

HOUSE BILL REPORT

HB 2687

As Reported by House Committee On: Appropriations

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:

Committee Activity:

Appropriations: 1/30/06 [DP].

Brief Summary of Bill

- Expands eligibility for the \$1,000 minimum benefit to Public Employees' Retirement System Plan 1 and Teachers Retirement System Plan 1 members who have at least 20 years of service, and who have been retired for at least 25 years.
- Adjusts the \$1,000 minimum benefit upwards by 3 percent each year.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 30 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Staff: David Pringle (786-7310).

Background:

The basic retirement allowance of a member Plan 1 of the Public Employees' Retirement System (PERS 1) or the Teachers' Retirement System (TRS 1) 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 and with 30 years of service, the minimum benefit is \$981.30 per month. The minimum benefit that applies to all members of PERS 1 and TRS 1 increases by at least 3 percent per year.

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.

The actual benefit amount a retiree or beneficiary is entitled to receive may be less than either the regular or the alternative minimum allowances if the member selects enhanced cost-of-living adjustments or survivor benefit options or, in TRS 1, elects to withdraw employee contributions and take a reduced retirement benefit at retirement.

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.

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

Testimony For: The effort here is to recognize that there are some who have been retired for many years, deserve a certain benefit level, and to provide that benefit level with a 3 percent annual adjustment into the future. The recovery of lost purchasing power is one of our top priorities, and this bill helps accomplish that priority. This is very important to me. I started teaching in 1929, and earned \$1,200 per year at that time. I was in and out of the workforce for family reasons, and because at times, married women were not hired to teach. Also, when I was teaching, teachers were not covered by Social Security, so my total pension now is only \$900 per month for 24.5 years of service. The Legislature has a history of casting a safety net to help individuals in the most difficult circumstances - like this one.

Testimony Against: None.

Persons Testifying: John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; Cassandra de la Rosa, Retired Public

Employees; Betty Johnson; Leslie Main, Washington State School Retirees' Association; and Don Carlson, Public School Employees.

Persons Signed In To Testify But Not Testifying: None.