

HOUSE BILL REPORT

HB 2180

As Reported by House Committee On:
Appropriations

Title: An act relating to early retirement.

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

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

Brief History:

Committee Activity:

Appropriations: 3/4/03, 3/8/03 [DPS].

Brief Summary of Substitute 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 Plans 2 and 3 and the School Employees' Retirement System (SERS) Plans 2 and 3 may retire during the window beginning at age 60, with 5 years of service, and with a 3 percent per-year reduction.
- All PERS and SERS members retiring during the window receive an additional \$10 per month per year of service for the first 24 months of retirement.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

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 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 5 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 multiplied by years of service multiplied by 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 Plans 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 a 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 Substitute Bill:

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

Members of 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 PERS and SERS Plans 2 and 3 may retire during the window at age 60 or older, with 5 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 additional \$250 per-month for a member with 25 years of service) for the first 24 months of the person's retirement.

Substitute Bill Compared to Original Bill:

The substitute bill provides the early retirement window benefits SERS Plans 2 and 3, as well as the PERS Plans 1, 2, and 3 included in the original bill.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Original bill) This is an interesting approach, especially the \$10 per month per year of service that could be used for medical benefits. We like the long window period provided by the bill.

(With concerns) We are concerned that SERS and TRS are not included in this bill. Why the age 60 limitation on eligibility for the 3 percent per-year reduction?

Testimony Against: None.

Testified: Representative Romero, prime sponsor; Lynn Maier, Washington Public Employees Association; Randy Parr, Washington Education Association; and Bev Hermanson, Washington Federation of State Employees.

(With concerns) Owen Linch, Joint Council of Teamsters; Doug Nelson, Public School Employees of Washington; and Sherry Appleton, Amalgamated Transit Union Legislative Council.

