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From: nancy field <nefield@seanet.com>
Sent: Thursday, October 04, 2012 2:14 PM
To: Office State Actuary, WA
Subject: PERS1 COLA Dilemma and Proposed Solution

Importance: High

Nancy Field & Michael Sivia
5766 64th Avenue NE
Seattle WA 98105

October 1, 2012

Senator Steve Conway, Chair
Representative Barbara Bailey, Vice Chair
Select Committee on Pension Policy

Dear Senator Conway and Representative Bailey,

I am writing on behalf of my husband and other PERS1 members who have not yet retired. We find ourselves in a "catch-22" with regard to a COLA election that is required at the time of retirement. Since time is of the essence, I would like your help to draft a proposed solution during October and to forward it to those in the Washington legislature who can solve the problem during the upcoming session.

My husband, Mike Sivia, is a 24-year member of PERS1. He turns 66 this November and is still employed full time. He is considering retiring in the next 10- 20 months and we are doing the calculations required to build our retirement financial plan.

In our decision-making about Social Security benefits, we realized we needed to understand the PERS1 COLA choices available to us and calculate the cost/benefit ratio for any we must purchase ourselves. We only recently realized that some of our PERS1 retirement benefits had been retracted by the legislature and that the matter is before the courts. Our problem stems from the fact the matter may not be resolved before Mike makes his decision to retire.

As you may be aware, PERS1 used to have two "COLA's." The Uniform COLA was an integral part of the PERS1 retirement benefits and required no extra payment by the retiree. The Optional COLA was offered to PERS1 participants at the time of retirement. If the participant elected the Optional COLA and agreed to purchase it via permanently lowered benefits for life, then the retiree/beneficiary would essentially have two COLA's, one on top of the other.

While the legislature's withdrawal of the Uniform COLA from PERS1 benefits is argued in court, PERS1 participants who retire between now and the resolution of the case will not know whether their Uniform COLA will be re-instated by the courts or not. But, the law currently requires the PERS1 participant to make the decision whether or not to elect and agree to pay for the Optional COLA at the time of retirement. It is an irrevocable lifetime decision.

Though we are still running the numbers, we are inclined to want a COLA. At least one of us may live well into our 90's and it will be an important source of income we want to count on being there. But, when we make our decision about purchasing the Optional COLA, we cannot know if we have lost the Uniform COLA or if it will be re-instated.

We would like to have one COLA but probably do not need two. And, ideally the one COLA would be the Uniform COLA for which we need not pay extra money. If we elect the Optional COLA and later the Uniform COLA is re-instated, our investment in having that other COLA may not have been a very good one.

We would like the law to be amended to allow for reversal of Optional COLA decisions by PERS1 retirees at the time that the Optional COLA is confirmed in the courts as either withdrawn from our PERS1 benefits or is re-instated.

Will you please ask your staff to draft language that addresses this issue in as narrow a form as possible to help those of us affected by it? It is our understanding that such a change will have no impact on the state or pension budget but only on those of our households. Such a change would be helpful to many and popular with all who understand it.

Thanks very much for your consideration,

Nancy Field

Michael Sivia, PERS1 participant