Russell, Lindsey

From: Gloria Smith <mamaglo123@hotmail.com>
Sent: Sunday, September 3, 2023 6:49 PM
To: Office State Actuary, WA
Subject: Plan 1 COLA

Dear Select Committee on Pension Policy Members,

Through attending the SCPP in the past few years, I learned that a goal adopted by the SCPP 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 why Plan 1 is the only plan without equity after 17 years with that goal.

I would like to see an annual, up to 3% COLA (without a cap of $110/month), including the "banking option" that Plan 2 has, written into statute this legislative session.

Let's compare a retiree in Plan 1 and Plan 2, who recently retired with 38 years of service.

Plan 1

$110,000 + 108,000 = $218,000 (last two years salary combined)
$218,000 divided by 2 = $109,000
$109,000 x .60 (maximum of 30 years count) = **$65,400** retirement salary

COLA of 3%

$65,400 x .03 = $1,962
$1,962 divided by 12 months = **$163.50, but with a cap of $110/month = $110/month with a loss of $53.50/month.**

Plan 2

$110,000 + $108,000 + $106,000 + $104,000 + $102,000 = $530,000
$530,000 divided by 5 = $106,000
$106,000 x .76 (38 years counted) = **$80,560** retirement salary

COLA of 3%

$80,560 x .03 = $2,416
$2,416 divided by 12 months = **$201/monthly.**

As you can clearly see, if you compare a Plan 1 member with a Plan 2 member, assuming they retired with the same number of years of service, the Plan 1 member starts with a lesser amount of money as a retiree, and then gains a lesser amount of money for a COLA. Also, keep in mind, that is assuming a Plan 1 member gets a COLA at all, as there have been more years without a Plan 1 COLA than there have been with a Plan 1 COLA, even though Plan 2 is guaranteed a COLA up to 3% based on the CPI, and is allowed to bank any amount over 3%.

Then, take into account that there is also a cap on a Plan 1 COLA. To my knowledge, there are no other pensions in Washington state where a cap on a COLA at $44,000 is implemented.

And, by the way, let's look at what happens to the same Plan 1 member the next year when the capped COLA happens.

The Plan 1 member above earned $65,400 per year and would add $110/month COLA this year.

$65,400 + 1,320 = $66,720

$66,720 x .03 = $2,001

$2,001 divided by 12 = **$166.75, but with a cap of $110/month = $110/month, with a loss of $56.75 per month.**

So, in effect, what that means is the percent of the COLA actually goes down every year! So, Plan 1, again, is losing ground every year.

Therefore, I repeat, I would like to see an annual, up to 3% COLA (without a cap of $110/month), including the "banking option" that Plan 2 has, written into statute this legislative session.

Thank you for allowing me to submit this document!

Sincerely,

Gloria Smith
Plan 1 Retiree