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## Appropriations Committee

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### HB 1499

**Brief Description:** Authorizing early retirement for public employees' retirement system plan 1 and plan 2 members.

**Sponsors:** Representatives Romero, Hunt, Haigh, Moeller, Cooper, Kenney, Simpson, Conway, Campbell, McDermott, Voloria, Flannigan, Cody, Dickerson, Cairnes, Armstrong, Schoesler, Cox, Santos and Wood.

#### Brief Summary of Bill

- Permits members of the Public Employees' Retirement System Plans 1 and 2 who are employed March 1, 2003, to retire between June 15, 2003, and August 31, 2003, to retire and receive one additional year of service credit for each five years of actual service, up to a maximum of 30 years.
- Prohibits a member who retires during this period with additional service credit from any employment or personal service contracts with a state agency until June 30, 2004.

**Hearing Date:** 3/4/03

**Staff:** David Pringle (786-7310).

#### Background:

Normal retirement occurs when a member has reached the age and service requirements for their plan, terminates employment, and applies to begin their retirement allowance. The plans of state retirement systems have varying age and service requirements for normal eligibility, and the Plans 2 and 3 also permit early retirement with reduced benefits.

Under Plan 1 of the Public Employees' Retirement System (PERS), employees may retire with full retirement benefits if they have: (a) 30 years of service credit, regardless of their age; (b) 25 years of service credit and are at least age 55; or (c) at least five years of service credit and are at least age 60. The retiring employee's pension benefit is based on his or her average final compensation X years of service X 2 percent.

Under Plan 1 of the Teachers' Retirement System (TRS), employees may retire at the same ages and service credit levels as PERS Plan 1; however, in addition they may withdraw all

or part of their employee contributions at retirement in a lump sum, and receive a monthly benefit reduced by the amount of an annuity that the withdrawn contributions would have purchased.

Under Plan 2 and 3 of PERS, TRS, and the School Employees Retirement System (SERS), employees may retire with: (a) Full retirement benefits beginning at age 65; (b) benefits actuarially reduced from age 65 beginning at age 55 with 20 years of service; or (c) benefits reduced by 3 percent per year beginning at age 55 with 30 years of service.

Past early retirement options or defined periods referred to as "windows" have allowed employees to retire at a younger age or with less service credit than would have been available if they retired outside of the window. Generally, early retirement windows temporarily increase the value of retirement benefits to those members that are eligible and retire at that time. The temporary nature of an early retirement window is in contrast to a permanent change in plan benefits, such as an permanent lowering of the normal retirement age.

The Legislature enacted comprehensive early retirement windows in 1992-93, and also in 1982. Since the last comprehensive early retirement window, the Legislature has also enacted several targeted early retirement windows addressing the closing of facilities or the elimination of specific programs. All prior early retirement window programs have applied only to PERS Plan 1 and TRS Plan 1.

**Summary of Bill:**

Members of PERS 1 and 2 who are employed March 1, 2003, may retire regardless of age or length of service between June 15, 2003, and August 31, 2003, and receive one additional year of service credit for each five years of actual service, up to a maximum of 30 years of service.

A member choosing to retire during this period and receive the additional years of service is prohibited from all employment or personal services contracts with a state agency until June 30, 2004. Exceptions may be granted by written approval from the Director of the Office of Financial Management. The Director must find the employment of the retiree necessary for protecting public safety, protecting eligibility for federal funds, or maintaining functions so essential that even a temporary interruption would significantly impact the public.

**Appropriation:** None.

**Fiscal Note:** Requested February 6, 2003.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.