

HOUSE BILL REPORT

HB 2511

As Reported by House Committee On: Appropriations

Title: An act relating to providing a benefit increase to certain retirees of the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Brief Description: Providing a benefit increase to certain retirees of the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Sponsors: Representatives Manweller, Fitzgibbon, Muri, Fey, Hayes, Valdez and Kloba; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/22/18, 2/6/18 [DPS].

Brief Summary of Substitute Bill

- Expresses legislative intent to consider a proposal to increase the minimum benefits in the Public Employees' and the Teachers' Retirement System Plans 1.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Ormsby, Chair; Robinson, Vice Chair; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Calder, Cody, Condotta, Fitzgibbon, Graves, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Pettigrew, Pollet, Sawyer, Schmick, Senn, Stanford, Sullivan, Tharinger, Vick, Volz and Wilcox.

Minority Report: Do not pass. Signed by 3 members: Representatives Chandler, Ranking Minority Member; Buys and Taylor.

Staff: David Pringle (786-7310).

Background:

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 basic retirement allowance of a member of Plan 1 of the Public Employees' Retirement System (PERS Plan 1) or the Teachers' Retirement System (TRS Plan 1) is equal to 2 percent of the member's average final compensation, calculated on the members' highest consecutive two years of compensation, for each year of service. Retirement benefits in the PERS and TRS 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 PERS and TRS Plan 1 design did not contain a benefit feature annually adjusting retirees benefits, though several ad-hoc retiree benefit adjustments were created by the Legislature prior to 1995.

Between 1995 and 2011 PERS and TRS Plan 1 retirees' benefits could be eligible for an annual increase from a benefit generally referred to as the "Uniform" cost of living adjustment (COLA), or "Uniform COLA." The Uniform COLA was enacted in 1995 to replace a number of prior COLAs, and was a fixed dollar amount multiplied by the member's total years of service. The dollar amount of the Uniform COLA was about \$1.88 per year, meaning that a member with 25 years of service would receive an additional \$47 per month each year, and the Uniform COLA itself would have increased by 3 percent per year on July 1. Members did not have a contractual right to future increases to the Uniform COLA, and those increases ceased with the repeal of the Uniform COLA in 2011.

Summary of Substitute Bill:

Legislative intent is expressed to consider a proposal to increase the minimum benefits in the Public Employees' and the Teachers' Retirement System Plans 1.

Substitute Bill Compared to Original Bill:

Provisions from the original bill providing a one-time increase to retirees of the Public Employees' Retirement System and Teachers' Retirement System Plans 1 member monthly benefits of 3 percent up to a maximum of \$62.50 on July 1, 2018 are removed.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The retirees have been patient and came up with support for a scaled-down, much less expensive proposal at the Select Committee on Pension Policy (SCPP). The SCPP determined this simple, straight-forward approach was right and voted for it with a super-majority. Teachers and public employees have gone for about 10 years without a COLA in their pensions. Retirees have seen sharp increases in retirement medical costs, and taxes and

fees have been going up as well. The only two pension plans with no COLA are PERS 1 and TRS 1. The cost of living has increased greatly since 2011, when the Uniform COLA was repealed. Plan 1 members are facing a crisis in retirement costs. One of the state's biggest assets is the workforce, and maintaining pensions protects the quality of the workforce. Costs are going up quickly. After retiring in 1992, pensions have gone up by 10 percent, but net pensions have gone down by 8 percent. Thousands of retirees have never received an adjustment. The Legislature does not have to do this, but there is a moral obligation. The increases in this bill will be meaningful in the everyday lives of these retirees. Teachers were told that they would not earn very much teaching, but would have good retirement benefits. Bills and groceries are increasing in cost all the time.

(Opposed) The concern of local governments is the fiscal impact which is \$147 million over the next 10 years. These benefits are paid for by contribution rate increases on current government employee salaries; PERS 1 was never designed to have a COLA—adjusting the minimum benefits would be a better, less expensive, approach.

Persons Testifying: (In support) Representative Manweller, prime sponsor; Denny Johnston, Dwight Trager, Carol Basque, John O'Brien, and Don Bunger, Retired Public Employees Council; Julie Salvi, Washington Education Association; and Curt Horn, Ester Wilfong, and Bonna Strange, Washington State School Retirees' Association.

(Opposed) Jennifer Ziegler, Washington State Association of Counties; and Logan Bahr, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.