

HOUSE BILL REPORT

HB 2394

As Passed House:

February 15, 2002

Title: An act relating to public employees' retirement system plan 1 members who separate from service without withdrawing their contributions from the retirement system.

Brief Description: Separating from public employees' retirement system plan 1.

Sponsors: By Representatives Alexander, Cooper, Doumit, Delvin, Conway, Linville, Haigh and Simpson; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/24/02, 2/5/02 [DP].

Floor Activity:

Passed House: 2/15/02, 98-0.

Brief Summary of Bill

- Allows inactive Public Employees' Retirement System, Plan 1 members who are age 50 or older, have at least 20 years of service, and are not retired as of the effective date of the bill, to receive an unreduced retirement allowance at age 60.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 24 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, McIntire, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Staff: Andrea Hardy (786-7349).

Background:

Active members of the Public Employees' Retirement System, Plan 1 (PERS 1) may receive an unreduced retirement allowance at any age if they have 30 years of service, at age 55 after 25 years of service, or at age 60 after five years of service. However, if a

PERS I member leaves PERS employment prior to retirement, the retirement age for that member increases to age 65 and the member may not receive an unreduced retirement allowance until that time. The only other state retirement plan that provides a higher retirement age for persons who separate employment prior to retirement is the Washington State Patrol Retirement System; in all other plans the retirement age does not differ for active and inactive members.

Inactive PERS 1 members have the option of receiving an actuarially reduced retirement allowance beginning as early as age 60. The actuarial reduction for retirement at age 60 is approximately 40 percent; thus, an inactive PERS 1 member who is eligible for a \$1,000 monthly benefit at age 65 would receive about \$600 if the benefit commenced at age 60.

Summary of Bill:

A PERS I member who: separates from service after January 1, 2002, is age 50 or older at the time of separation from employment, has at least 20 years of service, and is not retired as of the effective date of the bill, may begin receiving an unreduced retirement allowance at age 60. This new provision does not apply to members who have withdrawn all or part of their contributions.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Current law does not make sense. This bill addresses a problem wherein a member who has adequate service credit in PERS 1 may retire without an actuarial reduction as long as he or she meets certain criteria at the time of separation. It seems a strange situation where an employee who works 28 years of service, but retires before he or she is age 60, takes an actuarial reduction because he or she is not yet at retirement age, but an employee who is age 60 but only has five years of service does not have to take an actuarial reduction. This bill makes a great deal of sense and creates equity in this system.

Testimony Against: None.

Testified: Doug Nelson, Public School Employees.