

SENATE BILL REPORT

HB 2687

As Reported By Senate Committee On:
Ways & Means, February 21, 2006

Title: An act relating to a one thousand dollar minimum monthly benefit for plan 1 members of the public employees' retirement system and plan 1 members of the teachers' retirement system.

Brief Description: Establishing a one thousand dollar minimum monthly benefit for certain plan 1 members of the public employees' retirement system and certain plan 1 members of the teachers' retirement system.

Sponsors: Representatives Bailey, Conway, Fromhold, Lovick, Hunt, Nixon, Kenney, Quall, Simpson, Ormsby, Moeller, Morrell, Upthegrove and Hinkle; by request of Select Committee on Pension Policy.

Brief History: Passed House: 2/11/06, 97-0.

Committee Activity: Ways & Means: 2/21/06. [DP]

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

Staff: Erik Sund (786-7454)

Background: The basic retirement allowance of a member Plan 1 of the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS) is equal to 2 percent of the member's average final compensation for each year of service credit. There is also a minimum benefit level of \$32.71 per month per year of service. A member with 25 years of service is therefore eligible for a minimum benefit of \$817.75 per month. With 30 years of service, the minimum benefit is \$981.30 per month. These minimum benefits increase by at least 3 percent per year. The actual benefit amount received may be less than the minimum allowance if the member selects enhanced cost-of-living adjustment or survivor benefit options.

An alternative minimum benefit of \$1,000 per month was established in 2004 for members of PERS 1 and TRS 1 members who have at least 25 years of service credit and have been retired for at least 20 years. The \$1,000 minimum monthly benefit, which is also subject to reductions if the member selects the enhanced cost-of-living adjustment or survivor benefit options, is not increased annually.

Summary of Bill: The \$1,000 alternative minimum benefit in PERS 1 and TRS 1 is extended to members who have at least 20 years of service and who have been retired for at least 25 years. A 3 percent annual increase is added to the \$1,000 minimum benefit.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: (From SB 6453) This modest benefit increase would be a great help to retirees on fixed incomes that have been ravaged by decades of inflation. Many retirees who would be eligible for this minimum benefit have limited Social Security benefits. The Uniform COLA, while appreciated, is not a true cost of living adjustment and does not apply to the current \$1,000 minimum benefit, which will diminish in value over time.

Testimony Against: (From SB 6453) None.

Who Testified: (From SB 6453) PRO: Don Carlson, Public School Employees of Washington; Betty Johnson, Washington State School Retirees' Association; Leslie Main, Washington State School Retirees' Association; Senator Joyce Mulliken, 13th Legislative District; Randy Parr, Washington Education Association; Cassandra de la Rosa, Retired Public Employees Council of Washington; Kathy Wallentine, Washington Education Association.