

SENATE BILL REPORT

SHB 1083

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

Title: An act relating to cost-of-living allowances for retirement purposes.

Brief Description: Modifying the cost-of-living allowance for retirement purposes.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Carlson, Sommers, Sehlin, Cooke, Dellwo, Regala, Campbell, Conway, Kessler, Valle, Romero, Wolfe, Costa, Cody, Voloria, Mastin, Sheldon, Thibaudeau, Kremen, Dickerson, Poulsen, Mason, Scott, Quall, Basich, Morris, Chopp, Patterson, Appelwick and Tokuda).

Brief History:

Committee Activity: Ways & Means: 4/3/95 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Long, McDonald, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, Winsley and Wojahn.

Staff: Denise Graham (786-7715)

Background: The Public Employees' Retirement System (PERS) Plan I and the Teachers' Retirement System (TRS) Plan I currently have three cost-of-living adjustments in place.

The Plan I COLA provides an annual increase of 3 percent or inflation, whichever is less, to a retiree whose benefit has lost more than 40 percent of the purchasing power the benefit had when the retiree was age 65. The loss in purchasing power is measured by the Seattle Consumer Price Index. Currently, a member must wait until age 79 to receive a Plan I COLA.

The minimum benefit granted to a retiree is \$17.70 per month per year of service. The minimum COLA increases the minimum benefit annually by 3 percent or inflation, whichever is less. The minimum benefit applies to the pension portion of the retirement benefit only.

The 1993 ad hoc COLA (also known as the age-70 COLA) provided an increase of \$3 per month per year of service for retirees who were, as of July 1, 1993, at least age 70, had been retired at least five years and were not receiving either the Plan I COLA or the minimum benefit. This COLA is temporary; retirees will no longer receive it after June 30, 1995.

Membership in the Judges Retirement System consists of judges elected or appointed to office between 1937 and 1971. There is no cost-of-living adjustment for retirees of this system.

The pension funding account is created in Chapter 298, Section 6 of the 1994 session laws. That statute also stipulates that on July 1, 1995, \$25 million will be transferred from the budget stabilization account to the pension funding account. No moneys are currently in the account. Expenditures can be made from the account only for the continuing costs of any state retirement system benefits in effect on July 1, 1993. The interest earnings generated by the account will accrue to the general fund-state.

Summary of Amended Bill: The Public Employees' Retirement System (PERS) Plan I and the Teachers' Retirement System (TRS) Plan I cost-of-living adjustments and the minimum benefit COLA are repealed. The age-70 COLA is made permanent for those currently receiving it.

A new COLA is created for members of TRS Plan I, PERS Plan I and the Judges Retirement System. The COLA is a flat amount each month for each year of service payable to retirees age 66 or older and retired at least one year, and to retirees on the minimum benefit. The flat increase is referred to as the "annual increase." In 1995, the annual increase amount is \$.62 per month per year of service. The annual increase amount is increased each year by 3 percent.

A new minimum benefit of \$24.22 per month per year of service is granted to anyone whose pension and annuity amount falls below this amount after June 30, 1995.

Retirees on the current minimum benefit who are at least age 79 receive a permanent adjustment to their retirement allowance on July 1, 1995, of \$1.18 per month per year of service.

The retirement allowance of retirees on the minimum benefit will increase each year by the annual increase.

Retirees not receiving the current minimum benefit and not receiving the age-70 COLA receive a permanent adjustment to their retirement allowance on July 1, 1995. Those who are age 70 receive 39 cents per month per year of service; those who are age 71 receive 79 cents per month per year of service; and those who are at least age 72 receive \$1.18 per month per year of service.

Moneys may be appropriated from the pension funding account to pay for pension benefits. Interest generated by the pension funding account will accrue to the pension funding account.

Amended Bill Compared to Substitute Bill: The 1995 annual increase in the substitute bill is 59 cents per month per year of service. The substitute bill does change the provisions related to the pension funding account and does not include the Judges Retirement System in the new COLA.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1995.

Testimony For: None.

Testimony Against: None.

Testified: No one.