From:	BOB BAKER
To:	Office State Actuary, WA
Subject:	COLA legislation
Date:	Tuesday, July 15, 2025 8:33:28 PM
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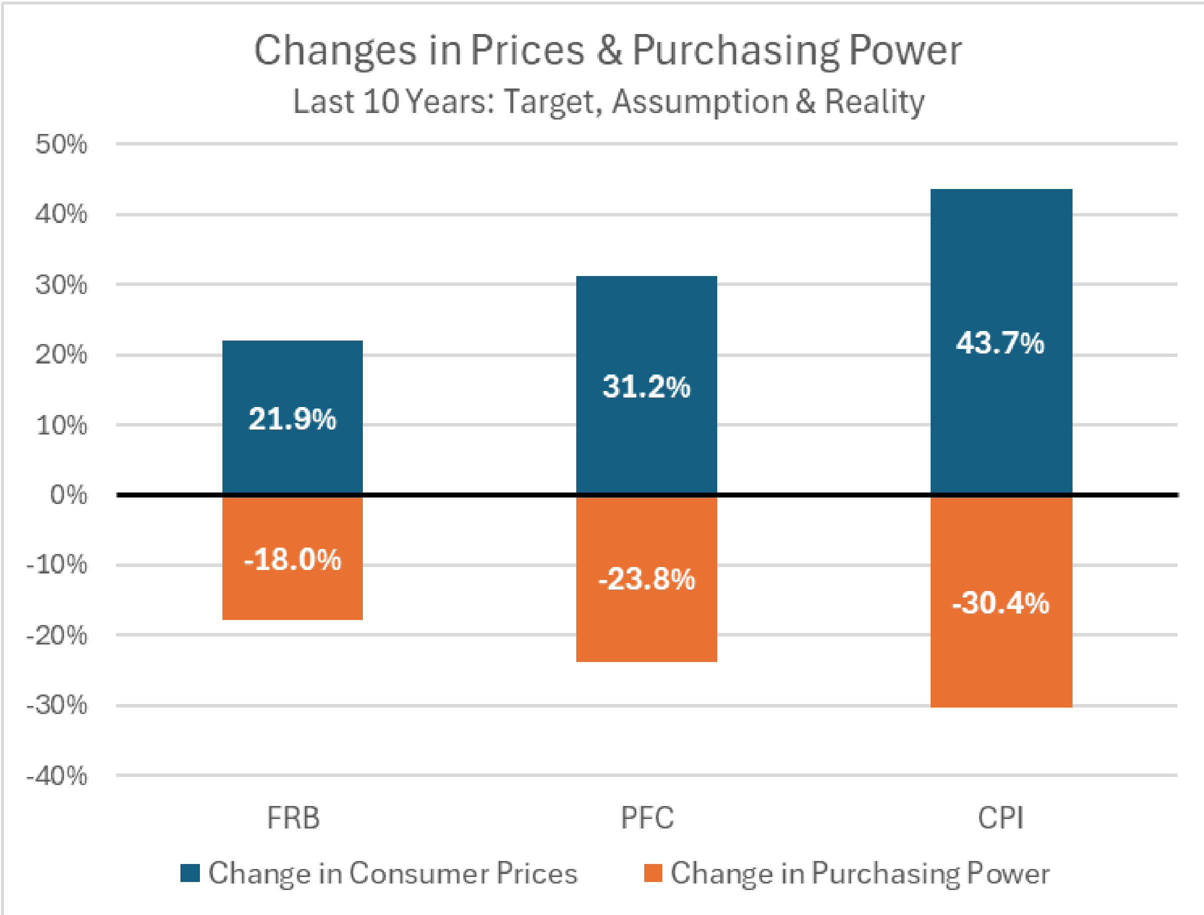
Select Committee on Pension Policy
Hello,
I'm Robert Baker, PERS 1 retiree.
Thank you for allowing me to speak at your June meeting even though I had not signed up. My comments were rather off the cuff, but I felt the need to thank the Committee for submitting legislation last session that would have provided PERS1 and TRS1 members with an ongoing COLA. While the legislation did not move out of committee during the last session, it was a substantial effort by the SCPP to address such an issue, and that effort was much appreciated.
I spent 46 years and 11 months in state service. I worked as a Labor Economist with the Labor Market and Economic Analysis Division of the Employment Security Department, a Research Analyst with the Office of the State Actuary, and as a Senior Forecast Economist with the Forecasting and Research Division of the Office of Financial Management.
I worked that long for two reasons: First, I enjoyed my work. My coworkers were an extremely friendly and talented bunch, the work was varied and interesting, and I learned an extraordinary amount during my career. Second, which is not near as positive, was fear. As an Economist I was abundantly familiar with the negative implications of inflation. As a result, I needed to maximize both my Average Final Compensation used in the calculation of by PERS1 benefit, and my Social Security benefit, which required me to work until age 70. After the latest round of inflation beginning in 2021 and 2022, I was glad of my decision to continue working.
No doubt the SCPP's capable staff has provided the necessary information for the members to move forward with their decision to draft the COLA legislation. But I would like to reiterate some critical points.

- Even in the best of times, inflation is pervasive. The nation's central bank, The Federal Reserve Board (FRB) has a target of 2.0% annual inflation. They've overshot that mark. But if they were on target, that would result in, over a ten-year span, prices rising almost 22%, and the dollar's purchasing power declining 18% (see the graph below).
- The Pension Funding Council (PFC), with advice from the Office of the State Actuary, has set the inflation assumption for the plans at 2.75%. If the assumption is accurate, that would result in, over a ten-year span, prices rising over 31% and the purchasing power of PERS1 and TRS1 benefits declining almost 24%.
- Regardless of the targets and assumptions, PERS1 and TRS1 members who retired 10 years ago have seen prices (as measured by the Seattle-Bellevue-Tacoma CPI-U) increase almost 44% and the purchasing power of their benefits

decline over 30%.



PERS1 and TRS1 members appreciate the fact that the proposed ongoing COLA is expensive. And legislators need to be aware that the price is directly proportional to the enormity of declines in PERS1 and TRS1 retirees' purchasing power.
Thanks again. Here's hoping the COLA legislation receives the attention it deserves next session.