

WSPRS: CPI Change

Issue

Should the Consumer Price Index (CPI) be updated for the Washington State Patrol Retirement System (WSPRS) to reflect recent changes made by the Bureau of Labor Statistics (BLS)?

Background

Geographic CPIs are used to determine annual Cost-of-Living Adjustments (COLAs) for the state's retirement systems. Effective in January 2018, the BLS changed the Seattle-Tacoma-Bremerton CPI to Seattle-Tacoma-Bellevue. This particular index, the CPI-W¹, is used by the Department of Retirement Systems (DRS) to determine COLAs for the following retirement systems:

- ❖ Public Employees' Retirement System (PERS).
- ❖ Teachers' Retirement System (TRS).
- ❖ School Employees' Retirement System (SERS).
- ❖ Public Safety Employees' Retirement system (PSERS).
- ❖ Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).
- ❖ WSPRS.

Highlights

All state retirement systems that use the regional CPI-W were impacted by the CPI revision. However, WSPRS is the only retirement system that resulted in an inconsistency between benefit administration and statute. The WSPRS statute narrowly defines the index using the three-city designation. The other state retirement systems use broader language to describe the index in statute:

- ❖ **WSPRS:** “[I]ndex” means, for any calendar year, that year’s average consumer price index for the **Seattle-Tacoma-Bremerton Washington area** for urban wage earners and clerical workers...
- ❖ **PERS, TRS, SERS, PSERS, and LEOFF:** “Index” means, for any calendar year, that year’s annual average consumer price index, **Seattle, Washington area**, for urban wage earners and clerical workers...

DRS used the new Seattle-Tacoma-Bellevue CPI to calculate 2019 COLAs for eligible retirees. This means the 2019 COLAs are based on the percent change in the index from the 2017 Seattle-Tacoma-Bremerton CPI to the 2018 Seattle-Tacoma-Bellevue CPI.

¹Urban wage-earners and clerical workers.

Changing the statutory definition of the WSPRS CPI from the “Seattle-Tacoma-Bremerton, Washington area” to the “Seattle, Washington area” will result in transparency in benefit administration, consistency between plans, and the potential to adapt to future CPI revisions by the BLS. There is no fiscal impact to the retirement systems as a result of this change.

Committee Activity

The Committee held a work session at the July meeting, and a public hearing at the October meeting. At the October meeting, the Committee voted to endorse the bill draft.

Recommendation to the 2020 Legislature

Update the statutory definition of the CPI used to calculate WSPRS benefits, consistent with plans that use the same Index.

O:\SCPP\2019\Recommendations\WSPRS.CPI.Change-Final.Exec.Summ.docx