

SENATE BILL REPORT

EHB 1390

As Reported by Senate Committee On:
Ways & Means, March 2, 2020

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

Committee Activity: Ways & Means: 2/28/20, 3/02/20 [DPA].

Brief Summary of Amended Bill

- Provides a one-time increase to the Public Employees' Retirement System and Teachers' Retirement System Plans 1 member monthly benefits of 3 percent up to a maximum of \$62.50.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Muzzall, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Staff: Amanda Cecil (786-7460)

Background: Prior to October 1, 1977, most public employees who were eligible for a pension benefit were enrolled in the Plan 1 of the Public Employees' Retirement System (PERS Plan 1) or the Teachers' Retirement System (TRS Plan 1). Exceptions include some

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local government employees, law enforcement officers, firefighters and judges, who were enrolled in different pension plans.

The basic retirement allowance for PERS Plan 1 and 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 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 basic retirement allowance does not assume an annual cost of living adjustment like some other state pension systems but since 1987 PERS Plan 1 and TRS Plan 1 retirees had the option to take a reduced initial benefit and receive an annual cost-of-living adjustment (COLA) based on the Consumer Price Index, up to 3 percent annually.

In addition to the optional COLA, 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 COLA (UCOLA). The UCOLA 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 UCOLA was about \$1.88 per year of service, meaning that a member with 25 years of service would receive an additional \$47 per month, and the UCOLA was increased by 3 percent per year. The UCOLA, and those increases ceased with the repeal of the UCOLA 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 bill as referred to committee not considered.

Summary of Amended Bill: The PERS and TRS Plans 1 benefits for members retired by July 1, 2019, are increased by 3 percent on July 1, 2019, up to a maximum increase of \$62.50 per month. The increase goes in to effect on July 1, 2020.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Bill as Amended by Committee: PRO: This is the same as SB 5400, which was passed out of this committee, and this bill should keep moving forward. Plan 1 retirees are losing purchasing power and this is a step forward to help them.

Persons Testifying: PRO: Julie Salvi, Washington Education Association; Alan Burke, Exec. Director, Washington School Retirees Association; Nancy Heley, Retired Public Employees Council, Vice President.

Persons Signed In To Testify But Not Testifying: No one.