
From: Gloria Smith <mamaglo123@hotmail.com>
Sent: Monday, October 17, 2022 12:37 PM
To: Office State Actuary, WA
Subject: Plans 1 TRS and PERS Pensions

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October 17, 2022

Dear Members of the Select Committee for Pension Policy,

My name is Gloria Smith. I am a member of the Washington Education Association- Retired. I taught grades 3-8 and I retired in 2014 on Plan 1. I have had 3 COLAs in the past 8 years. In 2018, the rate was 1.5%. In 2020, the rate was 3%, capped at \$62.50. In 2022, the rate was 3%, capped at \$110. Comparing the CPI and taking into account the caps, I lost 12.56% of buying power in 8 years. Keep in mind that the CPI is not a true representation of inflation actually making my loss of buying power much higher. And by the way, as far as I know, the only state retirement plans that have a cap are Plans 1, 2, and 3, TRS, and PERS.

All costs have increased to include medical, car, and homeowner's insurance. Also, gasoline, food, property taxes, etc. It is becoming difficult to make ends meet already.

When Plan 1 was closed in 1977 and Plan 2 opened with a COLA written into statute, it was obvious, the same should have been done for Plan 1. In 1995, a COLA (not tied to inflation) was added to Plan 1, and in 1998, gain sharing was added to Plan 1. In 2008, Gain Sharing was repealed and the COLA was repealed in 2011. Since that time, Plan 1 has not had a guaranteed COLA.

Plan 1 retirements were funded through a 6% payroll deduction, with the "promise" of a matching contribution from the state. For many years, the state did not contribute their full promised contribution, leading to a loss of investment plus the investment gains that would be generated. That lack of state contribution led to Plan 1 being underfunded.

A permanent, annual COLA (similar to the Plan 2 COLA written into law) needs to be added to Plan 1. The unfunded mandate also needs to be paid as soon as possible. The retirees are NOT responsible for Plan 1 being underfunded. That is solely the responsibility of the state. We can't wait for the permanent COLA until after the unfunded mandate is funded, especially our oldest retirees in their 80's and 90's, who made very little while working and have lost buying power in retirement, even with the minimums put into place, that are tied to the poverty level.

I started attending the SPCP meetings in September 2021. I learned that Plan 1 retirements were the only Plans that were underfunded, and that the pension plans earned \$22 billion dollars more than expected in 2021! Then I learned that Washington is one of five states with the best funded pension system in the nation! With the above information, I wondered why Plan 1 is still underfunded and why there is no annual increase. Plan 1 retirees are being forced to shoulder the loss of buying power year after year.

I also learned that a goal that was adopted by the SPCP in 2005 was to increase and maintain purchasing power of retiree benefits in Plans 1 TRS, PERS, to the extent feasible, while providing long-term benefit security to retirees! And, of course, then I wondered again why Plan 1 is the only plan without equity after 17 years with that goal!

In closing, I would like to see an annual, up to 3% COLA, including the "banking option" that Plan 2 has, written into statute this legislative session. Plan 1 retirees have waited way too long for this to happen!

Sincerely,

Gloria Smith
Washington Education Association- Retired
(360) 904-8535

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