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To: Office State Actuary, WA
Subject: Letter for SCPP
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CAUTION:External email.

Plans 1 TRS and PERS COLAs

I began attending the SCPP in September of 2021. One of the first things I learned was that LEOFF 1 was funded at 141%, LEOFF 2 was funded at 101%, and TRS 1 was funded at 66%. The reason TRS Plan 1 is behind in funding is because the state legislature failed to put their full 6% matching money into the fund for several years. This showed up on my paycheck. I paid 6% (as did all other Plan 1 TRS members), while the state paid less, forcing teachers to balance the state budget. I later learned the state had promised to put $800 M into the Plan 1 TRS fund June 1, 2023, as a part of the budget process. Unfortunately, when June 1, 2023 came around, that promise was rescinded fully. However, with the uproar that created, $250 M was put into the plan rather than $0.

The next thing I learned was the retirement funds earn 7 or 8 % annually, but in 2021 they earned 29%, or $22 Billion more than expected. The Plans 1 TRS and PERS funds could have been fully funded that year alone!

The following month, I learned that Washington is one of the five states with the best funded pension system in the U.S. You can imagine I was NOT impressed with the retirement funds the Plans 1 TRS and PERS retirees were receiving, especially the oldest Plans 1 retirees! I can't speak for the PERS retirees, but the teachers received starting salaries of $2,000-$4,000 per YEAR when Plan 1 began. Even with the minimum distributions that have been added to their pension, they are barely able to make ends meet. Even when I started teaching in the mid-1970's, the starting pay was about $8,000 per YEAR! We were told the pay was low, but we would have a generous retirement! I imagine those in Plans 1 TRS and PERS system in the beginning were told the same thing.

I have been retired in the Plan 1 TRS retirement system for ten years. In that time, the cost of living has increased about 30%. With the 4 raises (two at $62.50/month, and two at $110/month), with inflation adding up to about 30%, taking into account the raises at about 10.5% and the caps that were imposed, I am about 23% behind already. I have not calculated the raise coming for this year, but with the cap imposed on the 3% raise, I expect, I will be further behind.

I also learned that SCPP adopted a goal in 2005 "to increase and maintain the purchasing power of retiree benefits in Plans 1 TRS and PERS, to the extent feasible, while providing long-term benefit security to retirees." Considering that goal was made 19 years ago, I am very unhappy at the lack of progress that was made for many years toward achieving it!!

Moving forward to the June 2024 SCPP meeting, knowing full well that an ongoing, permanent COLA for Plans 1 TRS and PERS has been promised during the 2025 legislative session, I would like to comment on the "proposals" put forth.

Data presented: 70% of states that provide automatic COLAs offer up to 3%, CPI based COLAs are most prevalent, South Dakota over the last 5 years has paid 1.28%, 1.56%, 1.91%, 2.10%, and 3.5%.

I want to point out that the cost of living in South Dakota is far lower than in the state of Washington. If we are going to compare specific states, then we need to compare "apples to apples", therefore, we would need to look at the coastal states, which have the highest cost of living. Keep in mind also, that South Dakota ranks near the bottom of the 50 states for teacher pay! Again, if we are going to compare ourselves to other states, we need to compare states with a similar cost of living! If I wanted to earn what they earn in South Dakota, I would have lived there!

Suggestions for COLAs presented: 1%, 2%, a fixed percentage increase (rather than basing it on the CPI like ALL other Washington plans, equity??), monthly dollar CAP (equity?), limited maximum percentage of CPI (equity?).

I did not sign up to testify in June. Obviously, I should have! I think those of us who have been participating in the SCPP meetings for 4 years have made it clear that we want equity!! We want a Plan 2 type COLA, based on the CPI up to 3%, with banking over 3% to be used in future years, written into statue, so it cannot be changed or altered. Some of our retirees have also suggested Plans 1 retirees receive the FULL CPI (LEOFF gets the full CPI!) every year since we have had so few COLAs in the past. That would be even better, and could make up some of the purchasing power we have already lost.

Thank you,

Gloria Smith, Plan 1 TRS Retiree