From: rboesche@aol.com
Sent: Thursday, September 15, 2022 1:14 PM
To: Office State Actuary, WA
Subject: Select Committee on Pension Policy
Attachments: Select Committee Letter (9-14-22).doc

I am writing to express my concern that TRS and PRS Plan 1 retirees continue to be the few that constantly are minimized or ignored all together in terms of cost of living increases. I understand that PERS Plan 1 and TRS Plan 1 are among the oldest of the Department of Retirement System plans and when initially designed/created, inflation protection was potentially not a concern or something that they felt needed to be addressed through the pension plan. The addition of the Plans 1 COLAs came much later through legislation granting these benefit improvements when it was clear that purchasing power was being significantly eroded. What does not make sense is that most of the other plans were established decades later and included COLAs in their original plan design (thus recognizing the need for addressing some type of cost of living impacts). The right thing to have done when these new plans come into being was to stop and go back, and address the PERS and TRS Plan 1 pension design and include some type of COLA. That has not occurred and thus the 'reward' for being a Plan 1 retiree is that inflation, now running at near-historic levels in excess of 6-8%, has dramatically impacted the purchasing power of a Plan 1 retiree. Plan 1 retirees remain the only members of Washington State retirement plans that do not include any type of on-going cost of living increase.

While the legislature did at least provide some limited one-time COLA relief this year (beginning in July, we received a one-time 3% increase) the increase is less than half of what inflation is currently running. In addition, it is not on-going with an annual adjustment provision as most all other retirement plans received. I recognize that some legislative leaders have indicated in 2022 that they will not support a full, annual Plan 1 COLA until the Plan 1 unfunded liability is paid off. However, by the tables/data on your web site, it shows that this may not happen until as far out as 2026. As a result, we will continue to move backward with occasional COLAs that, if the latest is an example, are less than half of what inflation is running.

As a result of this long time inequity, I am asking that the Select Committee for Pension Policy recommend supporting an on-going COLA during the 2023 session that would be tied to some type of measure of inflation such as the most current Consumer Price Index percentage as calculated by the Department of Retirement Systems. My ask is that the state treat those of us in TRS and PRS Plan 1 similar to other retirement plans. Doing so would halt the erosion of our purchasing power that has left Plan 1 retirees so far behind the current inflationary status of our economy. Doing so would allow the legislature to avoid incurring the significantly greater expense of passing an annual Plan 1 COLA next session and would provide additional time for the unfunded liability to get paid off and yet stay even with inflation for a year.

The one other much more subtle and yet very significant issue for Plan 1 TRS teachers can be found to have come out of the McCleary funding decision. Last November 12, 2021, I wrote a letter to the Select Committee on Pension Policy and many of the members on the committee. That letter pleaded the case that so many of the members of the committee may not fully understand how dramatically teacher compensation *that is calculated for retirement purposes* has changed since when Plan 1 teachers have retired. As I outline, the amount of additional TRI (Time, Responsibility, and Incentive) supplemental pay for a current teacher is significantly higher today than it was back in the mid-1970s. So much so that if I and other teachers would have been receiving that level of pay (mandated by the McCleary decision), my final average annual income for pension purposes would be approximately 33% higher (Plan 1 teachers in the 1970s worked an approximate 182 day contact; teachers today are working the equivalent of about a 240 day contract)! In addition, current Plan 2 and 3 teachers retiring who have that significantly greater pay, receive an annual cola as well! I am hopeful that someone on the committee or an astute staff/advisory member will read my letter to begin to understand how the paradigm has shifted, as well as the considerable inequity that exists between the Plan 1 and subsequent Plans 2 & 3. I have attached an updated letter again to this communication in hopes that someone will do just that.

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September 14, 2022

TO: Washington State Select Committee on Pension Policy

My name is Robert Boesche and I am a long-time resident of Woodinville. My wife and I are both Plan 1 educators having worked for many years in the Northshore School District. I eventually became an administrator retiring in 2014 as the Chief Financial Officer and Deputy Superintendent of Seattle Public Schools.

My Ask

I know that the Select Committee on Pension Policy will be meeting next week and again in October and November to discuss COLA proposals for Plan 1 retirees. It is my hope that the committee will take the time to dig deep enough into the history (and resulting current inequity) that Plan 1 retirees are having to live with. Recent record inflation has increased the challenges that Plan 1 retirees now face. My request is that the committee will help Plan 1 retirees to be treated similar to other retirement programs in regard to COLAs and to address the rising cost of living.

Please Take The Time To Understand The Plan 1 Inequities – It's Complex

After retirement I worked several more years as a school finance consultant to a host of Puget Sound area school districts primarily in the specialized field of teacher and administrator compensation and collective bargaining. I was also an expert witness and testified in the Doran II Basic Education Funding lawsuit and followed closely the more recent McCleary Full Funding lawsuit. As a result, I am very familiar with compensation and collective bargaining in education over the last 40 years in the State of Washington.

Backdrop 1 - Why Do Some Receive COLAs and Others Do Not? Are There Inequities?

As a reminder, TRS 1 and PERS 1 are the only pension systems that have been chronically under-funded, do not include an on-going Cost of Living Adjustment, and are comprised of a majority of female retirees. The male dominated plans from the same era are very adequately funded and include an annual, uncapped Cost of Living Adjustment. Granting a COLA is an important step toward addressing gender equity in the state's retirement systems as well as meeting the needs of low-income retirees who are struggling. It's also the fair thing to do given the differences in how TRS and PERS 1 plans are treated in comparison to other plans. As I've often said, as teachers we chose to go into our careers of service not unlike law enforcement and fire fighters, but why should we treated so differently with our pension benefits?

Backdrop 2 – Do Plan 1 Retirees Have It Better In Terms Of Retirement Benefits?

When my wife and I started teaching in the Northshore School District in the 1970's, compensating teachers was very simple ... you received a 182-day contract. 180 of those days were for a base contract paid from a statewide salary schedule for teaching in the classroom during the school year. 2 of those 182 days were to compensate for a day of work preparing for the school year and a day of work closing out the school year. If you wanted to earn additional pay, you did it by working optional additional assignments such as coaching a sport or being an advisor of a club or activity.

Over the last several years, teachers have received substantial increases in compensation. When analyzed deeper, the base compensation was structured similar to that when my wife and I taught, in that teachers still worked a 180-day 'base' school year. However, now teachers receive additional time, responsibility and incentive (TRI) compensation for work beyond the 180 school year days. Whereas my wife and I received the sum total of 2 additional days of pay for additional work, teachers in most school districts are *now receiving on average the equivalent of sixty (60) days+ or about 33% more* in compensation through 'TRI'. These additional days had been previously paid primarily with local levy funds. With the McCleary decision and legislative action over the last few years, this 'base' and 'TRI' supplemental pay has been essentially rolled together and is now paid (for the most part) by the State of Washington.

To appreciate the gap in compensation between what my wife and I as Plan 1 retirees experienced versus what is occurring now, one has to understand the financial impact. In simple terms ... for every $1,000 of base pay my wife and I were paid back in the early 1970's we received an additional $11.10 for the 2 extra days ($1,000 divided by 180 = $5.55 per day X 2 extra days = $11.10). For that, we were expected to attend meetings, professional development trainings, work with colleagues, correct papers and prepare curriculum (all within that 182-day contract year). Today, teachers are paid significantly (and rightly) much more. For every $1,000 of base pay, most teachers in Washington State now earn more than 60 days of additional time, responsibility and incentive ("TRI") pay above and beyond the 180 days of base pay. To complete the comparison, for every $1,000 now earned by teachers for the 180 days, an additional $333 is added on ($1,000 divided by 180 = $5.55per day X 60 extra days = $333). That is *significantly* more than the $11.10 we, as Plan 1 members, earned for the 2 days we received beyond the 180-day base.

As a result, you might ask yourself ... under what structure would you have liked to have been paid ... and retired under? 182 days as my wife and I did in Plan 1? Or at the 240-day+ structure that currently is in place? The difference is significant.

What Has Been The Impact Over Time For Plan 1 Retirees And Why Is A COLA Warranted?
The real impact for Plan 1 retirees is not simply that we were never paid as teachers are today. Rather, since we retired with a defined benefit pension, we are on a fixed income and have rarely received anything to address inflation (it was only recently that we finally received a 1.5% COLA adjustment). A 1.5% COLA pales in comparison to inflation that is now projected to be above 6%. Even the Social Security Administration has recognized inflation by announcing a COLA of 5.9% beginning in 2022.

None of what I have written is meant to dismiss what has positively occurred in education funding in recent years. Adequate compensation to attract and retain excellent school employees is critical to our society. *I would simply ask that you remember that some of your own teachers, many retired and in Plan 1, never earned even close to what those in education the last several years are now being paid*. Then to have very little COLA support during a time of rising inflation and health care costs, makes it VERY challenging for Plan 1 seniors to keep up.

Thank you for taking the time to understand some of the history and complexity that a Plan 1 retiree faces. I hope the Select Committee on Pension Policy will choose to correct the inequity gap that exists with Plan 1 retirees and will support a continuing yearly COLA similar to the other state retirement programs.

Sincerely,
Robert Boesche