

HOUSE BILL REPORT

HB 1083

As Reported By House Committee On:

Appropriations

Title: An act relating to cost-of-living allowances for retirement purposes.

Brief Description: Modifying the cost of living allowance for retirement purposes.

Sponsors: Representatives Carlson, Sommers, Sehlin, Cooke, Dellwo, Regala, Campbell, Conway, Kessler, Valle, Romero, Wolfe, Costa, Cody, Veloria, Mastin, Sheldon, Thibaudeau, Kremen, Dickerson, Poulsen, Mason, Scott, Quall, Basich, Morris, Chopp, Patterson, Appelwick and Tokuda.

Brief History:

Committee Activity:

Appropriations: 1/25/95, 3/2/95 [DPS].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Silver, Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; G. Fisher; Foreman; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Staff: Dan Chang (786-7191).

Background: The Public Employees' and Teachers' Plan I retirement systems (PERS I and TRS I) currently have three cost-of-living allowances (COLAs) in place. No retiree is eligible to receive more than one COLA at any one time and eligibility for each COLA is based on different policy objectives and criteria. The following are the three current COLAs:

The Plan I COLA provides an annual 3 percent increase to retirees who have lost more than 40 percent of their age 65 purchasing power. This loss is measured by changes in the Seattle Consumer Price index.

The Minimum Benefit COLA is targeted to retirees who receive a relatively small benefit per year of service. Currently, this benefit is \$17.70 per month per year of service. It increases by 3 percent annually.

The 1993 Ad Hoc COLA (Age-70 COLA) is a \$3 per month, per year of service increase for retirees who are: 1) not receiving either the Plan I COLA or the minimum benefit; 2) at least age 70 on July 1, 1993; and 3) have been retired at least five years.

The Plan I COLA and the Minimum Benefit COLAs are permanent, offering an automatic increase. The 1993 Ad Hoc COLA is temporary and is scheduled to discontinue on June 30, 1995.

Summary of Substitute Bill: This bill repeals all TRS I and PERS I COLAs and creates a new automatic annual COLA. Three things would occur. First, all retirees and survivors age 66 and over and those under age 66 currently receiving the minimum benefits will receive an additional \$0.59 per month per year of service which will increase by 3 percent annually.

Second, a one-time base adjustment will be paid in addition to the annual increase.

- (1) The age 70 COLA benefit is made permanent.
- (2) Those age 70 or older who are not on the Age 70 COLA and those age 79 or older who are on the Minimum COLA would receive a one-time increase as follows:

| | | |
|---------|----|------------------------------------|
| Age 70 | \$ | 0.39 per month per year of service |
| Age 71 | \$ | 0.79 per month per year of service |
| Age 72+ | \$ | 1.18 per month per year of service |
- (3) Those on the Plan I COLA would receive \$1.18 per month per year of service.

Third, the calculation of the minimum would be simplified to be calculated on the entire benefit instead of the pension portion only. Beginning in 1995, the minimum would be \$24 per month per year of service.

Substitute Bill Compared to Original Bill: The substitute bill contains technical clarifications. The substitute bill also clarifies that certain members' benefits will not be decreased.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The uniform COLA being considered by the Legislature is a much better model. The best feature is that every Plan I retiree after the age of 65 will receive some adjustment to their pension. Rather than waiting to age 79 or 80 to see any change in the original pension check, retirees will receive a modest increase sooner and over a longer time span. The \$/month/years of service is better than a cost of living index capped at 3 percent. The current COLAs are confusing and limited to the very senior Plan I retirees. It is time to simplify the existing COLA structure.

Testimony Against: Though the new COLA will simplify the current system and provide a COLA at an earlier age, the base amount of \$0.59 should be larger.

Testified: (All pro) Gus Schwartz, Retired Public Employees Council; Eugene St. John, Washington Public Employees Association; Devone Smith, Washington Federal of State Employees; Lee Ozmund, Washington State Retired Teachers Association; Karen Davis, Washington Employees Association; John Kvamme, Washington Association of School Administrators; Page Carter and Ken Elfbrandt, citizens; Margery Sayre, citizen; Pat Thompson, Washington State Council of County and City Employees; Sheryl Wilson, Department of Retirement Systems; Bill Vogler, Washington State Association of Counties; and Lynn McKinnon, Public School Employees of Washington.