

Appropriations Committee

SSB 6253

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: Senators Winsley, Fraser, Regala, Carlson, Keiser, Roach, Pflug, Spanel, Rasmussen and Eide; by request of Select Committee on Pension Policy.

Brief Summary of Substitute Bill

- Establishes a minimum benefit of \$1000 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.

Hearing Date:

Staff: David Pringle (786-7310).

Background:

Members of the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) Plan 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 Plan 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 Plan 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 Plan 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 Plan 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 of 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, 1288 earned at least 25 years of service, had been retired for 20 years or more, and had a benefit of less than \$1000 per month before optional payment reductions. Of those below \$1000, the average benefit was \$870.

Summary of Substitute Bill:

A minimum benefit of \$1000 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.

Appropriation: None.

Fiscal Note: Available.

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