

HOUSE BILL REPORT

SB 6453

As Reported by House Committee On: Appropriations

Title: An act relating to a one thousand dollar minimum monthly benefit for plan 1 members of the public employees' retirement system and plan 1 members of the teachers' retirement system.

Brief Description: Establishing a one thousand dollar minimum monthly benefit for certain plan 1 members of the public employees' retirement system and certain plan 1 members of the teachers' retirement system.

Sponsors: Senators Mulliken, Pridemore, Fraser, Rockefeller, Franklin and Spanel; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 2/16/06, 2/20/06 [DP].

Brief Summary of Bill

- Expands eligibility for the \$1,000 minimum benefit to Public Employees' Retirement System Plan 1 and Teachers Retirement System Plan 1 members who have at least 20 years of service, and who have been retired for at least 25 years.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 30 members: Representatives Sommers, Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Staff: David Pringle (786-7310).

Background:

The basic retirement allowance of a Plan 1 member of the Public Employees' Retirement System (PERS 1) or the Teachers' Retirement System (TRS 1) is equal to 2 percent of the member's average final compensation for each year of service credit. There is also a minimum benefit level of \$32.71 per month per year of service. A member with 25 years of service is

therefore eligible for a minimum benefit of \$817.75 per month and with 30 years of service, the minimum benefit is \$981.30 per month. The minimum benefit that applies to all members of PERS 1 and TRS 1 increases by at least 3 percent per year.

An alternative minimum benefit of \$1,000 per month was established in 2004 for members of PERS 1 and TRS 1 members who have at least 25 years of service credit and have been retired for at least 20 years. The \$1,000 minimum monthly benefit, which is also subject to reductions if the member selects the enhanced cost-of-living adjustment or survivor benefit options, is not increased annually.

The actual benefit amount a retiree or beneficiary is entitled to receive may be less than either the regular or the alternative minimum allowances if the member selects enhanced cost-of-living adjustments or survivor benefit options or, in TRS 1, elects to withdraw employee contributions and take a reduced retirement benefit at retirement.

Summary of Bill:

The \$1,000 alternative minimum benefit in PERS 1 and TRS 1 is extended to members who have at least 20 years of service and who have been retired for at least 25 years. A 3 percent annual increase is added to the \$1,000 minimum benefit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: This bill is important for addressing the lost purchasing power of retirees. The people affected by this change are those that are the most in need. Both this bill and its companion measure passed the House and Senate unanimously, so please continue to support it.

Testimony Against: None.

Persons Testifying: Leslie Main, Washington State School Retirees' Association.

Persons Signed In To Testify But Not Testifying: None.