

# PERS and TRS Plans 1 Ad Hoc COLA

## Issue

Should the Select Committee on Pension Policy (SCPP) endorse a one-time permanent pension benefit increase for retirees in the Public Employees' Retirement System and the Teachers' Retirement System Plans 1 (collectively known as the "Plans 1") effective July 1, 2026?

## Background

The Plans 1 did not include a post-retirement Cost-Of-Living Adjustment (COLA) when the plans were first created. Currently, around one-quarter of retirees in the Plans 1 receive an automatic COLA on their pension benefit. Recent upticks in inflation have led to increased calls for legislation providing an automatic COLA to all retirees in these plans. Recent changes require benefit improvements to be financed over a fixed 15-year amortization period.

Following a study of COLA options for the Plans 1, the SCPP recommended an ongoing COLA to the 2025 Legislature, [House Bill \(HB\) 1292/Senate Bill 5113](#).

## Highlights

- ❖ Retiree COLAs serve a variety of policy goals: protecting the value of benefits against effects of inflation, supporting adequacy of benefits, and rewarding service.
- ❖ Consumer Price Index-based COLAs like Plans 2/3 (3% annual max and COLA banking) help retirees maintain purchasing power and recover lost purchasing power.
- ❖ The Plans 1 only provide an automatic COLA to retirees who qualify for Minimum Benefits, leaving nearly 75% of retired members without a COLA. Many members are expected to become eligible for Minimum Benefit increases in the future.
- ❖ Employer contribution rates for Unfunded Actuarial Accrued Liability (UAAL) payments decreased with the passage of [Engrossed Substitute Senate Bill \(ESSB\) 5294](#) in 2023. Additionally, [ESSB 5357](#) set the UAAL rates at zero through 2029. Any benefit improvements enacted after July 1, 2025, will be amortized over a 15-year period.
- ❖ Some policymakers may see the reduction in UAAL payments as an opportunity to implement an automatic COLA in Plans 1, while other policymakers concerned with the costs, funding, or different priorities for new spending may prefer to stick with an ad hoc COLA approach.
- ❖ In 2024 the SCPP was briefed on cost management strategies, such as a monthly increase cap, and alternatives to current law benefit improvement funding policy, such as the timeframe to pay for the benefit improvement.

### **Committee Activity**

The SCPP received numerous briefings over the last decade including the in-depth ongoing COLA study during the last biennium. The SCPP held public hearings in September and November 2025 and voted to endorse an ad hoc COLA policy for Plans 1.

### **Recommendation to the 2025 Legislature**

In November the SCPP voted to endorse a Plans 1 ad hoc COLA, consistent with the COLA policy within [HB 1474](#) or a similar bill if introduced in the Senate.

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