

SENATE BILL REPORT

ESHB 1057

As Reported by Senate Committee On:
Ways & Means, March 13, 2023

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 Stokesbary, Fitzgibbon, Leavitt, Simmons, Rude, Bateman, Pollet, Street, Goodman, Robertson, Macri, Donaghy, Bronoske, Paul, Bergquist, Wylie, Kloba and Ormsby; by request of Select Committee on Pension Policy).

Brief History: Passed House: 3/1/23, 96-0.

Committee Activity: Ways & Means: 3/13/23 [DPA].

Brief Summary of Amended 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.
- Directs the Select Committee on Pension Policy to study and recommend an ongoing cost-of-living adjustment during the 2023-2025 fiscal biennium.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Rivers, Assistant

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.

Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Nguyen, Pedersen, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Staff: Amanda Cecil (786-7460)

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, 2022, the basic minimum benefit is \$70.18 per year of service.

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.

There have been three 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; and
- in 2021, the Legislature provided a one-time increase of 3 percent—up to a maximum of \$110.00 per month.

Summary of Amended 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, 2023. To be eligible for the increase the member must be retired on or before July 1, 2022. This increase only applies for members that are not receiving a minimum benefit.

The Select Committee on Pension Policy is directed to study and recommend an ongoing COLA for plan 1 retirees. The recommendation must consider employer contribution rate stability and coordinate the effective date with the reduction or elimination of the unfunded actuarial accrued liability.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Removes provisions delaying the imposition of the contribution rate increases attributable until July 1, 2027, and directing that the supplemental contribution rate not be charged for the benefits created in this bill.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2023.

Staff Summary of Public Testimony on Engrossed Substitute House Bill: No public hearing was held.

Persons Testifying: N/A

Persons Signed In To Testify But Not Testifying: N/A