

# SENATE BILL REPORT

## SB 6165

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As of January 16, 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 Rolfes, Conway, Dhingra, Hunt, Holy and Wilson, C.; by request of Office of Financial Management.

**Brief History:**

**Committee Activity:** Ways & Means: 1/15/20.

**Brief Summary of Bill**

- Provides a one-time, 1.5 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 \$22 per month.

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### SENATE COMMITTEE ON WAYS & MEANS

**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 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

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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 PERS and TRS Plans 1 benefits for members retired by July 1, 2019, are increased by 1.5 percent on July 1, 2020, up to a maximum increase of \$22.00 per month.

**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:** CON: Plan 1 retirees provided an important service but this adds to the cost for local governments. The employers are already paying for the unfunded portion of the plans and this would add to that. There is appreciation for the sentiment but this is too low. The committee should consider moving SB 5400. Without a COLA, retirees are experiencing a serious loss of buying power. The cost of everything continues to go up. LEOFF retirees get a COLA. This is a matter of parity, equity, and justice.

OTHER: Primary members are elderly women with a low pension. There is a need for an increase but this is concerning. Retirees are unable to keep up with inflation and health care. The \$22 dollar a month cap makes this a 1 percent or less increase. The committee should support the proposal that came from the Select Committee on Pension Policy of 3 percent on the first \$25,000.

**Persons Testifying:** CON: Mike Hoover, Washington State Association of Counties; Julie Salvi, Washington Education Association; Gery Gerst, retired educator; Phyllis Farrell, retired educator; Candice Bock, Association of Washington Cities.

OTHER: Emily Murphy, Retired Public Employees Council; Nancy Heley, Vice President, Retired Public Employees Council; Peter Diedrick, Legislative Director, Washington State School Retirees' Association; Pat Kennedy, citizen; Barbara Church, citizen.

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