
Appropriations Committee

HB 1474

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 Gregerson, Callan and Scott; by request of Office of Financial Management.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• 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.

Hearing Date: 2/6/25

Staff: David Pringle (786-7310).

Background:

Public employees who were eligible for a pension benefit before October 1, 1977, 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 (COLA) like some other state pension systems. Since 1987

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PERS Plan 1 and TRS Plan 1 retirees had the option to take a reduced initial benefit and receive an annual 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, 2024, the basic minimum benefit is \$75.80 per year of service. About 12,000 of the 74,000 retirees in PERS Plan 1 and TRS Plan 1 qualify for the minimum benefit.

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, 2024, the alternate minimum benefit is \$2,268.87 per month. About 5,600 PERS Plan 1 and TRS Plan 1 retirees qualify for the alternative minimum benefit.

There have been four 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.
- In 2021 the Legislature provided a one-time increase of 3 percent—up to a maximum of \$110.00 per month.
- In 2023 the Legislature provided a one-time increase of 3 percent—up to a maximum of \$110.00 per month.
- In 2024 the Legislature provided a one-time increase of 3 percent—up to a maximum of \$110.00 per month.

Summary of 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, 2025. To be eligible for the increase, the member must be retired on or before July 1, 2024. This increase only applies for members that are not receiving a minimum benefit.

Appropriation: None.

Fiscal Note: Requested on February 3, 2025.

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