
Appropriations Committee

SSB 5833

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Honeyford, Frockt, Braun, Fain, Angel and Hunt).

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.

Hearing Date: 3/15/17

Staff: David Pringle (786-7310).

Background:

The basic retirement allowance of a member of Plan 1 of the Teachers' Retirement System (TRS Plan 1) is equal to 2 percent of the member's average final compensation, calculated on the member's highest consecutive two years of compensation, for each year of service. Retirement benefits in the Plans 1 are available to members after 30 years of service at any age, with 25 years of service at age 55, and with 5 years of service at age 60. The original Plan 1 design did not contain a benefit feature annually adjusting retiree benefits, though several ad-hoc retiree benefit adjustments were created by the Legislature prior to 1995.

There are two minimum benefits in place for members of TRS Plan 1. 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 1 every year. A member with 10 years of service is therefore eligible for a minimum benefit of \$551.80 per month. Most retirees eligible for this minimum benefit typically retired with less service or lower compensation than average retirees. About 3,100 TRS Plan 1 retirees receive a benefit based on this minimum benefit formula.

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.

The other minimum benefit, often referred to as the "Adjusted Minimum Benefit," provides a benefit of \$1,791.80 per month and was established in 2004 for members of TRS Plan 1 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 Adjusted Minimum Benefit is also subject to reductions if the member selects the enhanced cost of living adjustment or survivor benefit options, and the benefit amount is increased annually by 3 percent per year.

The same minimum benefits are available to members of the Public Employees' Retirement System Plan 1.

Summary of Bill:

Beginning August 1, 2017, both the TRS Plan 1 basic minimum benefit and the Adjusted Minimum Benefit are increased. The basic minimum benefit for members of TRS Plan 1 is increased to \$57.53, a 1.5 percent increase, and then further increases on July 1 each following year. The Adjusted Minimum Benefit is increased to \$1,872.48, a 1.5 percent increase, and is subjected to annual 3 percent increases in following years.

Appropriation: None.

Fiscal Note: Available.

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