

HOUSE BILL REPORT

SSB 6340

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: Senate Committee on Ways & Means (originally sponsored by Senators Conway, Bailey, Hobbs, Walsh, Hasegawa, Hunt, Mullet, Keiser, Palumbo and Saldaña; by request of Select Committee on Pension Policy).

Brief History:

Committee Activity:

Appropriations: 2/24/18, 2/26/18 [DPA].

Brief Summary of Substitute Bill (As Amended by Committee)

- Provides a one-time increase of 3 percent to the minimum and alternative minimum benefits in the Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 beginning July 1, 2018.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 21 members: Representatives Ormsby, Chair; Robinson, Vice Chair; MacEwen, Assistant Ranking Minority Member; Bergquist, Caldier, Cody, Fitzgibbon, Haler, Hansen, Hudgins, Jinkins, Kagi, Lytton, Pettigrew, Pollet, Sawyer, Senn, Springer, Stanford, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Chandler, Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Buys, Condotta, Graves, Harris, Manweller, Schmick, Taylor, Vick, Volz and Wilcox.

Staff: David Pringle (786-7310).

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.

Background:

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 member's highest consecutive two years of compensation, for each year of service. Retirement benefits in the PERS Plan 1 and TRS Plan 1 are available to members after 30 years of service at any age, with 25 years of service at age 55, and with five years of service at age 60. The original Plan 1 design in both systems 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 Plan 1 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 Amended Bill:

A one-time increase is applied to the minimum benefits of the Public Employees' Retirement System (PERS) Plan 1 and Teachers' Retirement System (TRS) Plan 1. On July 1, 2018, both the basic minimum benefit and the alternative minimum benefit are increased by 3 percent.

Amended Bill Compared to Substitute Bill:

The Appropriations Committee amendment removes the PERS and TRS Plans 1 increase and replaces the provisions of the bill with an increase to the minimum and alternative minimum benefits in the PERS and TERS Plans 1 of 3 percent beginning July 1, 2018.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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) This bill is similar to the recommendation of the Select Committee on Pension Policy. It is the most modest of the retiree COLA proposals—and while we appreciate the minimum benefit increase proposal in the House budget, this approach is preferred. Please do not pick winners and losers amongst the retirees, and do not wait for more to slide into poverty. It has been too long since the last increases were provided in 2011. There are retirees that have never had a pension adjustment. Having been retired for 21 years, the years since the repeal of the Uniform COLA in 2011 have been a shock. The rising cost of almost everything has been very hard. This is important to retirees—especially those that have been retired for 10 or more years.

(Opposed) There are just too many impacts from legislation on local governments' budgets. This bill's impacts and the cumulative impacts of bills affecting local governments, are too great. When local governments are paying for PERS Plan 2 employees' salaries, they are also paying over 5 percent of pay in additional employer contributions to cover unfunded liabilities in PERS Plan 1. This proposal is more broadly applied and is not as targeted at those lowest income pensioners.

Persons Testifying: (In support) Emily Murphy, Retired Public Employees Council; Michael Moran, Washington State School Retirees Association; Kenelm Russell; and Julie Salvi, Washington Education Association and Washington Education Association-Retired.

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

Persons Signed In To Testify But Not Testifying: None.