

HOUSE BILL REPORT

SSB 5400

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, Hunt, Zeiger, Wilson, C., Van De Wege, Hasegawa, Holy, Kuderer, Pedersen and Saldaña; by request of Select Committee on Pension Policy).

Brief History:

Committee Activity:

Appropriations: 2/29/20, 3/2/20 [DP].

Brief Summary of Substitute 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 33 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, Chopp, Cody, Corry, Dolan, Dye, Fitzgibbon, Hansen, Hoff, Hudgins, Kilduff, Kraft, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Springer, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Ybarra.

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 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 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2020.

Staff Summary of Public Testimony:

(In support) The Washington Education Association thanks the Appropriations Committee for supporting this cost-of-living increase for members of PERS Plan 1 and TRS Plan 1 and for making it a priority in the budget passed by the House of Representatives. Please keep this bill moving. Of the members of these plans who are surviving, 60 percent are women in near-poverty, so please support this increase.

(Opposed) None.

Persons Testifying: Julie Salvi, Washington Education Association; and Alan Burke and Fred Yancey, Washington State School Retirees' Association.

Persons Signed In To Testify But Not Testifying: None.