HOUSE BILL REPORT

HB 2905

As Passed Legislature

Title: An act relating to making permanent and simplifying the age sixty-five cost-of-living adjustment to retirement allowances.

Brief Description: Making permanent and simplifying the age sixty-five cost-of-living adjustment to retirement allowances.

Sponsors: Representatives Sommers, Long, Linville and Rayburn; by request of Joint Committee on Pension Policy.

Brief History:
Reported by House Committee on:
Appropriations, February 5, 1994, DP;
Passed House, February 11, 1994, 95-0;
Amended by Senate;
House concurred;
Passed Legislature, March 7, 1994, 92-0.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 24 members: Representatives Sommers, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Foreman; Jacobsen; Leonard; Linville; H. Myers; Peery; Rust; Sehlin; Stevens; Talcott; Wang and Wolfe.

Staff: Jennifer Priddy (786-7118).

Background: Retirees of the Teachers Retirement System (TRS) Plan I and the Public Employees Retirement System (PERS) Plan I may receive up to four types of post-retirement benefit adjustments. The two adjustments affected by this bill are the Plan I Cost of Living Adjustment (COLA) and the one-time temporary February 1992 adjustment.

The Plan I COLA: A retired member of TRS and PERS Plan I receives up to a 3 percent post-retirement adjustment if the current benefit purchasing power is lower than 60 percent of the level of purchasing power the member had at age 65.

Currently each member's eligibility for a COLA is calculated individually each year.

The February 1992 adjustment was a one-time adjustment for retirees receiving the Plan I COLA in order to bring their benefit purchasing power up to 60 percent of the benefit purchasing power they had at age 65. This monetary adjustment was provided to approximately 10,000 retirees because a 3 percent COLA alone would not bring their benefit up to the 60 percent purchasing power level. The continuance of the monthly stipend at the 1992 level was re-approved through 1995 in the 1993-95 biennial budget act.

Summary of Bill: The bill applies to TRS and PERS Plan I members and retirees. The bill makes the dollar amount of the one-time February 1992 cost-of-living adjustment a permanent monthly benefit for the original recipient retirees.

Additionally, the bill provides a simplified method of calculation of the Plan I COLA. The simplified definition will calculate eligibility for the COLA as a group instead of for each individual retiree. Annually, the actuary will calculate the current age of the youngest retiree to have lost 40 percent of age 65 purchasing power. Department of Retirement Systems (DRS) would then provide a COLA to all those who have attained that age or older. The COLA would be equal to the annual rate of change in the consumer price index up to 3 percent. The effect of the change in the calculation method on retiree benefit cannot be calculated. Each year some retirees may receive a slightly higher COLA and some retirees may receive a slightly lower COLA than they would have under the previous calculation. The revised method of calculating the Plan I COLA will be implemented July 1, 1995.

Finally, the Governor shall report annually the level of payments resulting from the post-retirement adjustment and the level of general funds and other funds required to pay down the unfunded accrued liability of the retirement system by June 2024.

Fiscal Note: Requested February 3, 1994.

Effective Date: The bill contains an emergency clause and takes effect August 1, 1994.

Testimony For: Making the February 1992 COLA a permanent benefit for the original recipients is supported.

Testimony Against: None.

Witnesses: Sam Kinville, County and City Engineers (pro).