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**Ways & Means Committee**

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**HB 1742**

**Brief Description:** Addressing the alternate early retirement provisions for new members in plan 2 and plan 3 of the public employees' retirement system, the teachers' retirement system, and the school employees' retirement system.

**Sponsors:** Representative Hunter; by request of Governor Gregoire.

**Brief Summary of Bill**

- Eliminates subsidized early retirement benefits for members of the Public Employees' Retirement System, the Teachers' Retirement System, and the School Employees' Retirement System Plans 2 and 3.

**Hearing Date:** 2/7/11

**Staff:** David Pringle (786-7310).

**Background:**

The Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) Plans 2 and 3 are the current plans of each the three largest Washington State retirement systems open to new employees.

The full retirement age for each of PERS, TRS, and SERS Plans 2 and 3 is age 65. However, each of the Plans 2 and 3 provide early retirement benefit for members with either 10 (Plans 3) or 20 (Plans 2) years of service beginning at age 55. For members with fewer than 30 years of service, early retirement benefits are in the form of an actuarially reduced benefit, calculated to be equivalent in value to the benefit at age 65, reduced to take into account the additional years that a benefit is likely to be paid out from the earlier age. These actuarial reductions generally reduce monthly benefits by about 8 percent per year, though the amount varies by year. At age 55, a member eligible to retire early, but with fewer than 30 years of service, will receive about a 64 percent reduction in benefits.

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For members retiring early with 30 or more years of service, a member may choose between a reduction of 3 percent per year of service, or since 2008, no reduction at age 62, and between 2 and 3 percent per year of reductions between age 62 and age 55. At age 55, the least reduction, under the 2008 formula, provides a total reduction of 20 percent of a member's benefit. The 2008 formula that provides the least reduction for members with 30 years of service also includes additional restrictions on post-retirement employment.

**Summary of Bill:**

The two subsidized "Alternate Early Retirement" benefit formulas available to members of the PERS, TRS, and SERS Plans 2 and 3 with 30 years of service are eliminated for members that first become employed in plan-eligible positions on or after July 1, 2011.

**Appropriation:** None.

**Fiscal Note:** Requested on February 2, 2011.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2011.