From: rboesche@aol.com
Sent: Monday, April 18, 2022 12:45 PM
To: Office State Actuary, WA
Subject: PRS and TRS Plan 1 Issue(s)
Attachments: Nov 12, 2021 Letter to SCPP.pdf

This is being written to the Select Committee on Pension Policy. It is my understanding that they have their next meeting tomorrow, Tuesday, April 19, 2022.

I am writing to express my concern and frustration 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 will receive 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 website, 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 a COLA during the 2023 session that would match the most current Consumer Price Index percentage as calculated by the Department of Retirement Systems. Or put another way, simply 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 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 that letter again to this communication in hopes that someone will do just that.

Thank you for taking the time to delve into the true inequity details that surrounds PRS Plan 1 and TRS Plan 1 pension plans.

Sincerely,

Robert Boesche