

SENATE BILL REPORT

SB 6454

As Passed Senate, February 14, 2006

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 certain retirement allowances.

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

Brief History:

Committee Activity: Ways & Means: 1/23/06, 1/26/06 [DP].

Passed Senate: 2/14/06, 46-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Erik Sund (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 1 (PERS 1). The annual increase, or Uniform COLA, provides an annual, automatic increase each July 1. The increase is a uniform 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 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. By July 1, 2006, it will have increased to \$1.29 per month, per year of service. For example, an eligible retiree with 30 years of service will receive an increase of \$38.70 in his or her monthly retirement allowance on July 1, 2006.

Retirees must have been retired for at least one year and be at least 66 years of age by July 1 in order to qualify for the cost of living adjustment (COLA) made to retirement allowances in that year.

Summary of Bill: The age requirements for COLA eligibility in PERS 1 and TRS 1 are changed so that a member must have been retired for at least one year by July 1 and reach age 66 by December 31 in order to be eligible for the adjustment given during that year.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: This modest benefit increase would be a help to retirees on fixed incomes and would improve the fairness of the Uniform COLA by allowing all PERS 1 and TRS 1 retirees to receive a COLA in the year that they turn 66, without regard to their birthday.

Testimony Against: None.

Who Testified: PRO: Don Carlson, Public School Employees of Washington; Betty Johnson, Washington State School Retirees' Association; Leslie Main, Washington State School Retirees' Association; Senator Joyce Mulliken, 13th Legislative District; Randy Parr, Washington Education Association; Cassandra de la Rosa, Retired Public Employees Council of Washington; Kathy Wallentine, Washington Education Association.