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## Appropriations Committee

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### HB 1484

**Brief Description:** Providing an enhanced retirement benefit for public employees' and teachers' retirement system plans 1.

**Sponsors:** Representatives Dolan, Johnson, Stonier, McCaslin, Bergquist, McBride, Pollet, Doglio, Slatter, Gregerson, Jinkins, Ryu, Santos, Cody, Peterson, Sells, Chapman, Senn, Macri, Sawyer, Orwall, Appleton, Haler, Tarleton, Muri, Condotta, Frame, Riccelli, Lovick, Ormsby, Stanford and Kagi.

#### Brief Summary of Bill

- Provides a one-time two dollar per year of service increase to the monthly allowance paid to beneficiaries of the Public Employees' Retirement System and the Teachers' Retirement System Plans 1.
- Limits eligible beneficiaries to those receiving a benefit prior to January 1, 2017, and applies the increase July 1, 2017.

**Hearing Date:** 1/26/17

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

#### 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 Plans 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 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.

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*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.*

Between 1995 and 2011 PERS 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 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.

There are two minimum benefits in place for members of PERS Plan 1 and TRS Plan 1. The basic minimum benefit is a fixed dollar amount per month multiplied by the member's total years of service. The basic minimum benefit is currently \$55.18 and increases on July 1 every year. A member with 10 years of service is therefore eligible for a minimum benefit of \$551.80 per month. Most retirees eligible for this minimum typically retired with less service or lower compensation than average retirees. About 11,000 PERS and TRS Plan 1 retirees receive a benefit based on this minimum benefit formula.

The other minimum benefit, often referred to as the "Adjusted Minimum Benefit," provides a benefit of \$1,791.80 per month and was established in 2004 for members of PERS Plan 1 and TRS Plan 1 who have either 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 Adjusted Minimum Benefit is also subject to reductions if the member selects the enhanced cost-of-living adjustment or survivor benefit options, and the benefit amount is increased annually by 3 percent per year.

**Summary of Bill:**

The monthly retirement allowance paid to beneficiaries of PERS and TRS Plan 1 is increased by two dollars per year of service if the member was receiving a benefit prior to January 1, 2017. The increase will occur July 1, 2017, and will be adjusted in a manner consistent with adjustments made at the time benefit payments commenced, such as for payment of a joint-and-survivor allowance.

**Appropriation:** None.

**Fiscal Note:** Requested on January 23, 2017.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.