

HOUSE BILL REPORT

HB 2538

As Reported by House Committee On:
Appropriations

Title: An act relating to establishing a one thousand dollar minimum monthly benefit for public employees' retirement system plan 1 members and teachers' retirement system plan 1 members who have at least twenty-five years of service and who have been retired at least twenty years.

Brief Description: Establishing a one thousand dollar minimum monthly benefit for public employees' retirement system plan 1 members and teachers' retirement system plan 1 members who have at least twenty-five years of service and who have been retired at least twenty years.

Sponsors: Representatives Conway, Fromhold, Alexander, Rockefeller, Upthegrove, Simpson, G., Moeller, Chase, Bush and Armstrong; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/22/04, 1/26/04 [DPS].

Brief Summary of Substitute Bill

- Establishes a minimum benefit of \$1,000 per month, before optional reductions, for the Teachers' Retirement System and the Public Employees' Retirement Plan 1 members with at least 25 years of service and who have been retired for at least 20 years.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Staff: David Pringle (786-7310).

Background:

Members of the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) Plans 1 receive a retirement benefit based on 2 percent of their final average salary for each year of service credit earned. Members can apply to begin their retirement benefits from PERS and TRS Plans 1 after 30 years of service, at age 55 with 25 years of service, or at age 60 with five years of service.

When members retire, they generally may choose among several optional forms of benefit payment. For example, in both PERS and TRS Plans 1, a member may choose to receive a reduced benefit that continues for the life of both the member and the member's spouse (or other survivor), rather than just for the life of the member. Members of TRS Plans 1 may also choose to withdraw all or part of their accumulated employee contributions, and reduce their retirement allowances by the equivalent of an annuity that those contributions could purchase.

Retirees in PERS and TRS Plans 1 receive an annual increase to their benefit at age 66 and after at least one year of retirement. This annual increase is often referred to as the "Uniform COLA", and in 2003 it increased an eligible retirees monthly benefit by \$1.18 per year of service. PERS and TRS Plans 1 also provide a minimum benefit that a retiree may receive, based on the number of years of service credit a retiree earned. Currently, the minimum benefit is \$31.76 per month per year of service, providing a retiree with 25 years of service a minimum benefit of \$794 per month.

PERS and TRS Plans 1 had 87,154 retirees at the end of 2002. Among these retirees, 1,288 earned at least 25 years of service, had been retired for 20 years or more, and had a benefit of less than \$1,000 per month before optional payment reductions. Of those below \$1,000, the average benefit was \$870.

Summary of Substitute Bill:

A minimum benefit of \$1,000 is established , prior to optional reductions, for PERS and TRS Plan 1 members with at least 25 years of service who have been retired for at least 20 years.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies that the \$1,000 minimum benefit created in the bill is not increased each year by the annual increase amount.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bill is the number one priority of the Retired School Employees. We would like to thank the Select Committee on Pension Policy and the Office of the State Actuary for developing this proposal. We worked with them to develop a bill that contained the cost and coverage to a small number of people. Because of the current minimum benefit that gradually increases, this bill effectively sunsets. My mother is 93 years old, and taught school for 30 years. Her monthly benefit is \$790, and it would be impossible for her to survive on this amount, even with social security. Some of these retirees worked before being able to build substantial social security benefits. Most retirees affected by this bill likely started teaching in the 1940's and retired in the late 1970's. They were hit hard by the inflation of the time. Even if there was only one person affected, this bill is the right thing to do. Some retired public employees send a check each month to the Department of Retirement Systems to cover the portion of their health benefit premiums that exceeds their retirement allowance.

Testimony Against: None.

Persons Testifying: Merle Nicholson, Washington State School Retirees Association; Leslie Main, Washington State School Retirees Association; John Kvumme, Washington State School Administrators and Association of Washington School Principals; Randy Parr, Washington Education Association; Cassandra de la Rosa, Retired Public Employees Council; and Jan Leth, Washington Education Association Retirees.

Persons Signed In To Testify But Not Testifying: None.