FINAL BILL REPORT
SHB 1024

C 362 L 99
Synopsis as Enacted

Brief Description: Providing a retirement option for certain retirement system members.

Sponsors: By House Committee on Appropriations (Originally sponsored by Representatives Carlson, H. Sommers, Alexander, D. Sommers, Lambert, Ogden, Conway, Wolfe, Bush, Kastama, G. Chandler, DeBolt, Carrell, Parlette, Talcott, K. Schmidt and Sump; by request of Joint Committee on Pension Policy).

House Committee on Appropriations
Senate Committee on Ways & Means

Background:

<u>30-Year Cap</u>. The maximum retirement allowance paid by the Public Employees' Retirement System Plan 1 (PERS 1) and Teachers' Retirement System Plan 1 (TRS 1) is generally 60 percent of a retiree's average final compensation. This limit is often referred to as the "30-year cap" because the 60 percent limit is reached after 30 years of service.

PERS 1 and TRS 1 require a 6 percent member contribution for all periods of service. The interest on a member's accumulated contributions are computed quarterly at a rate determined by the director of the Department of Retirement Systems (DRS). The current rate is 5.5 percent.

TRS 1 is the only state retirement plan that permits members to withdraw their accumulated contributions at retirement and still receive a retirement allowance. If contributions are withdrawn, the retirement allowance is reduced to reflect the monthly annuity that could be purchased with the withdrawn contributions.

This option permits a TRSI member who retires with just 30 years of service to receive a larger monthly retirement allowance than a TRS 1 member who works more than 30 years, receives little or no salary increases after 30 years, and withdraws his or her accumulated contributions at retirement. This is because the amount of the accumulated contributions continues to grow each year, and the amount of annuity that can be purchased increases for every year the member delays retirement. As a result, the monthly annuity that can be purchased with the contributions increases even if the retirement allowance does not because of the 30 year cap. The member's retirement allowance is never reduced by working beyond 30 years if the member does not withdraw his or her accumulated contributions.

Community Long-Term Care Service. The Department of Social and Health Services administers state-funded community long-term care services for certain low-income persons in assisted living facilities, adult family homes, and other community settings. The state limits eligibility to this program to persons who meet Medicaid "categorically needy" standards, which have an absolute income limit. The current income limit of $1,500 per month. Persons who have income over the limit are not eligible for any financial support this program.

In 1998, the Legislature enacted a "retroactive pop-up" benefit for persons who had retired from the Public Employees Retirement System Plan 1 (PERS 1) prior to January 1, 1996. The pop-up benefit was provided to persons who had selected an actuarially reduced retirement allowance that included a survivor benefit, and the beneficiary selected for the survivor benefit had pre-deceased the retiree. The retirement allowances for these retirees were increased to the full retirement allowance formula, as though the retiree had never selected a survivor benefit option.

PERS 1 retirees do not have the option to waive all or part of their retirement allowance. A PERS 1 retiree loses his or her eligibility for the COPES program if the increase provided by the retroactive pop-up benefit causes the retiree's income to exceed the COPES income limit.

Summary: Within six months after attaining 30 years of service, a TRS 1 or PERS 1 member may make an irrevocable option to have future employee contributions returned to the member as a lump sum at retirement. Interest is paid on the future contributions at 7.5 percent. The member's retirement allowance is not reduced as a result of the withdrawal of future contributions. Employer contributions continue to be required for the periods of service after the member's election.

If a member makes the irrevocable election, the member's retirement allowance will be calculated using only compensation earned prior to the election. The one exception to this limitation is that any eligible cash-outs of sick and annual leave at retirement will be included as the compensation for calculating the retirement allowance. The total compensation used for calculating the member's retirement allowance may not be higher than if the member had not selected this option. Members who already have more than 30 years of service may participate in the election by notifying the DRS in writing no later than December 31, 1999.

A PERS 1 retiree who is receiving state-funded long-term care services is not eligible for the retroactive pop-up benefit if the increase makes the retiree ineligible for the services. "State-funded long-term care services" is defined to mean a state-funded adult family home, adult residential care, assisted living, enhanced adult residential care, in-home care, or nursing home service, for which the retiree is required to contribute all income other than a specified amount reserved for the retiree's personal maintenance needs.

Votes on Final Passage:

House	96	0	
Senate	43	0	(Senate amended)
House	97	0	(House concurred)

Effective: May 17, 1999 (section 3)
July 25, 1999