

Appropriations Committee

HB 1043

Brief Description: Increasing the maximum benefit allowance that public employees' retirement system plan 1 members may earn from sixty to sixty-eight percent.

Sponsors: Representatives Alexander, Conway, Lambert, Doumit, H. Sommers, Kagi, O'Brien, McIntire, Haigh, Kenney, Edmonds and Simpson; by request of Joint Committee on Pension Policy.

Brief Summary of Bill

- *Allows members of the Public Employees Retirement System plan 1 (PERS 1) with 30 years of service credit to earn additional service credit during the period between July 1, 2001 and June 30, 2005.*

Hearing Date: 2/20/01

Staff: Andrea Hardy (786-7349).

Background:

Benefits earned by members of the Public Employees Retirement System plan 1 (PERS) are statutorily limited to 60 percent of their average final compensation. This limit is often called the "30-Year Cap" because the 2 percent per year benefit accrual formula reaches a maximum at 60 percent of average final compensation (which equates to 30 years of member service).

Regardless of the cap, members must contribute to the system while employed by the state. To allow members to continue to benefit from contributions, members have the option to cash out all contributions made after they achieve 30 years of service credit. At the time of retirement, members who opt to cash out receive their contributions plus 7.5 percent interest.

Summary of Bill:

The 30-year cap on service credit is temporarily lifted for active members of PERS plan 1, so that they may earn additional service credit between July 1, 2001 and June 30, 2005. Additional service credit accrues at the same rate as service credit earned prior to reaching the 30-year cap (2 percent per year of service credit). This bill is not retroactive, and it applies only to service credit earned within the designated four-year period.

Members who elected to cash out retirement contributions made after achieving 30 years of service credit may rescind that election if they give notice to the Department of Retirement Systems.

Appropriation: *None.*

Fiscal Note: *Available.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*