

# SENATE BILL REPORT

## SB 5400

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As Reported by Senate Committee On:  
Ways & Means, February 10, 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:** 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:** Ways & Means: 2/06/20, 2/10/20 [DPS].

**Brief Summary of First Substitute 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.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5400 be substituted therefor, and the substitute bill do pass.

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 (First Substitute):** 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.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):** Moves the dates of the bill out by one year.

**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 Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: As you heard at the January 15 meeting many retirees are struggling and they asked you to move SB 5400. Thousands of plan 1 retirees will benefit from this COLA. It only applies to the first \$25,000 of a pension. Anyone with a benefit greater than that would only get an increase on the first \$25,000. This increase will help with medical costs like insulin and rent, not luxuries. This will help retirees keep up with cost increases much better than SB 6165.

CON: All the retirees deserve a COLA but the payment of this plan and the locals will have to make up the added cost which comes out of other local needs.

**Persons Testifying:** PRO: Fred Yancey, Washington State School Retirees' Association; Julie Salvi, Washington Education Association; Nancy Heley, Vice President, Retired Public Employees Council.

CON: Mike Hoover, Washington State Association of Counties.

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