retirement benefits and changes the definition of employer once the member reaches the age of 65.

Section 2 would amend RCW 41.32.802(2) to remove language for retired teachers who have exercised early retirement one month after their accrual date and are employed in a nonadministrative capacity.

Section 3 would amend RCW 41.32.862(2) to remove the requirement that retired teachers who are employed in a nonadministrative capacity reenter employment one calendar month after his or her accrual date.

Section 4 would amend RCW 41.32.875(3) to allow current or future retirees of the teachers' retirement system the option to work up to 867 hours per calendar year without suspension of his or her retirement benefits and changes the definition of employer once the member reaches the age of 65.

Section 5 would amend RCW 41.35.060(2) to remove language specific to retired school employees who have exercised early retirement one calendar month after their accrual date and are employed in a nonadministrative capacity.

Section 6 would amend RCW 41.35.420(3) to allow members of the Washington school employee's retirement system the option to work up to 867 hours per calendar year without suspension of his or her retirement benefits and changes the definition of employer once the member reaches the age of 65.

Section 7 would amend RCW 41.35.680(3) to allow members of the Washington school employee's retirement system the option to work up to 867 hours per calendar year without suspension of his or her retirement benefits and changes the definition of employer once the member reaches the age of 65.

Section 8 would amend RCW 41.40.630(3) to allow members of the Washington public employees' retirement system the option to work up to 867 hours per calendar year without suspension of his or her retirement benefits and changes the definition of employer once the member reaches the age of 65.

Section 9 would amend RCW 41.40.820(3) to allow members of the Washington public employees' retirement system the option to work up to 867 hours per calendar year without suspension of his or her retirement benefits and changes the definition of employer once the member reaches the age of 65.

Section 10 would add a new section establishing an effective date of January 1, 2024.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This legislation would have no impact on local government expenditures.

The proposed amendments to Secs. 8 and 9 apply to members of the Public Employees' Retirement System (PERS) which includes city and county government employees and retirees. As stated in the June 21, 2022, Select Committee on Pension Policy (SCPP) briefing paper, early retirement creates a cost to the state's system which is offset by an actuarial

reduction. This legislation would address administrative difficulties and provide consistency between retirement plans but would not impose a cost to local governments.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This legislation would have no impact on local government revenues.

SOURCES

Association of Washington Cities

Washington State Association of Counties

Joint Legislative Select Committee on Pension Policy