

SENATE BILL REPORT

SB 5676

As Reported by Senate Committee On:
Ways & Means, January 20, 2022

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, Billig, Gildon, Holy, Hunt, Keiser, Kuderer, Lovelett, Lovick, Mullet, Muzzall, Pedersen, Randall, Rivers, Robinson, Saldaña, Stanford, Van De Wege, Wagoner, Warnick, Wellman, Wilson, C. and Wilson, L.; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/17/22, 1/20/22 [DP].

Brief Summary of 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 Plan 1, up to \$110 per month.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital; Billig, Braun, Carlyle, Conway, Dhingra, Gildon, Hasegawa, Hunt, Keiser, Mullet, Muzzall, Pedersen, Rivers, Van De Wege, Wagoner, Warnick and Wellman.

Staff: Amanda Cecil (786-7460)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background: Prior to October 1, 1977, most public employees who were eligible for a pension benefit were enrolled in 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 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 for members not on a minimum benefit.

There are two minimum benefits, which are increased annually;

- the basic minimum benefit is a fixed dollar amount per month multiplied by the member's total years of service that increases annually by the UCOLA. As of July 1, 2021, the basic minimum benefit is \$67.49 per year of service. About 11,800 plan 1 retirees receive the basic minimum benefit; and
- the alternate minimum benefit provides a fixed monthly benefit for members who have at least 25 years of service credit and have been retired for at least 20 years, or at least 20 years of service credit and have been retired for at least 25 years. The alternate minimum benefit is increased annually by 3 percent. As of July 1, 2021, the alternate minimum benefit is \$2,076.34 per month. About 5000 plan 1 retirees receive an alternate minimum benefit.

There have been two plan 1 benefit increases since the repeal of the UCOLA for members not on a minimum benefit:

- in 2018, the Legislature provided a one-time increase of 1.5 percent, up to a maximum increase of \$62.50 per month; and
- in 2020, the Legislature provided a one-time increase of 3 percent, up to a maximum increase of \$62.50 per month.

Summary of Bill: A one-time, 3 percent benefit increase is provided to PERS plan 1 and TRS plan 1 retirees up to a maximum of \$110 per month. The benefit increase goes in to effect on July 1, 2022. To be eligible for the increase the member must be retired on or before July 1, 2021. This increase only applies for members that are not receiving a minimum benefit.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2022.

Staff Summary of Public Testimony: PRO: This subject got more interest at SCPP than any other bill. This is very important to Washington's retired public employees and teachers. There have only been two small increases in the last decade while purchasing power has decreased 43 percent. This increase should match the Social Security benefit increase of 5.9 percent to reflect inflation. This will provide some much needed relief for retirees that are forced to choose between medication and food but the Legislature should look at reinstating the permanent annual increase.

OTHER: Cities and counties support a plan 1 COLA but have concerns about how to cover the cost for local government employers. The unfunded actuarially accrued liability (UAAL) is expected to be paid off in 2025. This will provide some much needed fiscal relief to local governments. A plan 1 COLA that adds to the UAAL will delay that. Please provide state funding for that portion of the cost.

Persons Testifying: PRO: Senator Steve Conway, Prime Sponsor; Jim Davison, WSSRA; Bill Ziegler, RPEC Plan 1 member; Barbara Church, WSSRA.

OTHER: Mike Hoover, Washington State Association of Counties; Candice Bock, Association of Washington Cities.

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