BILL

ANALYSIS

Appropriations Committee

HB 1049

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

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

Brief Summary of Bill

· *Temporarily lifts the statutorily established limit of 30 years of service credit for members of the Teachers Retirement System plan 1 (TRS 1), and allows members 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 Teacher Retirement System Plan 1 (TRS 1) are statutorily limited to 60 percent of their average final compensation. This limit is often referred to as 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).

Summary of Bill:

The 30-year cap on service credit is temporarily lifted, and active members of TRS 1 are allowed to 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 only applies to service credit earned within the designated four-year period.

Members who elected to cash out retirement contributions made after they achieved 30 years of service credit are given the opportunity to rescind that election if they give notice to the Department of Retirement Systems before December 31, 2001.

Appropriation: *None.*

Fiscal Note: *Available.*

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