

SENATE BILL REPORT

SB 5175

As Passed Senate, March 13, 2007

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 Pridemore, Schoesler, Fraser, Fairley, McAuliffe, Shin, Jacobsen, Prentice, Franklin and Rasmussen; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/18/07, 2/21/07 [DP].

Passed Senate: 3/13/07, 43-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

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 automatic increase to eligible members' retirement allowances 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, and may be further increased by gain-sharing in even-numbered years if there are extraordinary investment returns. In 1995, the increase amount was \$0.59 per month, per year of service. By July 1, 2007, it will have increased to \$1.33 per month, per year of service. For example, an eligible retiree with 30 years of service will receive an increase of \$39.90 in his or her monthly retirement allowance on July 1, 2007. That same retiree will receive an monthly benefit increase of \$41.10 on July 1, 2008, plus any additional increase that may result from a January 1, 2008, gain-sharing event.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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 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 contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony: PRO: Surveys have shown that many retirement systems across the country provide COLAs in the first year after a member's retirement. This bill would improve the equity of the Uniform COLA and help members by allowing them to receive needed cost-of-living adjustments earlier.

Persons Testifying: PRO: John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; Leslie Main, Washington State School Retirees' Association; Robert Rhule, Washington State School Retirees' Association; Kathy Wallentine, Washington Education Association (Retired).