

HOUSE BILL REPORT

HB 1721

As Reported by House Committee On:
Appropriations

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: Representatives Stokesbary, Ormsby, Leavitt, Sells, Johnson, J., Fitzgibbon, Robertson, Walen, Dolan, Valdez, Bateman, Callan, Goodman, Macri, Paul, Simmons, Wylie, Sullivan, Bergquist, Pollet, Young, Kloba and Frame; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 1/17/22, 1/20/22 [DP].

Brief Summary of Bill

- Increases the monthly benefit of Public Employees' Retirement System and Teachers' Retirement System Plan 1 retirees receiving a benefit on July 1, 2021, by three percent, up to a maximum increase of \$110.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 32 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Hoff, Jacobsen, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

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.

Staff: David Pringle (360) 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 member's highest consecutive two years of compensation, for each year of service. Retirement benefits in the 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 original Plan 1 design in both systems 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.

In 2018 the Legislature provided a one-time increase of 1.5 percent that was applied to the PERS Plan 1 and the TRS Plan 1 on July 1, 2018, up to a maximum increase of \$62.50 per month. In 2020 the Legislature again provided a one-time increase of 3 percent that was applied to the PERS Plan 1 and the TRS Plan 1, up to a maximum increase of \$62.50 per month.

Summary of Bill:

The PERS and TRS Plans 1 benefits for members retired by July 1, 2021, are increased by 3 percent on July 1, 2022, up to a maximum increase of \$110.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2022.

Staff Summary of Public Testimony:

(In support) The topic of providing a COLA to PERS 1 and TRS 1 retirees has been around every year recently. This is the COLA bill that was recommended by the Select Committee on Pension Policy (SCPP). Inflation is now the highest in recent years, and this is a good session with sufficient resources to be providing a COLA to retirees. A 2003 retiree has received only a 4.5 percent increase to their benefit since retirement. Many Plan 1 retirees have lost a lot of purchasing power and are struggling on stagnant pensions. This is a diminishing group of employees and retirees, and the Great Recession-era elimination of the Uniform COLA is a difficult burden for retirees. A long-term solution should be explored. This is a modest COLA but will provide some financial relief. Some retirees have been retired for 18 years but have been without a regular COLA for 11 of them. These COLAs should be passed, as the reason for the remaining unfunded liability is the lack of employer contributions in the past.

(Opposed) This is a bad time for a cost increase that taxpayers will have to bear. Has a tax cut or \$30 car tabs been explored by the committee instead?

(Other) The COLA is a good idea, but local government employers remain concerned about the unfunded liability in these retirement plans, and possibly pushing the date for the unfunded liability repayment date further into the future. The state should pay the entire cost of this benefit if it moves forward.

Persons Testifying: (In support) Representative Drew Stokesbary, prime sponsor; Bruce Boyer and Mary Wallon, Washington State School Retirees' Association; Steve Segall, Thurston-Lewis-Mason Central Labor Council; Clair Olivers and Kristine Kraig, Retired Public Employees Council of Washington Plan 1; Mary Lindsey, Gloria Smith and Lee Ann Prielipp, Washington Education Association-Retired.

(Opposed) Laurie Layne.

(Other) Mike Hoover, Washington State Association of Counties; and Candice Bock, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.