

FINAL BILL REPORT

SSB 5119

C 345 L 95
Synopsis as Enacted

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Bauer, Long, Winsley, Loveland, Newhouse, Fraser, Gaspard, Haugen, Sutherland and McAuliffe).

Senate Committee on Ways & Means
House Committee on Appropriations

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.

Summary: 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Plan I and the Teachers' Retirement System (TRS) Plan I cost-of-living adjustments and the minimum benefit COLA are repealed.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 TRS Plan I and PERS Plan I. 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 \$.59 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 increases 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.

Votes on Final Passage:

Senate	47	2	
House	94	0	(House amended)
Senate			(Senate refused to concur)
House			(House refused to recede)
Senate			(Senate refused to concur)
House			(House refused to recede)
Senate	44	2	(Senate concurred)

Effective: May 12, 1995