

SENATE BILL REPORT

SB 6537

As Reported By Senate Committee On:
Ways & Means, February 2, 2000

Title: An act relating to early retirement under the public employees' retirement system for affected employees of specific state agencies specifically designated for a reduction in staffing.

Brief Description: Providing for early retirement under the public employees' retirement system for affected employees of specific state agencies specifically designated for a reduction in staffing.

Sponsors: Senators Fraser, Winsley, Bauer, Franklin, Jacobsen, Patterson, Kohl-Welles, Snyder, Costa and Gardner; by request of Governor Locke.

Brief History:

Committee Activity: Ways & Means: 1/31/2000, 2/2/2000 [DP, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Kline, Kohl-Welles, Rasmussen, Roach, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Wojahn.

Minority Report: Do not pass.

Signed by Senator Rossi.

Staff: Pete Cutler (786-7454)

Background: Members of the Public Employees Retirement System Plan 1 (PERS Plan 1) may retire: at age 60, with five years of service; at age 55, with 25 years of service; or at any age with 30 years of service.

Members of the Public Employees Retirement System Plan 2 (PERS Plan 2) may retire with full benefits at age 65, with five years of service, or with actuarially reduced benefits at age 55, with 20 years of service. The actuarial reduction varies by age; it averages about a 40 percent reduction for a PERS Plan 2 member who retires at age 60.

In 1973 when Northern State Hospital was closed, the Legislature enacted provisions to provide relocation assistance, termination pay, and an early retirement option for affected employees. In 1982, 1992, and 1993, PERS Plan 1 members and Teachers Retirement System Plan 1 (TRS Plan 1) members were provided an opportunity to retire five years early without a reduction of benefits. In 1998 the Joint Committee on Pension Policy conducted a review of issues related to early retirement windows.

Summary of Bill: The Legislature declares its intent that if there is a need to significantly downsize a state facility, the state has a responsibility to provide certain benefits to affected employees. In order to carry out that goal the state shall take every reasonable step to provide alternative employment and to minimize the economic loss of state employees who are affected by the significant downsizing of a state facility.

Affected employees are defined as PERS Plan 1 and PERS Plan 2 members who are classified or exempt employees of an agency, or program or division within an agency, which is specifically designated within the bill for a reduction in staffing.

For the period ending June 30, 2001, the following programs and divisions are designated for a reduction in staffing: Department of Transportation programs I (highway improvements), P (highway preservation), Q (traffic operations), and W and X (ferries); and Department of Social and Health Services -- Economic Services Administration, Developmental Disabilities Division, and Juvenile Rehabilitation Administration.

PERS Plan 1 members employed in the above programs qualify for full retirement benefits if they are: age 55 with five years of service; age 50 with 20 years of service; or any age with 25 years of service. PERS Plan 2 members who are age 55 with 15 years of service qualify for early retirement benefits that are reduced by 2 percent for each year that the member is under the normal retirement age of 65.

No state agency may hire through a personal service contract, nor in a temporary or project position, any person who retires from state service under the provisions of this bill. The Office of Financial Management may provide exceptions to this general limitation.

Appropriation: None.

Fiscal Note: Requested on January 24, 2000.

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

Testimony For: Several state programs will have budget cuts and layoffs as a direct or indirect result of the passage of Initiative 695. Early retirement will provide a tool for reducing layoffs.

The early retirement option should be extended to transit districts, cities, and other local governments which also face layoffs as a result of Initiative 695. The early retirement option ought to be extended to PERS members employed by all state agencies.

Testimony Against: None.

Testified: Randy Parr, OFM (pro); Jim Jackson, ATU 587 (pro/amd); Pat Thompson, County and City Employees PEPC (pro/amd); Lynn McKinnon, WPEA (pro/concerns); Mike Ryherd, Teamsters (pro/amd).