

Plans 1 COLA (HB 1390/SB 5400)

Issue

Should a one-time 3 percent benefit increase capped at \$62.50/month be provided to Plans 1 members not receiving a minimum benefit?

Background

The Select Committee on Pension Policy (SCPP) considered a post-retirement Cost-Of-Living Adjustment (COLA) provided in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) Plans 1.

- ❖ Last interim, the SCPP recommended a 3 percent benefit increase to members of PERS and TRS 1, capped at \$62.50/month. The proposal was introduced into the 2019 Legislature as [House Bill \(HB\) 1390/Senate Bill \(SB\) 5400](#), but it was not enacted.

Highlights

- ❖ Inflation reduces the purchasing power of Plans 1 benefits.
 - ◇ This proposal does not provide ongoing purchasing power protection into the future.
- ❖ A repeated pattern of ad-hoc COLAs may create the expectation that they will continue to be enacted every year into the future.
- ❖ In this proposal, those with lower annual benefits receive a full 3 percent increase, while those with higher annual benefits receive less than 3 percent.
 - ◇ The capped COLA ensures that members with \$25,000 or less in annual benefits receive a full 3 percent.
 - ◇ This also reduces costs for the provision overall.
- ❖ The Plans 1 have an existing unfunded accrued actuarial liability that is being paid by plan employers.
 - ◇ Plans 1 benefit improvements are paid by increasing rates for PERS, TRS, the School Employees' Retirement System, and the Public Safety Employees' Retirement System employers.

This proposal would provide a benefit increase to approximately 72 percent (34,000 of 47,000) of PERS 1 members and 91 percent (30,000 of 33,000) of TRS 1 members.

Committee Activity

The Committee held a public hearing and voted to endorse these companion bills at the November meeting.

Recommendation to the 2020 Legislature

Enact HB 1390/SB 5400 for the 2020 Legislative Session.

O:\SCPP\2019\Recommendations\Plans.1.COLA.HB.1390.SB.5400-Final.Exec.Summ.docx