

# SENATE BILL REPORT

## SB 6215

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As of January 22, 1996

**Title:** An act relating to the provision of a one-time adjustment of one and three hundred sixty-six thousands cents to the retirement allowance annual increase.

**Brief Description:** Increasing the retirement allowance annual increase.

**Sponsors:** Senators Bauer, Long, Fraser and Winsley; by request of Joint Committee on Pension Policy.

**Brief History:**

**Committee Activity:** Ways & Means: 1/11/96.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Denise Graham (786-7715)

**Background:** In the 1993 Omnibus Appropriations Act, \$25 million was transferred from the general fund-state into the budget stabilization account with the stipulation that the \$25 million was to be appropriated for the continuing costs of any state retirement system benefits in effect on July 1, 1993. Initiative 601 abolishes the budget stabilization account as of July 1, 1995. Legislation passed in 1994 transfers \$25 million from the budget stabilization account to the newly created pension funding account as of July 1, 1995. The 1994 legislation specifies that the monies in the pension funding account may be used only for the continuing costs of any state retirement system benefits in effect on July 1, 1993, consistent with the language in the 1993 appropriations act. Interest from the pension funding account accrues to the general fund-state.

Legislation passed in 1995 established flat-rate cost-of-living adjustments for members of the Teachers' Retirement System Plan I (TRS I) and the Public Employees' Retirement System Plan I (PERS I). The flat rate adjustment for 1995 was set at \$.59 per month per year of service. This amount is to increase 3 percent annually. The 1996 increase will be \$.61 per month per year of service.

**Summary of Bill:** The State Treasurer transfers from the pension funding account \$14,100,000 to the Public Employees' Retirement System Plan I account and \$10,900,000 to the Teachers' Retirement System Plan I account.

A one-time adjustment of \$.01366 is made to the 1996 annual increase. The resulting 1996 annual increase of \$.62 per month per year of service is increased by 3 percent annually.

The monies transferred from the pension funding account to the TRS Plan I and PERS Plan I accounts pay the full actuarial value of the change in the annual increase. As a result, no state funds or local funds are needed in the future to pay for the \$.01366 added to the annual increase.

The pension funding account and provisions relating to the account are abolished.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The enhancement to the Plan I COLA is appreciated.

**Testimony Against:** The pension funding account should be kept and should be enhanced with its own interest earnings. The enhancement to the COLA is insignificant to the individual retiree. The money in the pension funding account came from LEOFF, and shouldn't be used to enhance the benefits for PERS or TRS.

**Testified:** Bob Maier, Washington Education Association (pro); Wayne Mann, Washington State Retired Teachers Association (pro); Guz Schwartz, Retired Public Employees' Council (con); Mike Patrick, Washington State Council of Police Officers (con); Jimmy Cason, Washington State Council of Fire Fighters (con).