

FINAL BILL REPORT

HB 2905

C 247 L 94
Synopsis as Enacted

Brief Description: Making permanent and simplifying the age sixty-five cost-of-living adjustment to retirement allowances.

Representatives Sommers, Long, Linville and Rayburn; by request of Joint Committee on Pension Policy.

House Committee on Appropriations
Senate Committee on Ways & Means

Background: Retirees of the Teachers Retirement System (TRS) Plan I and the Public Employees Retirement System (PERS) Plan I may receive up to four types of post-retirement benefit adjustments. Two of these adjustments are the Plan I Cost of Living Adjustment (COLA) and the one-time temporary February 1992 adjustment.

The Plan I COLA: A retired member of TRS and PERS Plan I receives up to a 3 percent post-retirement adjustment if the current benefit purchasing power is lower than 60 percent of the level of purchasing power that the member had at age 65. Each member's eligibility for a COLA is calculated individually each year.

The February 1992 adjustment was a one-time adjustment for retirees receiving the Plan I COLA to bring their benefit purchasing power up to 60 percent of the benefit purchasing power they had at age 65. This monetary adjustment was provided to approximately 10,000 retirees because a 3 percent COLA alone would not bring their benefit up to the 60 percent purchasing power level. The 1993-95 biennial budget act continued this monthly stipend at the 1992 level through 1995.

Summary: For TRS and PERS Plan I retirees, the dollar amount of the one-time February 1992 cost-of-living adjustment is made a permanent monthly benefit for the original recipient retirees.

A simplified method is provided for calculating the Plan I COLA. The simplified definition will calculate eligibility for the COLA for the group instead of for each individual retiree. Annually, the actuary will calculate the current age of the youngest retiree to have lost 40 percent of age

65 purchasing power. The Department of Retirement Systems will then provide a COLA to all those who are that age or older. The COLA will equal the annual rate of change in the consumer price index up to 3 percent. The revised method of calculating the Plan I COLA will be implemented July 1, 1995.

The Governor must report annually the total payments resulting from the post-retirement adjustment and the amount of general funds and other funds required to reduce the unfunded accrued liability of the retirement system by June 2024.

Votes on Final Passage:

House	95	0	
Senate	48	0	(Senate amended)
House	92	0	(House concurred)

Effective: August 1, 1994