
From: Bill Eckel <william.eckel@gmail.com>
Sent: Tuesday, October 19, 2021 4:00 PM
To: Office State Actuary, WA
Subject: SCPP Presentation 10/19/2021

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Greetings,

I am a PERS1 retiree. Thank you for the opportunity to provide comments to the Select Committee on Pension Policy regarding the October 19, 2021 presentation on alternatives for providing relief to PERS1 retirees through possible COLA programs. I was pleased to see Alternative A was on the table – the option that provides an annual COLA as is the case with all other Washington State pension programs. I was unable to stay for the entire meeting and offer comments.

I have to take exception to the slide provided by staff demonstrating what the possible cost of Alternative A might be in the long term. The table showed how an annual COLA for an average seventy-year-old retiree, issued every year until they were ninety, would cost about \$98,000. Multiplying this amount over the approximately 60,000 current PERS1 retirees, the total would be about \$5.8 B. The CDC published in JAMA in 2019 that the average life expectancy in Washington State was 80.2 years. I don't think there's any reason to believe PERS1 retirees are that much healthier than the average Washingtonian.

So, if the Option A cost table were rerun starting at an average seventy years and COLAs provided to an average eighty years, the cost would be far less than half of the \$5.8 B – not only is the time of payments half, but due to the effects of compounding, the COLA costs from eighty to ninety are far greater than the COLA costs from seventy to eighty. I also wonder if Covid has lowered life expectancy even more. I recognize this is a very “back of the envelope” analysis, but it demonstrates the need to use more realistic assumptions when determining potential costs in the upcoming analysis.

I understand that the increased costs of a COLA program would be borne by the public employers in Washington. Because Alternative A would be a one-off, meaning there would be no need to make this same allocation for PERS1 or for any other retirement program in the future, perhaps the legislature should consider a one-time contribution from the General Fund to help soften the effects of the increased contributions on local governments.

Thank you again for the opportunity to comment.

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