

SENATE BILL REPORT

SB 5833

As Reported by Senate Committee On:
Ways & Means, February 22, 2017

Title: An act relating to the minimum retirement allowance under the teachers' retirement system, plan 1.

Brief Description: Addressing the minimum retirement allowance under the teachers' retirement system, plan 1.

Sponsors: Senators Honeyford, Frockt, Braun, Fain, Angel and Hunt.

Brief History:

Committee Activity: Ways & Means: 2/20/17, 2/22/17 [DPS].

Brief Summary of Substitute Bill

- Increases the basic and alternate minimum benefits for members of the Teachers' Retirement System Plan 1 by 1.5 percent.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5833 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget; Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Bailey, Becker, Billig, Carlyle, Conway, Darneille, Fain, Hasegawa, Keiser, Miloscia, Padden, Pedersen, Schoesler, Warnick and Zeiger.

Staff: Amanda Cecil (786-7460)

Background: There are two minimum benefits in place for members of the Teachers' Retirement System Plan 1 (TRS 1).

Basic Minimum Benefit. The basic minimum benefit is a fixed dollar amount per month multiplied by the member's total years of service. The basic minimum benefit is currently \$55.18 and increases on July 1st every year based on the uniform cost of living adjustment.

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.

On July 1, 2017, the basic minimum benefit will increase by \$2.32 to \$57.50. A member with 10 years of service will be therefore eligible for a minimum benefit of \$575 per month. Most retirees eligible for this minimum typically retired with less service or lower compensation than average retirees. About 3100 TRS Plan 1 retirees receive a benefit based on this minimum benefit formula.

Alternate Minimum Benefit. The alternate minimum benefit provides a benefit of \$1,844.48 per month for members who have either at least 25 years of service credit and have been retired for at least 20 years, or at least 20 years of service credit and have been retired for at least 25 years. The alternate minimum benefit is increased annually by 3 percent.

Summary of Bill (First Substitute): Beginning August 1, 2017, the basic minimum benefit is increased to \$57.53 per month and the alternate minimum benefit is increased to \$1,872.48 per month.

The alternative minimum benefit increase was derived by taking the current annual benefit, as of June 30, 2017, and providing a one-time additional increase of 1.5 percent. The basic minimum benefit increase was derived by taking the amount of the uniform cost of living adjustment, as of June 30, 2017, and adding an additional 1.5 percent increase to the adjustment.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Changes the date that the one-time increase takes effect from July 1, 2017, to August 1, 2017.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This is better than nothing but it is next to nothing. Thirteen of the fifteen existing pension plans get an annual COLA. The plan 1 members do not get any COLA since the uniform COLA was eliminated in 2011. PERS 1 members should also be included in this bill. Many of these employees are dying in poverty and they need an increase.

OTHER: Many retired school employees are in PERS 1 and won't get an increase. Other beneficiaries also need a cost of living increase.

Persons Testifying: PRO: Senator Jim Honeyford, Prime Sponsor; Fred Yancey, WA State School Retirees' Association; Mike Boring, Exec. Director WA State School Retirees' Assn.

OTHER: Julie Salvi, Washington Education Association.

Persons Signed In To Testify But Not Testifying: No one.