

SENATE BILL REPORT

SSB 6340

As Amended by House, March 7, 2018

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: Senate Committee on Ways & Means (originally sponsored by Senators Conway, Bailey, Hobbs, Walsh, Hasegawa, Hunt, Mullet, Keiser, Palumbo and Saldaña; by request of Select Committee on Pension Policy).

Brief History:

Committee Activity: Ways & Means: 1/23/18, 2/06/18 [DPS, w/oRec].

Floor Activity:

Passed Senate: 2/14/18, 48-0.

Passed House: 3/07/18, 97-0.

Brief Summary of First Substitute Bill

- Provides a one-time increase to the Public Employees' Retirement System and Teachers' Retirement System Plans 1 member monthly benefits of 2 percent up to a maximum of \$62.50.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6340 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Honeyford, Assistant Ranking Member; Bailey, Becker, Billig, Brown, Conway, Darneille, Fain, Hasegawa, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Braun, Ranking Member.

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 a part of the legislation nor does it constitute a statement of legislative intent.

Background: The basic retirement allowance of a member of Plan 1 of the Public Employees' Retirement System (PERS Plan 1) or the Teachers' Retirement System (TRS Plan 1) is equal to 2 percent of the member's average final compensation, calculated on the members' highest consecutive two years of compensation, for each year of service. Retirement benefits in the Plan 1s 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 original Plan 1 design did not contain a benefit feature annually adjusting retirees benefits, though several ad-hoc retiree benefit adjustments were created by the Legislature prior to 1995.

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 Cost of Living Adjustment (COLA), or Uniform COLA. The Uniform COLA 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 Uniform COLA was about \$1.88 per year, meaning that a member with 25 years of service would receive an additional \$47 per month each year, and the Uniform COLA itself would have increased by 3 percent per year on July 1. Members did not have a contractual right to future increases to the Uniform COLA, and those increases ceased with the repeal of the Uniform COLA in 2011.

Summary of First Substitute Bill: A one-time increase is provided to retirees of the Public Employees' Retirement System Plan 1 and Teachers' Retirement System Plan 1 member monthly benefits of 2 percent up to a maximum of \$62.50 on July 1, 2018.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2018.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Plan 1 retirees have experienced decreased purchasing power and increased costs of medical benefits. Many have been retired since the 1980s. Some retirees have given up volunteer activities because they cannot afford it any longer. Not providing a cost of living increase is an income tax. This would provide some equity for plan 1 retirees because the plan 2 and 3 retirees already get a COLA. TRS plan 1 retirees are mostly women. Retirement plans for police and fire fighters, which are mostly men, get a COLA. What kind of employer stiffes its oldest employees because it can? School employees were told, you will not live a life of opulence but you will be taken care of. It is a moral obligation to provide this benefit. Retiree benefits are chunked through the economy four-times over. People that retired during the UCOLA were not told that this could be taken away and they counted on these.

CON: It is hard to testify against a bill that is supported by so many great people. Some counties still have not recovered tax collections to 2008 levels. All costs are increasing and increasing costs without a revenue source will result in a reductions to public health, public

safety, and indigent defense. The PERS unfunded liability is a large local burden and there is already a minimum benefit increase to help the folks that are the worst off.

Persons Testifying: PRO: Curt Horne, Washington State School Retirees' Association; Edith Ruby, Washington State School Retirees' Association; Ester Wilfong, Washington State School Retirees' Association; Julie Salvi, Washington Education Association; Clair Olivers, retired public employee; Judy Devoe, retired public employee; Bill Ziegler, retired public employee; Carol Baque, retired public employee; Denny Johnston, retired public employee; Lee Ann Prielipp, Washington Education Association, retired; Lawrence Jacobson, citizen; Clair Olivers, RPEC.

CON: Josh Weiss, Washington State Association of Counties; Logan Bahr, Association of Washington Cities.

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

EFFECT OF HOUSE AMENDMENT(S):

- Reduces the one-time increase in monthly benefits of beneficiaries of the Public Employees' Retirement System and the Teachers' Retirement System Plans 1 from 2 percent, up to a maximum of \$62.50, to 1.5 percent, up to a maximum of \$62.50.