

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1056 P S HB	<b>Title:</b> 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	3.7	0	0	1,058,000	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	Fiscal note not available											
<b>Total \$</b>	<b>3.7</b>	<b>0</b>	<b>0</b>	<b>1,058,000</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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								
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

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

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

<b>Bill Number:</b> 1056 P S HB	<b>Title:</b> Postretirement employment	<b>Agency:</b> 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	6.4	1.0	3.7	0.0	0.0
<b>Account</b>					
Department of Retirement Systems	970,000	88,000	1,058,000	0	0
Expense Account-State 600-1					
<b>Total \$</b>	970,000	88,000	1,058,000	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: 01/20/2023
Agency Preparation: Amy McMahan	Phone: 360-664-7307	Date: 01/25/2023
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 01/25/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/26/2023

## 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 proposed substitute bill removes additional types of employment that would restrict retirees that chose the 2008 Early Retirement Factor (ERF) rather than the 3% ERF at the time of their retirement. Additionally, retirees who selected the 3% ERF at the time of their retirement will have their future benefit payments after the bill's effective date (January 1, 2024) recalculated under the 2008 ERF reductions.

Section 1 declares the intention of this bill, to aid in simplifying the administration of Plans 2 and 3 of the Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), and Public Employees' Retirement System (PERS), along with potentially alleviating some of the difficulties employers are experiencing in recruiting and retaining employees. Additionally, the bill states that the legislature intends to not penalize retirees for their ERF choice at the time of their retirement as employment related benefit restrictions are removed for the 2008 ERF.

Section 2 amends RCW 41.32.765 to remove language that restricted a TRS 2 retiree from working for a DRS covered employer until they reached age 65. Additionally, any TRS 2 retiree who retired on or after September 1, 2008 and chose the 3% ERF shall have their retirement benefit recalculated using the 2008 ERF reductions. This applies strictly to benefits paid on or after January 1, 2024.

Section 3 amends RCW 41.32.802 to remove the 867-hour limit on TRS 2 2008 ERF retirees if they reentered employment more than one calendar month after retirement and they were employed in a non-administrative capacity.

Section 4 amends RCW 41.32.862 to remove the 867-hour limit on TRS 3 2008 ERF retirees if they reentered employment more than one calendar month after retirement and they were employed in a non-administrative capacity.

Section 5 amends RCW 41.32.875 to remove language that restricted a TRS 3 retiree from working for a DRS covered employer until they reached age 65. Additionally, any TRS 3 retiree who retired on or after September 1, 2008 and chose the 3% ERF shall have their retirement benefit recalculated using the 2008 ERF reductions. This applies strictly to benefits paid on or after January 1, 2024.

Section 6 amends RCW 41.35.060 to remove the 867-hour limit on SERS 2 and 3 2008 ERF retirees if they reentered employment more than one calendar month after retirement and they were employed in a non-administrative capacity.

Section 7 amends RCW 41.35.420 to remove language that restricted a SERS 2 retiree from working for a DRS covered employer until they reached age 65. Additionally, any SERS 2 retiree who retired on or after September 1, 2008 and chose the 3% ERF shall have their retirement benefit recalculated using the 2008 ERF reductions. This applies strictly to benefits paid on or after January 1, 2024.

Section 8 amends RCW 41.35.680 to remove language that restricted a SERS 3 retiree from working for a DRS covered employer until they reached age 65. Additionally, any SERS 3 retiree who retired on or after September 1, 2008 and chose the 3% ERF shall have their retirement benefit recalculated using the 2008 ERF reductions. This applies strictly to benefits paid on or after January 1, 2024.

Section 9 amends RCW 41.40.630 to remove language that restricted a PERS 2 2008 ERF retiree from working for a DRS covered employer until they reached age 65. Additionally, any PERS 2 2008 ERF retiree who retired on or after September 1, 2008 and chose the 3% ERF shall have their retirement benefit recalculated using the 2008 ERF reductions. This applies strictly to benefits paid on or after January 1, 2024.

Section 10 amends RCW 41.40.820 to remove language that restricted a PERS 3 2008 ERF retiree from working for a

DRS covered employer until they reached age 65. Additionally, any PERS 3 2008 ERF retiree who retired on or after September 1, 2008 and chose the 3% ERF shall have their retirement benefit recalculated using the 2008 ERF reductions. This applies strictly to benefits paid on or after January 1, 2024.

Section 11 identifies that the bill takes effect January 1, 2024.

## **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:**

- Due to the effective date of this bill, external facing communications and system changes will be completed by January 1, 2024. Prospective adjustments to eligible 3% ERF retirement benefits may be paid later in 2024.
- 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.
- 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).
- The 3% ERF option will be removed from any comparison estimates and other member materials. System changes will also be made to accommodate this.
- 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 by the employer 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, retirement specialist, management analyst, business systems analyst, web developer, IT system administrator, and communications consultant. 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	970,000	88,000	1,058,000	0	0
<b>Total \$</b>			970,000	88,000	1,058,000	0	0

### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	6.4	1.0	3.7		
A-Salaries and Wages	624,000	63,000	687,000		
B-Employee Benefits	203,000	25,000	228,000		
C-Professional Service Contracts	137,000		137,000		
E-Goods and Other Services	6,000		6,000		
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-					
<b>Total \$</b>	970,000	88,000	1,058,000	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 4	72,756	0.4		0.2		
IT Application Develop-Journey	96,888	0.6		0.3		
IT Application Develop-Senior/Spec	112,176	0.2		0.1		
IT Business Analyst-Journey	96,888	1.8		0.9		
IT Project Management-Mgr	123,636	1.4		0.7		
IT Systems Admin-Journey	101,748	0.2		0.1		
Management Analyst 3	69,264	0.4		0.2		
Retirement Specialist 3	61,224	1.4	1.0	1.2		
<b>Total FTEs</b>		6.4	1.0	3.7		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 will be updated accordingly.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 1056 P S 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: 01/25/2023
Leg. Committee Contact: David Pringle	Phone: 360-786-7310	Date: 01/20/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/25/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/26/2023



## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

#### **CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

This bill version removes certain postretirement restrictions for members who are not employed by a state retirement system employer in order to align with postretirement rules applied to other members. Also, retired members that chose the 3 percent ERF without postretirement employment restrictions will have future benefits recalculated after the effective date of January 1, 2024. These changes do not create any fiscal impacts for local governments.

#### **SUMMARY OF CURRENT BILL:**

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 up to 867 hours per calendar year without suspension of their retirement benefits. The legislation establishes an effective date of January 1, 2024.

Section 2 would amend RCW 41.32.765 to remove language for retired teachers who have exercised early retirement one month after their accrual date and are employed in a nonadministrative capacity. This section is also now states that retired members that chose the 3 percent reduction for postretirement employment will have their benefits recalculated.

Section 3 would amend RCW 41.32.802 to remove the work hour limitation of 867 hours per calendar year for retired teachers employed in a nonadministrative capacity.

Section 4 would amend RCW 41.32.862 to remove the work hour limitation of 867 hours per calendar year for retired teachers employed in a nonadministrative capacity.

Section 5 would amend RCW 41.32.875 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. This section is also amended to require that retired members that chose the 3 percent reduction for postretirement employment will have their benefits recalculated.

Section 6 would amend RCW 41.35.060 to remove the work hour limitation of 867 hours per calendar year for future retirees of the school employees' retirement system employed in a nonadministrative position.

Section 7 would amend RCW 41.35.420 to allow members of the Washington school employee's retirement system the option to work up to 867 hours per calendar year for certain employers without suspension of his or her retirement benefits. This section is also amended to require that retired members that chose the 3 percent reduction for postretirement employment to have their benefits recalculated.

Section 8 would amend RCW 41.35.680 to remove the 867 hours per calendar year limitation on postretirement employment with certain employers. This section is also amended to require that retired members that chose the 3 percent reduction for postretirement employment to have their benefits recalculated.

Section 9 would amend RCW 41.40.630 to remove the 867 hours per calendar year limitation on postretirement employment with certain employers. This section is also amended to require that retired members that chose the 3 percent reduction for postretirement employment to have their benefits recalculated.

Section 10 would amend RCW 41.40.820 to require that retired members that chose the 3 percent reduction for postretirement employment to have their benefits recalculated.

Section 11 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.*

### **CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The 1056 P S HB version of this bill does not change the expenditure impact this bill would have on local governments.

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.*

### **CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The 1056 P S HB version of this bill does not change the revenue impact this bill would have on local governments.

This legislation would have no impact on local government revenues.

### **SOURCES**

SB 5349

Association of Washington Cities

Washington State Association of Counties

Joint Legislative Select Committee on Pension Policy