
Appropriations Committee

HB 2180

Brief Description: Authorizing early retirement for the public employees' retirement system.

Sponsors: Representatives Romero, Hunt, Sommers, Armstrong, Conway, Kessler, Kenney, Rockefeller and McDermott.

Brief Summary of Bill

- Allows members of the Public Employees' Retirement System (PERS) Plan 1 to retire during a window from September 1, 2003, and February 29, 2004, and elect to withdraw their employee contributions in a lump sum and receive a reduced monthly benefit. Members of PERS Plan 2 may retire during the window beginning at age 60, with 5 years of service, and with a 3 percent per year reduction.
- All PERS members retiring during the window receive an additional \$10 per month per year of service for the first 24 months of retirement.

Hearing Date:

Staff: David Pringle (786-7310).

Background:

Normal retirement occurs when a member has reached the age and service requirements for their plan, terminates employment, and applies to begin their retirement allowance. The plans of state retirement systems have varying age and service requirements for normal eligibility, and the Plans 2 and 3 also permit early retirement with reduced benefits.

Under Plan 1 of the Public Employees' Retirement System (PERS), employees may retire with full retirement benefits if they have: (a) 30 years of service credit, regardless of their age; (b) 25 years of service credit and are at least age 55; or (c) at least five years of service credit and are at least age 60. The retiring employee's pension benefit is based on his or her average final compensation X years of service X 2 percent.

Under Plan 1 of the Teachers' Retirement System (TRS), employees may retire at the same ages and service credit levels as PERS Plan 1; however, in addition they may withdraw all

or part of their employee contributions at retirement in a lump sum, and receive a monthly benefit reduced by the amount of an annuity that the withdrawn contributions would have purchased.

Under Plan 2 and 3 of PERS, TRS, and the School Employees Retirement System (SERS), employees may retire with: (a) Full retirement benefits beginning at age 65; (b) benefits actuarially reduced from age 65 beginning at age 55 with 20 years of service; or (c) benefits reduced by 3 percent per year beginning at age 55 with 30 years of service.

Past early retirement options or defined periods referred to as "windows" have allowed employees to retire at a younger age or with less service credit than would have been available if they retired outside of the window. Generally, early retirement windows temporarily increase the value of retirement benefits to those members that are eligible and retire at that time. The temporary nature of an early retirement window is in contrast to a permanent change in plan benefits, such as an permanent lowering of the normal retirement age.

The Legislature enacted comprehensive early retirement windows in 1992-93, and also in 1982. Since the last comprehensive early retirement window, the Legislature has also enacted several targeted early retirement windows addressing the closing of facilities or the elimination of specific programs. All prior early retirement window programs have applied only to PERS Plan 1 and TRS Plan 1.

Summary of Bill:

An enhanced benefit retirement window is created for PERS members retiring between September 1, 2003 and February 29, 2004.

Members of the PERS Plan 1 may retire during the window, elect to withdraw all or part of their employee contributions in a lump sum, and receive a monthly benefit reduced by the amount of an annuity that the withdrawn contributions would have purchased.

Members of the PERS Plans 2 and 3 may retire during the window at age 60 or older and with five or more years of service and receive a benefit reduced by 3 percent per year between age at retirement and 65.

Members of PERS retiring during the window also receive an additional \$10 per month per year of service (for example, an addition \$250 per month for a member with 25 years of service) for the first 24 months of the person's retirement.

Appropriation: None.

Fiscal Note: Requested March 1, 2003.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.