

SENATE BILL REPORT

SB 5150

As of February 20, 2001

Title: An act relating to public employees' retirement system, plan 1 and teachers' retirement system, plan 1 age and retirement requirements for receipt of the annual increase amount.

Brief Description: Providing annual increases in retirement allowances.

Sponsors: Senators Carlson, Winsley, Long, Franklin, Honeyford, Fraser, Kohl-Welles, Rasmussen and Haugen; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/21/01.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Pete Cutler (786-7454)

Background: A new cost of living adjustment (COLA) was created in 1995 for members of the Teachers Retirement System, Plan 1 (TRS 1), and the Public Employees Retirement System, Plan I (PERS 1). The Uniform COLA provides an annual, automatic increase each July 1, that is a flat dollar amount for each year of service, and is payable to retirees who are age 66 or older and have been retired at least one year. The Uniform COLA is also provided to the TRS 1 and PERS 1 minimum benefit.

The Uniform COLA increases by 3 percent each year, plus in the January of even-numbered years if there are extraordinary investment returns to provide for a gain sharing- COLA increase. In 1995 it was \$.59 per month, per year of service; since then it has increased to \$1.08 per month, per year of service, and will increase to \$1.11 per month, per year of service on July 1, 2001. An eligible retiree with 30 years of service will receive an increase of \$33.30 in his or her monthly retirement allowance on July 1, 2001, and will have received cumulative increases of \$174.30 since 1995.

Since the eligibility for the Uniform COLA is based on the retiree's age on July 1, a person who was born on July 2 through the end of a calendar year would not be eligible to receive the COLA in the calendar year that he or she reached age 66, but instead must wait until the following July to receive the first COLA adjustment.

Summary of Bill: A PERS 1 or TRS 1 retiree who has been receiving an allowance for at least one year receives a Uniform COLA increase beginning July 1 of the calendar year that the retiree turns age 66. This change is effective as of July 1, 2001.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001.