
From: Candice Bock <CandiceB@awcnet.org>
Sent: Wednesday, September 29, 2021 10:38 AM
To: Stokesbary, Rep. Drew; Conway, Sen. Steve; Gutierrez, Aaron
Cc: mmcaleenan@wsac.org; Office State Actuary, WA
Subject: AWC & WSAC comments to SCPP on PERS 1 COLA
Attachments: Joint AWC WSAC SCPP PERS 1 COLA letter.docx

CAUTION:External email.

Chair Stokesbary and Vice Chair Conway,

We are submitting the attached comments to you regarding the Select Committee on Pension Policy's recent conversations about a COLA for PERS 1.

One additional note – the employer city representative position has been vacant for several months. AWC has submitted nominations to the Governor's office, but we understand that they are backlogged on reviewing appointments. We hope that they will fill the vacancy soon.

Candice Bock

Director of Government Relations

Pronouns: She/Her/Hers

Association of Washington Cities

1076 Franklin Street S.E. Olympia, WA 98501-1346

360.753.4137 (office)

360.951.5390 (mobile)

800.562.8981 (toll free)

CandiceB@awcnet.org

CAUTION: This email originated from outside of the Legislature. Do not click links or open attachments unless you recognize the sender and know the content is safe.



September 28, 2021

To: Members of the Select Committee on Pension Policy

**From: Candice Bock, Government Relations Director, AWC
Mellani McAleenan, Government Relations Director & General Counsel, WSAC**

RE: PERS 1 COLA

The Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC) appreciates the opportunity to provide comments as the Select Committee on Pension Policy considers revisiting the post-retirement Cost-of-Living Adjustments (COLA) for Plan 1 members of the Public Employees' Retirement System (PERS).

AWC and WSAC are not opposed to COLA increase for Plan 1 members. We appreciate how difficult it can be for some retirees to manage on a limited income. However, we worry about the impact additional COLAs will have on PERS 1 when it is already underfunded.

As a result, we have concerns with any proposal that would increase employer contribution rates. An increase in contribution rates is one more additional cost that we are not able to control and for which cities' and counties' limited resources cannot accommodate. In addition, cities and counties already pay an additional unfunded liability surcharge of 4.88% on PERS 2 rates to make up for the unfunded liability for PERS 1 at its current funding levels. This surcharge is projected to end after 2025; however, another COLA could result in prolonging the need for the surcharge by increasing the unfunded liability. The last COLA adopted in 2020 was estimated to add \$129 million to the PERS 1 unfunded liability and increase local government employers' PERS costs by \$78 million over a ten-year period.

It is unfortunate that PERS 1 was not fully funded nor were regular COLA increases factored into the plan's benefits. Cities and counties support sustainable and predictable pension rates so that we avoid this situation in the future. We are concerned about increasing unfunded benefits in PERS 1 and the fiscal impact it will have on local government employers.

AWC and WSAC ask that any additional costs incurred for COLAs for PERS 1 be fully funded by the state without passing any additional cost increases to local governments.

We recognize that the Select Committee will consider a variety of issues in making the decision regarding whether to recommend to the Legislature revisiting the Plan 1 COLA. We hope you will also consider the potential increase in costs to local governments. Again, thank you for the opportunity to comment. Please let us know if you have questions or if there is additional information that would be helpful.