

HOUSE BILL REPORT

EHB 1390

As Amended by the Senate

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 Leavitt, Volz, Dolan, Fitzgibbon, Caldier, Wylie, Pellicciotti, MacEwen, Griffey, Callan, Kilduff, Appleton, Jinkins, Tharinger, Blake, Ramos, Eslick, Slatter, Valdez, Schmick, Shewmake, Doglio, Goodman, Pollet and Ortiz-Self; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 2/18/19, 4/3/19 [DP].

Floor Activity:

Passed House: 2/19/20, 98-0.

Senate Amended.

Passed Senate: 3/6/20, 49-0.

Brief Summary of Engrossed Bill

- Provides a one-time 3 percent increase to the retirement benefits of retirees in the Public Employees' Retirement System and the Teachers' Retirement System Plans 1, up to a maximum of \$62.50.
- Applies the one-time increase to eligible retirees on July 1, 2020.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Cody, Dolan, Dye, Fitzgibbon, Hoff, Hudgins, Jinkins, Kraft, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Stanford, Steele, Sullivan, Sutherland, Tarleton, Tharinger, Volz and Ybarra.

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.

Staff: David Pringle (786-7310).

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.

In 2018 the Legislature provided a one-time increase of 1.5 percent that was applied to the PERS Plan 1 and the TRS Plan 1 on July 1, 2018, up to a maximum increase of \$62.50 per month.

Summary of Engrossed Bill:

The PERS and TRS Plans 1 benefits for members retired by July 1, 2019, are increased by 3 percent on July 1, 2020, up to a maximum increase of \$62.50.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment removes the emergency clause, so that the bill takes effect 90 days after adjournment of the session in which the bill is passed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2020.

Staff Summary of Public Testimony:

(In support) Thank you for last year's increase to the PERS and TRS Plans 1. Maintenance is a big part of the budget, and this bill is about maintaining the public workforce. In deciding to work for the state, employees take a 30 percent pay cut. A major motivation to work for

the state is the good retirement benefits. Employees buy their pensions with reduced salaries and sometimes reduced Social Security. After 32 years of teaching, last year's increase amounted to only \$10 more per week. Retirees have lost purchasing power. Increases in pension benefits are spent in the community, paying for property taxes and prescription drugs. State retiree health benefit premiums have increased sharply. After 40 years of teaching, it is hard to be in one of the few state retirement plans without a regular cost-of-living adjustment (COLA). Some retirees still pay mortgages, and pensions are only covering half the monthly costs for food, housing, and medicine. Retirees shouldn't have to choose between medication and food. The value of elders to the community must be considered. Many are women, as teaching was one of the few professions open to women in years past—but the pay was poor. Male-dominated plans like police and fire plans get higher increases. This should be an ongoing COLA, not one-time.

(Opposed) This imposes substantial new costs on counties. These are dollars that will no longer be spent on public safety and other vital services. If the PERS Plan 1 was not a part of this, the cities would not be opposed. The cities spent \$58 million last year on contributions towards the unfunded liability in the PERS 1. This problem is impossible to solve now—it should have been solved during the Plan 1 era.

Persons Testifying: (In support) Carol Baque, Retired Public Employees Council of Washington; Mary Lindsey; Lee Gerig, Washington State School Retirees Association; Keitha Bryson; Barbara Church; and Patricia Wilson.

(Opposed) Mellani McAleenan, Washington State Association of Counties; and Logan Bahr, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.