

# HOUSE BILL REPORT

## SHB 1985

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### As Passed Legislature

**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:** House Committee on Appropriations (originally sponsored by Representatives Timmons, Leavitt, Fitzgibbon, Ryu, Ramos, Ramel, Bateman, Ormsby, Jacobsen, Callan, Rule, Kloba, Street, Doglio, Fosse, Paul, Bergquist, Goodman, Ortiz-Self, Lekanoff, Reeves, Nance, Riccelli, Hackney, Pollet and Shavers; by request of Select Committee on Pension Policy).

### Brief History:

#### Committee Activity:

Appropriations: 1/15/24, 1/25/24 [DPS].

#### Floor Activity:

Passed House: 2/6/24, 97-0.

Passed Senate: 2/28/24, 49-0.

Passed Legislature.

### 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 Plan 1, up to \$110 per month.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Chambers, Assistant Ranking Minority Member; Connors,

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Assistant Ranking Minority Member; Couture, Assistant Ranking Minority Member; Berg, Callan, Chandler, Chopp, Dye, Fitzgibbon, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Schmick, Senn, Simmons, Slatter, Springer, Stonier, Tharinger and Wilcox.

**Staff:** David Pringle (786-7310).

**Background:**

Public employees who were eligible for a pension benefit before October 1, 1977, 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 5 years of service at age 60. The basic retirement allowance does not assume an annual cost-of-living adjustment (COLA) like some other state pension systems. Since 1987 PERS Plan 1 and TRS Plan 1 retirees had the option to take a reduced initial benefit and receive an annual 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, 2022, the basic minimum benefit is \$70.18 per year of service. About 12,000 of the 74,000 retirees in PERS Plan 1 and TRS Plan 1 qualify for the minimum benefit.

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 \$2,138.63 per month. About 5,600 PERS Plan 1 and TRS Plan 1 retirees qualify

for the alternative minimum benefit.

There have been four 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 of \$62.50 per month.
- In 2020 the Legislature provided a one-time increase of 3 percent—up to a maximum of \$62.50 per month.
- In 2021 the Legislature provided a one-time increase of 3 percent—up to a maximum of \$110.00 per month.
- In 2023 the Legislature provided a one-time increase of 3 percent—up to a maximum of \$110.00 per month.

**Summary of Substitute 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 into effect on July 1, 2024. To be eligible for the increase the member must be retired on or before July 1, 2023. This increase only applies for members that are not receiving a minimum benefit.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) As a retiree from 2007, a good portion of retirement benefits are devoted to medical costs. Some retirees are too ashamed to even ask for an increase to benefits, so please consider passing this bill. A permanent ongoing cost-of-living adjustment is what is really needed, but in the meantime, please support this bill. Inflation has been high in recent years, and Plan 1 members have faced a 40 percent loss in purchasing power since 2010. An individual that retired from King County Metro after a 35-year career has been working for the last 25 years as an usher so that they can pay their bills. The Plans 1 are the only retirement plans offered by the state that don't have a permanent annual cost-of-living adjustment. The higher \$125 cap is appreciated. Many retirees in Plan 1 have never received a true 3 percent increase to their benefits. A 2003 retiree has lost 50 percent of the value of their retirement benefit. TRS Plan 1 retirees are largely women, and have no regular cost-of-living adjustment, while Law Enforcement Officers' and Firefighters' Retirement Plan 1 retirees are mostly men, and they have a full Consumer Price Index annual increase, as well as medical benefits. The gender difference is discriminatory.

(Opposed) None.

**Persons Testifying:** Clair Olivers, Nancy Heley, and Claude Burfect, Retired Public Employees Council of Washington; Jared Mason-Gere, Washington Education Association; Neva Luke and Lee Ann Prielipp, Washington Education Association—Retired; Gloria Smith; and Jerry Cummins and Barbara Church, Washington State School Retirees' Association.

**Persons Signed In To Testify But Not Testifying:** None.