LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS

Bill Number: **HB 239a** **49th Legislature, 2nd Session, 2010**

Tracking Number: **.181282.2SA**

Short Title: **No Educational Retirement Benefit Adjustments**

Sponsor(s): **Representatives Rick Miera and Mimi Stewart**

Analyst: **James Ball** **Date:** **February 6, 2010**

AS AMENDED

The Labor and Human Resources Committee amendments replace references to "pension amounts" with "retirement and disability benefits."

Original Bill Summary:

HB 239a amends the cost of living adjustment provision of the *Educational Retirement Act* in the *Public School Code* to prohibit annual decreases in the retirement benefits of retired members over the age of 65 if there is a decrease in the Consumer Price Index (CPI).

Fiscal Impact:

HB 239a makes no appropriation.

Substantive Issues:

The Educational Retirement Board (ERB) bill analysis states that, if HB 239a is not passed, retirement benefits for 22,304 ERB retirees will decrease by an average of $69 per year, beginning July 1, 2010. The average annual ERB retirement benefit is $17,310. The coming fiscal year would be the first time that ERB retirement benefits would be decreased. ERB also notes that despite the decrease in the CPI, the cost of the many of the items on which retirees spend their pensions, such as food and health care, have not decreased in the last year. Even a small decrease in benefits could be difficult for many ERB retirees.

The ERB analysis also notes that the Public Employees Retirement Association (PERA) Cost of Living Adjustment (COLA) is not affected by the CPI. Normal retired PERA members who have been retired for at least two full calendar years prior to July 1 of the year in which their pension is being adjusted receive a 3.0 percent COLA increase regardless of changes in the CPI.

The Higher Education Department notes in its analysis of HB 239a that the bill appears to address the concerns of retirees living on fixed incomes related to even small negative adjustments in the amount of their monthly retirement checks due to downward changes in the CPI.

The Public Education Department analysis observes that downward adjustments to retiree benefits could have a negative impact on local economies and devalue the benefit of becoming a member of the retirement plan, which, in turn, could negatively affect the recruitment of education-related jobs within the state.

Background:

HB 239a reflects the intent of the policy of the Social Security Administration (SSA), which, according to the SSA website, provides that, if the CPI decreases from one year to the next, retiree benefits are not decreased but remain the same from the previous year.

Related Bill(s):

SB 91 *Delay Educational Retirement Contributions*