
Ways & Means Committee

HB 2825

Brief Description: Addressing the benefits and contributions for new members of the public employees' retirement system, the teachers' retirement system, and the school employees' retirement system.

Sponsors: Representative Hunter.

Brief Summary of Bill

- Eliminates the subsidized early retirement benefit created in 2008 for new members of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) Plans 2 and 3.
- Requires the Select Committee on Pension Policy to study jobs in PERS, TRS, and SERS with high degrees of physical risk or physical requirements for older employees, and report recommendations to the Legislature by December 15, 2012.

Hearing Date: 4/4/12

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 of the three largest Washington 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 benefits 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

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55, a member eligible to retire early, but with fewer than 30 years of service, will receive about a 64 percent reduction in benefits.

For members retiring early with 30 or more years of service, there are subsidized "Alternative Early Retirement" benefits. Under these benefits, 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 subsidized "Alternate Early Retirement" benefit formula created in 2008 for 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. The earlier subsidized early retirement formula permitting members with 30 years of service to retire beginning at age 55 with a 3 percent per year reduction remains in place.

The Select Committee on Pension Policy (SCPP) is required to study the issue of job classifications in the Washington state retirement systems that entail either high degrees of physical risk to the members' own personal safety or unusually high physical requirements that result in elevated risks of injury or disablement for older employees. The study shall identify groups of PERS, TRS, and SERS employees, and evaluate them for inclusion in the public safety employees' retirement system, or the creation of other early retirement or disability benefits within those plans. The SCPP shall report recommendations to the legislative fiscal committees by no later than December 15, 2012.

Appropriation: None.

Fiscal Note: Requested on April 2, 2012.

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