Select Committee on Pension Policy

Plan 1 Minimum Benefits: Background

Executive Summary

Overview/Executive Summary

This paper will examine the role of minimum benefits in the Public Employees' Retirement System (PERS) Plan 1 and Teachers' Retirement System (TRS) Plan 1. This will be accomplished by looking at past patterns of inflation, benefit improvements, and historical markers of Plans 1 post-retirement benefit policy. Policy analysis includes looking at Plans 1 minimum benefits through the lenses of benefit adequacy, purchasing power protection, reward-for-service, and intergenerational equity.

Where did the topic originate?

At the July SCPP Executive Committee meeting, the Committee requested an analysis of Plan 1 minimum benefits in the context of larger economic issues for retirees and retirement benefit adequacy.

Who is impacted?

Approximately 12,000 out of 48,000 PERS Plan 1 members and 3,000 out of 34,000 TRS Plan 1 currently receive a minimum benefit.

Highlights

Minimum benefits can be tailored to meet various policy goals. These goals may include reward-for-service, purchasing power protection, and benefit adequacy.

Those not receiving minimum benefits have lost the most purchasing power relative to the overall Plans 1 population. Those on the Basic Minimum have low benefits, but have maintained purchasing power since receiving the benefit. Those on the Alternate Minimum have slightly higher benefits than the Basic, but have lost more purchasing power due to longer retirements. Recently retired Plans 1 members have had no benefit improvements and have lost purchasing power annually.

Corban Nemeth
Associate Policy and Data Analyst
360.786.6161
corban.nemeth@leg.wa.gov

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Background

Plan Design

There are several key differences in the benefits provided by Plan 1 and Plan 2 as it relates to benefit adequacy and purchasing power protection. These key differences include service retirement allowance, retirement eligibility, Cost-of-Living Adjustments (COLA), and minimum benefits. The following is a summary of selected retirement provisions in PERS and TRS plans 1 and 2. For a complete list of plan provisions, see RCW Chapters 41.32 and 41.40.

Service Retirement Allowance

- Plan 1: Eligible Plan 1 retirees receive 2 percent of the Average Final Compensation (AFC) over a two year period, for each year of service credit to a maximum of 60 percent.
- Plan 2: Retirees in the Plans 2 receive 2 percent of the AFC, over a five year period, for each year of service credit without limit.

Eligibility for Normal Retirement

- Plan 1 members are eligible for normal retirement upon fulfillment of one of the following:
  - Five years of service and attainment of age 60;
  - 25 years of service and attainment of age 55; or
  - 30 years of service with no age restriction.
- Plan 2 members are eligible for normal retirement upon five years of service and attainment of age 65.

Eligibility for Early Retirement

- There are no provisions for early retirement of Plan 1 members.
- Plan 2 members are eligible for early retirement according to the following terms:
  - 20 years of service and attainment of age 55 with the benefit actuarially reduced from age 65;
  - 30 years of service credit and attainment of age 55 with a 3 percent per year reduction from age 65; or
  - Eligibility under the 2008 Early Retirement Factors outlined in RCW 41.40.630; or,
  - For members employed after May 1, 2013, 30 of service credit of age 55 with a 5 percent per year reduction from age 65

Cost of Living Adjustments (COLAs)

- Between 1995 and 2011, the primary COLA provided in the Plans 1 was the Uniform Cost-Of-Living-Adjustment (UCOLA). The UCOLA was a service-based COLA payable the first calendar year in which the recipient turns age 66 and has been retired for one year. The UCOLA was a fixed dollar amount multiplied by the member's total years of service. The dollar amount of the UCOLA increased by 3 percent every year on July 1. As of July 1, 2010, the UCOLA was $1.88 per month/per year of service. This amounted to an annual increase of $677 for a recipient with 30 years of service. Statute specified that future increases to the UCOLA were not a contractual right, and the Legislature exercised the option to discontinue the UCOLA in the 2011 Legislative Session. There is currently no plan-wide COLA in the Plans 1.
- Members of PERS Plan 2 who have been retired at least one year receive an annual COLA based on CPI to a maximum of 3 percent.

Minimum Benefits

As of July 1 of 2018, if a member's benefit is less than the Basic Minimum amount of $59.89 per month per year of service (before reduction for benefit payment options), they are eligible for an annual increase of $2.39 per month per year of service. The annual increase was a component of the prior UCOLA, which is now only available to those on the Basic Minimum.

Additionally, Plan 1 members with either 25 years of service that have been retired at least 20 years, or 20 years of service that have been retired at least 25 years, are eligible for the Alternate Minimum benefit. The Alternate Minimum benefit is $1900.15 and increases by 3 percent annually.

There are no minimum benefit provisions applicable to members of Plan 2.

Plan Provision Summary

PERS and TRS Plans 1 were designed to promote retirement at thirty years of service. As such, Plan 1 retirees have a chance of longer retirements when compared to members of Plan 2. Members of Plan 2 will typically retire later than Plan 1 members due to plan design, and have a CPI-indexed COLA that is funded over the Plan 2 member's working career.

Legislative History

In 2017, the SCPP studied a Plan 1 ad-hoc COLA. The SCPP recommended to the Legislature a 3 percent COLA for all members not receiving a minimum benefit, capped at $62.50. During the 2018 Legislative Session, the Legislature passed SSB 6340, which implemented a 1.5 percent COLA capped at $62.50 for all members.

Other States

The majority of Washington's peer systems provide an automatic post-retirement COLA in their open plans (see table below). Several states provide a minimum benefit based on pension income, similar to Washington. Missouri provides a minimum benefit of $15 per month per year of service. Iowa provides a $50 per month minimum for those with over ten years of service in the system.

Several of the peer states' systems provide a minimum benefit defined by protection against specific losses of purchasing power. For example, benefits in the California systems cannot fall below a minimum percent (75 or 85 percent) of the original benefit's purchasing power. Benefits in the Seattle system cannot fall below 65 percent of their original purchasing power. A similar 1992 COLA provision protected Plans 1 members' pensions from losing more than 40 percent purchasing power.

COLA Provisions by Select Retirement Systems*

System	COLA Provisions
CalPERS	CPI based 2% max, 75% purchasing power protection.
CalSTRS	2% increase, 85% purchasing power protection funded through supplemental benefits maintenance account. Contractually guaranteed for those retiring after 2014 with contribution rate increases.
Colorado PERA	Member prior to 2007: 2% unless negative investment year, then lesser of 2% or CPI-W. Member after 2007: Lesser of 2% or CPI-W, not exceeding 10% of Annual Increase Reserve funds.
Florida FRS	Automatic 3% per year. Any service rendered after 2011 is not eligible for COLA increases.
Idaho PERSI	Automatic 1%, discretionary increase may not exceed lesser of CPI or 6%, subject to legislature.
Iowa IPERS	No COLA, dividend in place for those retired prior to 1990. $50/month minimum benefit for those with at least 10 years of service.
Minnesota MSRS	Automatic 2%, funding dependent.
Missouri MOSERS	80% of CPI-U up to 5%. $15 per month per year of service minimum benefit.
Ohio OPERS	CPI-W up to 3%.
Oregon PERS	CPI up to 2% for service rendered prior to June 2013. CPI up to 1.25% on first $60,000 of benefit and 0.15% on amounts above $60,000 for benefits earned after June 2013.
Seattle SCERS	1.5% COLA, 65% purchasing power minimum.

**For new hires. Source: Member handbooks published on system administrators' websites as of 9/1/18.*

Policy Analysis

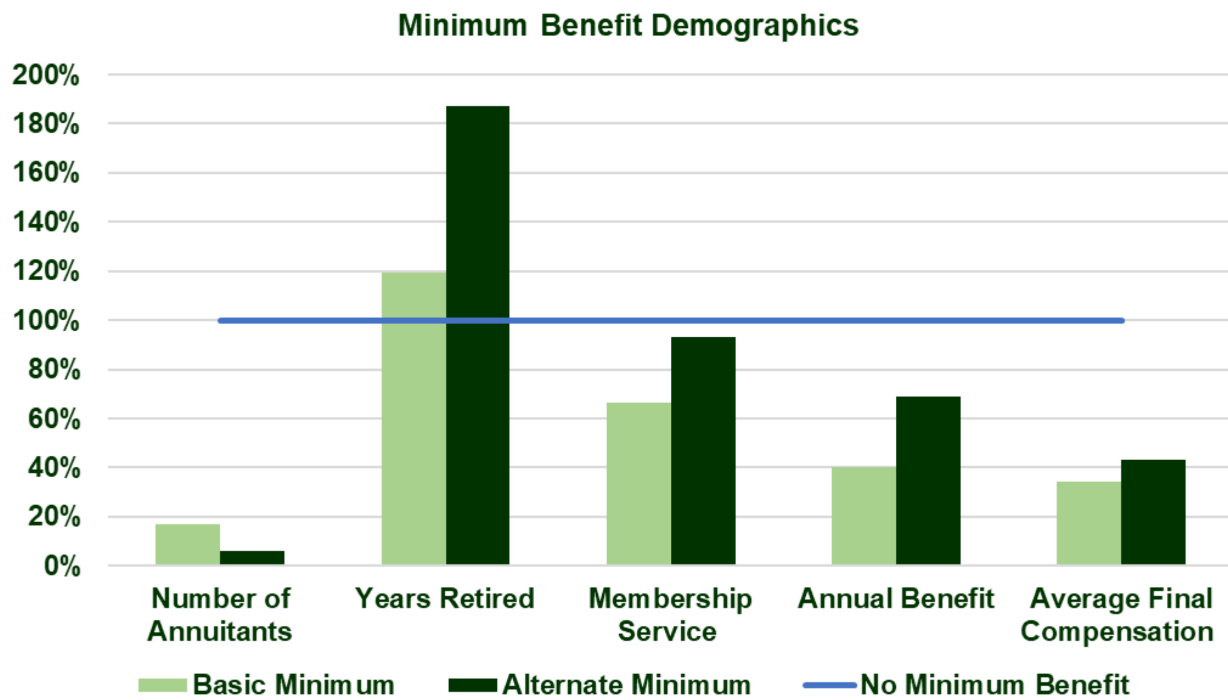
Who is impacted and how?

Approximately 15,500 out of 82,000 Plan 1 retirees currently receive a minimum benefit.

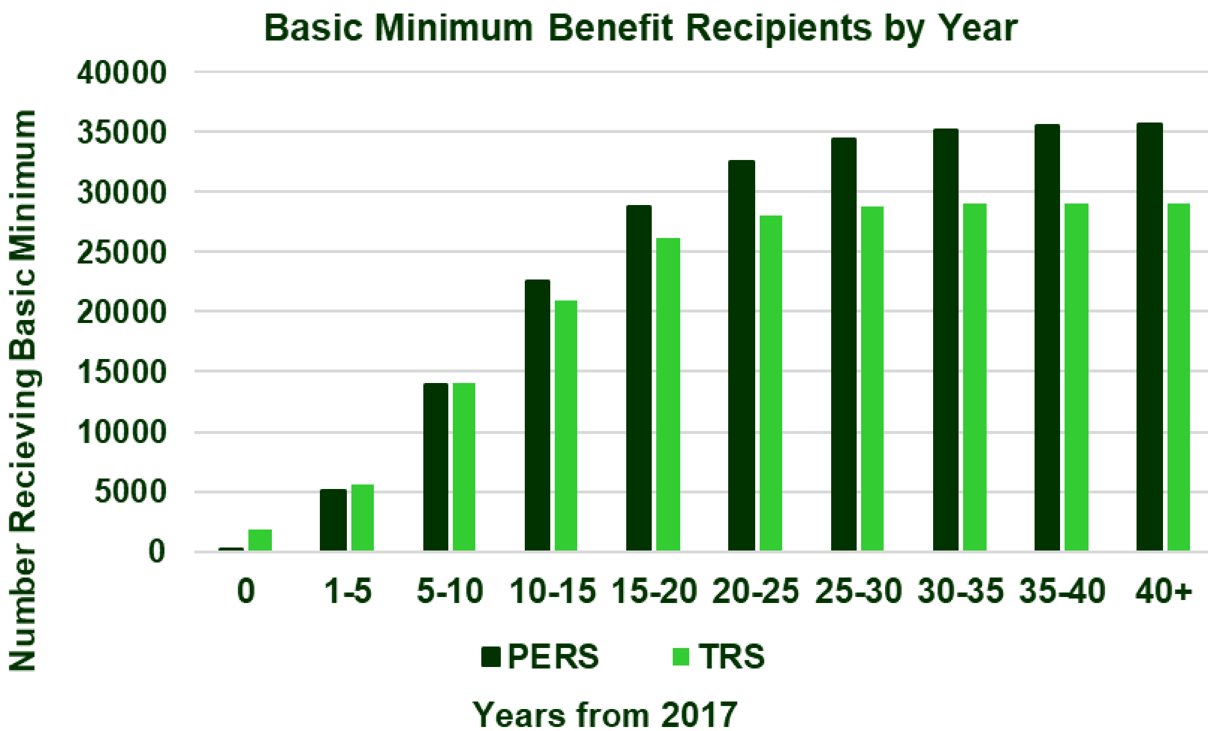
The following table details the key differences between PRS 1 and TRS 1 retirees who do and do not receive minimum benefits. The key driver for Basic Minimum recipients is a much lower AFC, and the key drivers for the Alternate Minimum are a relatively low AFC and long retirements.

System	Average (Rounded to Nearest $500)				
PERS	**Count (Nearest 500)**	**AFC**	**Membership Service**	**Pension Benefit**	**Years Retired**
No Minimum Benefit	36,000	$55,500	26	$28,000	16
Basic Minimum	9,500	$19,500	19	$12,000	19
Alternate Minimum	2,500	$23,000	25	$20,000	29
TRS	**Count (Nearest 500)**	**AFC**	**Membership Service**	**Pension Benefit**	**Years Retired**
No Minimum Benefit	31,000	$57,500	28	$27,500	17
Basic Minimum	2,000	$17,000	12	$7,500	21
Alternate Minimum	1,500	$26,500	25	$18,000	33

The following table represents the data above in a chart. The vertical axis represents each statistic as a percent of the value for those who do not receive a minimum benefit. The long retirement periods of Alternate Minimum recipients, as well as the low average salaries for both minimum benefits, is apparent.



Because both minimum benefits increase annually on a percentage basis, under current law the majority of Plan 1 members will eventually receive a minimum benefit. The following table shows the distribution of when members will be eligible to receive the Basic Minimum benefit. The table does not take into account expected mortality, so it is likely that the members who will receive the Basic Minimum will be less than what is shown below. Eventually, the majority of Plan 1 members will be eligible for minimum benefits.



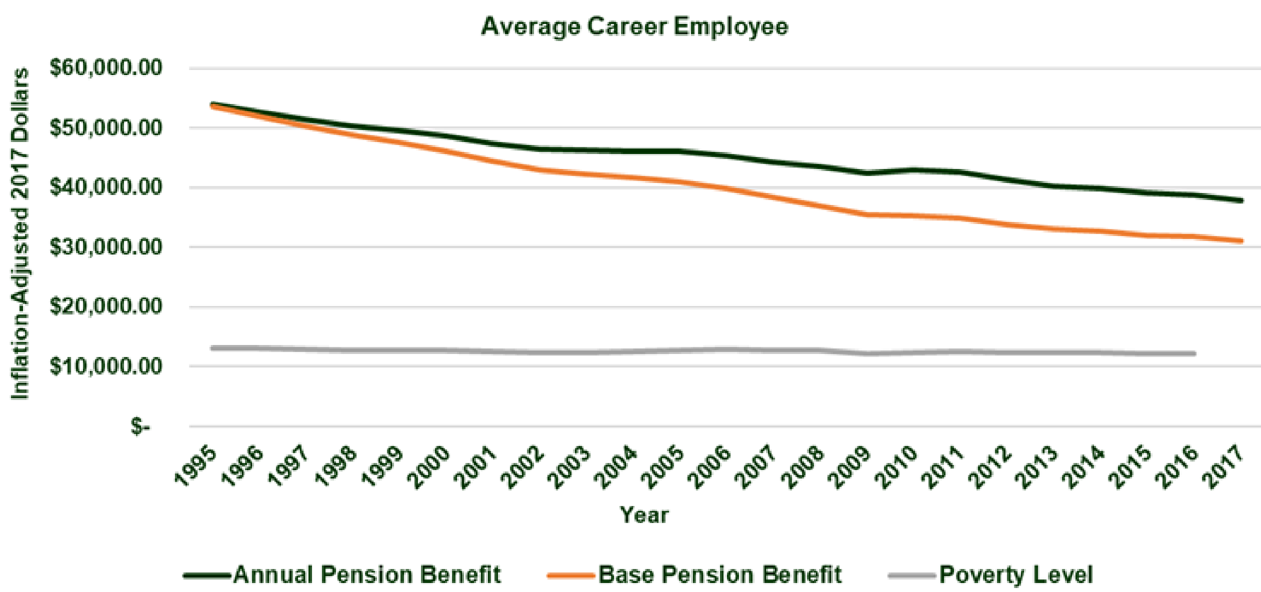
Purchasing Power and Benefit Adequacy Examples

After a Plan 1 member retires, their benefit will lose purchasing power with inflation in the absence of a post-retirement COLA or minimum benefit. Examples demonstrated in this section will look at the purchasing power and benefit adequacy of hypothetical retirees under a variety of circumstances. All examples look at the pension of a retiree held constant in today's (2018) dollars. Their pension income will be compared to the federal poverty level for a one-person household, which is one indicator of benefit adequacy. The aim of the examples is to see how well a retiree's benefit, in hypothetical circumstances, retains value given both inflation and post-retirement benefit increases.

Example 1: Average Career Employee

The following example shows a Plan 1 member who retired in the year 1995 with an AFC of $50,000 and 30 years of service. The chart compares the value, in today's dollars, of their base pension benefit with no UCOLA benefit improvements, benefit with UCOLA, and the federal poverty level. The difference between the Annual Pension Benefit and Base Pension Benefit is the additional benefit provided by the UCOLA.

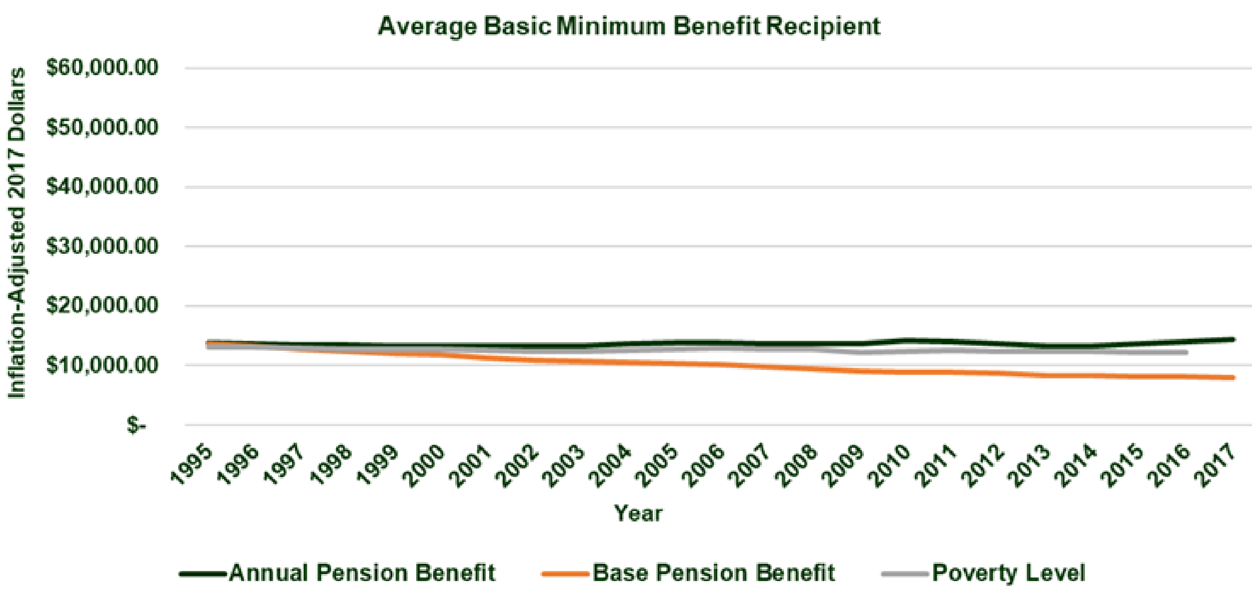
Example 1	
Retirement Year	1995
AFC	$50,000
Years of Service	30
Purchasing Power in 2018	70%



Example 2: Basic Minimum Benefit Recipient

The following example shows a career Plan 1 retiree with 20 years of service and an AFC of $20,000. In this example, they receive UCOLA increases from 1995-2011 and qualify for the Basic Minimum in 2014. In the absence of the UCOLA or Basic Minimum, their benefit would be below the Federal Poverty Level in 2017. However, this employee has not lost purchasing power over the duration of their retirement.

Example 2	
Retirement Year	1995
AFC	$19,000
Years of Service	20
Purchasing Power in 2017	99%



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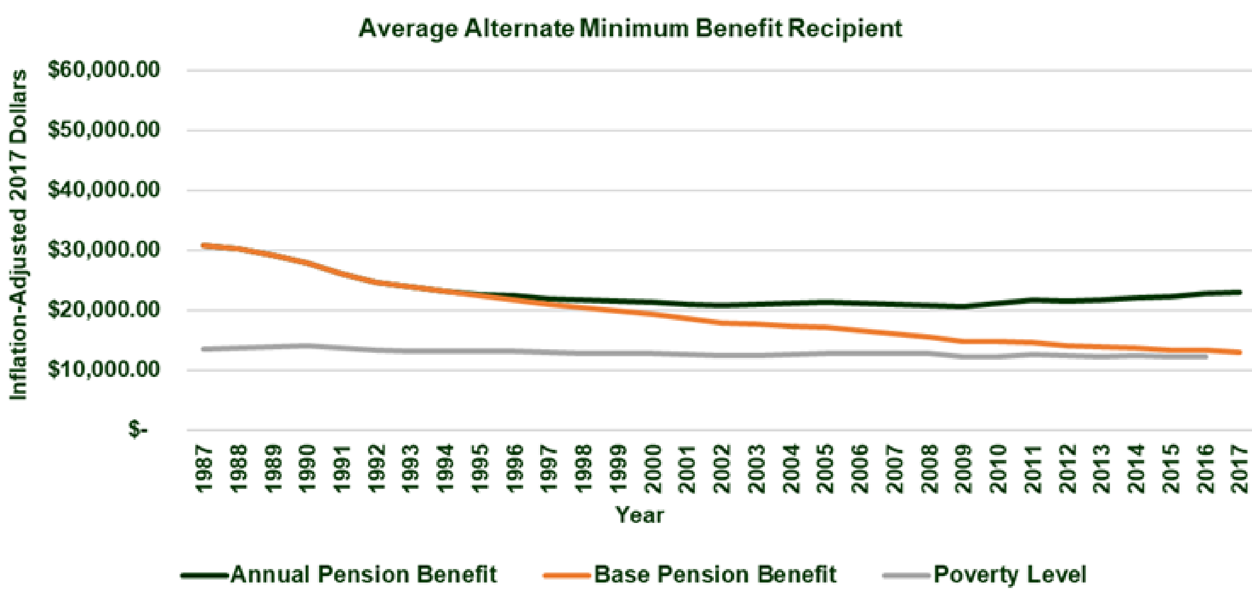
Example 3: Average Alternate Minimum Recipient

The next example shows an average recipient of the Alternate Minimum, with 25 years of service and an AFC of $25,000. The chart shows how the relative purchasing power of their benefit increases with the receipt of the Alternate Minimum benefit beginning in 2011. Due to a long 30 year retirement period, this member currently has 75 percent of their original purchasing power, but this level of purchasing power has held steady since they began receiving UCOLA increases.

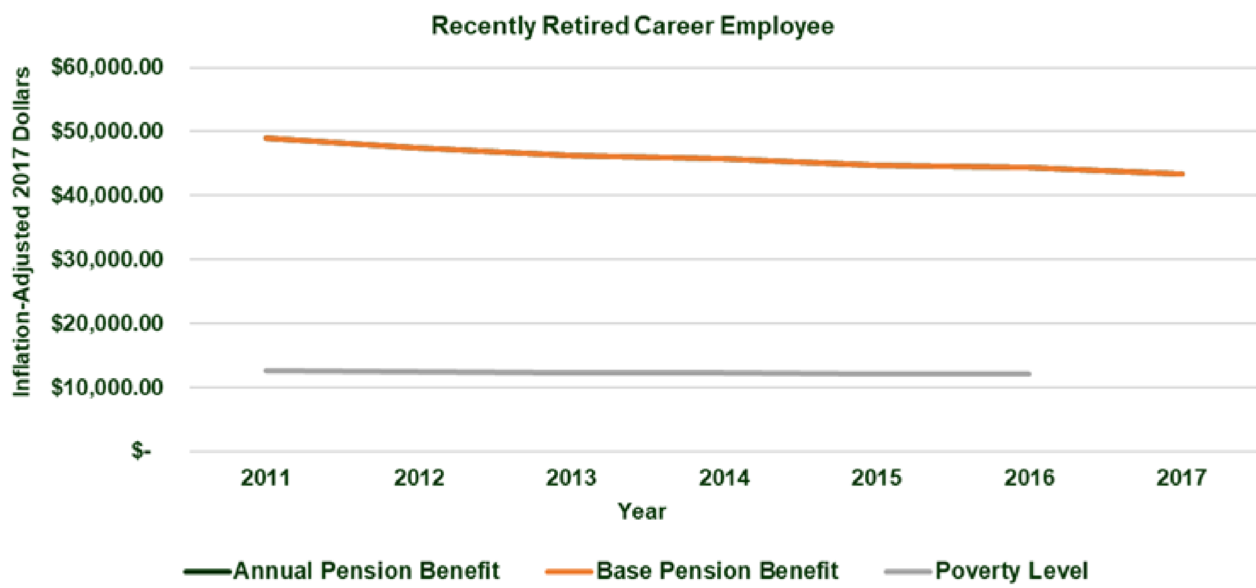
Example 3	
Retirement Year	1987
AFC	$25,000
Years of Service	25
Purchasing Power in 2017	75%



Example 4: Highly Compensated Employee with Short Retirement

The final example is a career employee with an AFC of $70,000 who retired after the UCOLA in 2011. They have lost approximately 13 percent of their original purchasing power, and have received no benefit improvements. However, their benefit is substantially above the poverty line and could be considered adequate.

Example 4	
Retirement Year	2011
AFC	$70,000
Years of Service	30
Purchasing Power in 2017	87%



Note: In this chart, Annual Pension Benefit and Base Pension Benefit are equal.

Key Takeaways from Examples

- Those not receiving minimum benefits have lost the most purchasing power.
- Those on the Basic Minimum have low benefits, but have maintained purchasing power.
- Those on the Alternate Minimum have slightly higher benefits than the Basic, but have lost more purchasing power due to longer retirements.
- Recently retired Plans 1 members have had no benefit improvements and lost purchasing power annually.

Policy Considerations

Minimum benefit policy, and by extension COLA policy in the Plans 1, can be driven by three concerns: reward-for-service, purchasing power protection, and benefit adequacy. While related, these three considerations are distinct policy goals and have different implications.

Reward-for-service is a way to target a minimum benefit or COLA to those with more service in the retirement systems. **Benefit Adequacy** describes how well a pension can provide an expected standard of living. **Purchasing Power** refers to how well a pension maintains value relative to inflation. To illustrate the difference, the pension of a highly-paid retiree might lose considerable purchasing power over time and still be considered “adequate,” while the pension of a low-paid retiree might retain its full purchasing power over time but be considered “inadequate” to provide an expected standard of living. In the Plans 1, members receiving the minimum benefits receive purchasing power protection on relatively low benefits. Those with higher benefits lose purchasing power, but their benefit may be considered more adequate than those on the minimums.

Reward for Service

To recognize the difference between career and non-career retirees, policy makers may target minimum benefits to those with high years of service. A low annual benefit may be more expected for a retiree with five or ten years of service when compared to a full-service 30 year career.

Reward-for-service elements are present in both the Basic and Alternate Minimum benefits. Because the Basic Minimum benefit provides a dollar amount multiplied by a member's years of service, those with longer careers will receive a larger dollar amount increase to their benefit. The Alternate Minimum benefit, with its 20 or 25 years of service threshold, only provides a benefit floor for career employees who have at least 20 years of service in the system.

Purchasing Power Protection

The purchasing power of a pension benefit is impacted by three factors:

- Inflation after retirement.
- Length of retirement.
- Post-retirement COLAs.

Inflation is the driving force behind the decline in the relative value of a pension over time. Members who retire during periods of high inflation will generally lose more purchasing power than members who retire during periods of relatively low inflation.

Likewise, members who are retired for a longer period of time are likely to lose more purchasing power due to post-retirement inflation than members who are retired for shorter periods. Earlier retirement ages and increasing life spans are also significant factors in the loss of purchasing power experienced by some members.

Post-retirement COLAs offset the effects of inflation and help maintain purchasing power. The Legislature has provided numerous COLAs in the Plans 1 (see **Appendix A**). Members who receive less in COLAs will generally lose more purchasing power over time than members who receive more in COLAs.

The Basic and Alternate Minimum benefits provide purchasing power protection to recipients. The Basic Minimum provides inflation protection through the Annual Increase, which typically provides members with an annual percentage increase of approximately 4 percent. The Alternate Minimum benefit provides members with a 3 percent annual increase. Once a Plans 1 retiree is eligible for a minimum benefit, their purchasing power will maintain or increase from the point at which they were eligible for the benefit.

Benefit Adequacy

Benefit Adequacy is a measure of how well pension provides a certain standard of living. There is no set rule for what constitutes an adequate benefit. One metric used to measure benefit adequacy is Income Replacement Ratio. The Income Replacement Ratio is the ratio of a retiree's pre-retirement income to their post-retirement income. Typical estimates for a standard Income Replacement Ratio range from 60 percent to 90 percent. Due to the capped nature of service credit in the Plans 1, the greatest a retiree's Income Replacement Ratio can be from their pension is 60 percent. However, other assets available to the retiree may supplement their pension income. The "Three-Legged Stool" is a model of analyzing the total income a retiree has in retirement. The "Three-Legged Stool" consists of pension income, Social Security, and private assets. The only available data point in retirement system data is pension income. It is possible that the majority of Plans 1 members have other sources of income available to them in retirement.

Testimony and correspondence received by the SCPP has indicated that Plans 1 members are increasingly reliant upon other forms of social services administered by other state agencies. This is attributed to having a benefit that no longer can provide an adequate standard of living. Related correspondence is included in Appendix C.

The Washington State Department of Social and Health Services (DSHS), at the request of the Department of Retirement Systems (DRS), matched PERS Plan 1 retiree data against those receiving services from DSHS. The below table is a result of that analysis.

# of Retirees who were Active Recipients of ACES Benefits between 1/18-5/18
# of distinct SSNs supplied by DRS: 47,406

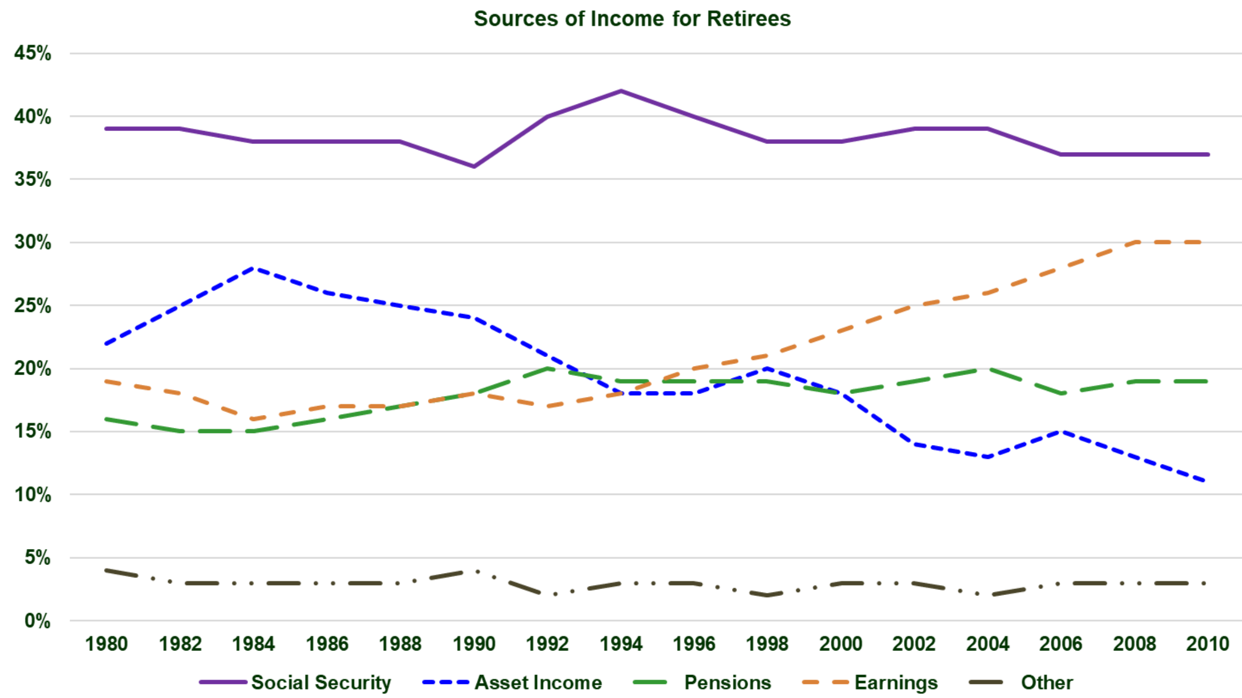
Value	n Receiving Benefit	% of Total from DRS
Aged, Blind, Disabled Cash Assistance (ABD)	1	0.0%
Food Stamps	109	0.2%
Medical Assistance	603	1.3%
Total w Any Benefits	652	1.4%

The table shows that from January to May 2018, approximately 1.4 percent of the PERS Plan 1 retired population were receiving any form of social service from DSHS. **Appendix B** contains the provisions and requirements for the three social service programs listed above.

Policymakers may decide that keeping retirees off of state assistance is a policy goal of the retirement systems. If this is the case, they may interpret the data above to suggest that the minimum benefits are largely succeeding at keeping the majority of Plans 1 retirees off of DSHS services. However, another perspective may be that the Plans 1 benefit design is failing to keep *all* retirees off of state assistance. Because the specific demographics of the Plans 1 retirees receiving state assistance is unknown, it is difficult to draw specific conclusions about the reasons these retirees are receiving DSHS benefits.

It is difficult to directly link Plan 1 minimum benefits to social service programs provided by DSHS because DSHS takes into account demographic indicators that are not present in retirement system data. For example, data related to personal assets, work outside of covered employers, and spousal income is not available for analysis. In essence, an individual may have a benefit that could be considered inadequate, but have other sources of income that DSHS will take into account. It is for this reason that there may be limited utility in attempting to directly link minimum benefit levels to social service programs. Additionally, data is not available to indicate whether those receiving DSHS benefits are also receiving minimum benefits from the pension system.

Also important when analyzing pension benefits for benefit adequacy is the consideration of outside income and funds available to retirees. The average retiree in 2018 will receive approximately $1400 a month in Social Security benefits (*Social Security Fact Sheet*). Data from the U.S. Census Bureau's Current Population Survey through 2010 (*Current Population Survey*) shows the largest share of income for individuals age 65 and over as being Social Security, followed by Earnings and Pensions respectively. The average Washington State retiree will likely have a larger share of their earnings from their state pension, but other sources of income will likely contribute to the "Three-Legged Stool" model for retirement adequacy: Pensions/Retirement Plans, Social Security, and individual earnings.



Intergenerational Equity

Intergenerational equity is a pension funding concept that looks to fund benefits over a member's career, and is financed by their contributions and the taxpayers that receive them. This approach to funding ensures that each generation is paying for the pensions of the members who provided services to employers and taxpayers.

A retiree cannot fund their own pension once retired. With very few active employees left in Plans 1, intergenerational equity will be difficult to achieve. Thus, the costs for benefit improvements must be paid by active employers, and by extension, current taxpayers. These taxpayers generally did not receive services from the bulk of Plan 1 retirees, leading to a loss in intergenerational equity.

Additionally, benefit improvements for past service increase the Unfunded Actuarial Accrued Liability (UAAL) for the Plans 1. A UAAL exists when the benefit earned by beneficiaries is greater than the expected assets to pay for them. Current funding policy requires that the UAAL in the Plans 1 be fully paid within a rolling ten-year period [RCW 41.45.010(3)]. The level of benefit improvements that can be financed over the remaining amortization period may serve to constrain policy options.

Conclusion

Minimum benefits can be tailored to meet various policy goals. These goals can include reward-for-service, benefit adequacy, and purchasing power protection. These policy goals can currently be recognized in Plan 1 minimum benefit policy.

As a group, Plans 1 members who are not receiving a minimum benefit have lost the most purchasing power. Plans 1 members receiving minimum benefits generally maintain purchasing power; however, their benefits are much lower than average and could cause concerns of benefit adequacy. Additionally, Plan 1 members may have outside resources available to them in retirement that serve to enhance the total adequacy of their retirement benefit. For those on minimum benefits, the pension component of the "Three-Legged Stool" of retirement income is small, but other resources may be available to members.

Reward-for-service, purchasing power protection, and benefit adequacy could be studied independently as it relates to minimum benefit design in the Plan 1. Additionally, new approaches to Plan 1 minimum benefit design could be studied, as well as specific benefit proposals brought by the Committee or stakeholders.

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Appendix

Appendix A: Legislative History

History of Post-Retirement Adjustments in TRS 1 and PERS 1		
Date	**TRS 1**	**PERS 1**
3/21/61	N/A	Minimum pension $900/year if retired at age 70 with 10 or more years of service. $60/month if 15-19 years of service. $70/month if 20-24 years of service. $80/month if 25-29 years of service. $90/month if 30 or more years of service.
3/21/67	N/A	Minimum benefit increases to: $60/month if 12-15 years of service. $90/month if 16-19 years of service. $120/month if 20 or more years of service.
7/1/67	Pension portion of benefit increased to $5.50/month/year of service if age 65 and not qualified for Social Security.	
3/25/69	N/A	Minimum benefit increases to: $75/month if 12-15 years of service. $100/month if 16-19 years of service. $130/month if 20 or more years of service.
7/1/70	Minimum benefit revised to $5.50/month/year of service. Applicable to members retiring before 4/1/69. Applied to the pension portion of the benefit.	The following received for each $1 of pension by year of retirement: '49 - $1.5239 '56 - $1.3687 '63 - $1.2116 '50 - $1.5386 '57 - $1.3485 '64 - $1.1960 '51 - $1.5239 '58 - $1.3031 '65 - $1.1813 '52 - $1.4110 '59 - $1.2601 '64 - $1.1620 '53 - $1.3805 '60 - $1.2501 '65 - $1.1291 '54 - $1.3702 '61 - $1.2116 '66 - $1.0980 '55 - $1.3643 '62 - $1.2255 '67 - $1.0536
7/1/71	N/A	5.95% COLA applied to pension portion of the benefit if retired before 12/31/70.
7/1/72	5.9% COLA for all members retired before 7/1/71, plus an additional 5.4% for those retired between 7/1/69 and 6/30/70.	
4/25/73	N/A	Minimum benefit of $6.50/month/year of service. 3% permanent increase based on assets in excess of current liabilities.
7/1/73	$3/month/year of service for retirees not eligible for Social Security.	Increase of 1.0609% if the member retired before 1972 and their service retirement allowance was adjusted in section (1) for adjustment made of 4/25/73.

History of Post-Retirement Adjustments in TRS 1 and PERS 1		
Date	**TRS 1**	**PERS 1**
7/1/74	11.9% pension increase for those retired on 6/31/70. 2.9% pension increase for those retired 7/1/70 - 6/30/73. 3% COLA on total allowance for those retired on 12/31/73.	3% COLA for those retired prior to 12/31/73.
7/1/75	N/A	3% COLA for those retired prior to 12/31/74.
7/1/76	Minimum pension benefit of $7.50/month/year of service if retired prior to 4/25/73.	3% COLA for those retired prior to 12/31/75.
7/1/77	Minimum pension benefit of $8.00/month/year of service if retired prior to 4/25/73.	3% COLA for those retired prior to 12/31/76.
7/1/78	N/A	3% COLA for those retired prior to 12/31/77.
7/1/79	Minimum pension benefit of $10/month/year of service for retirees of 7/1/79. Disability and survivor benefits as of 12/31/78, and service benefits as of 7/1/74, permanently increased by $0.8171 multiplied by the member's years of service.	Minimum pension benefit of $10/month/year of service for retirees of 7/1/79. 3% COLA for those retired prior to 12/31/78.
7/1/80	N/A	3% COLA for those retired prior to 12/31/79.
7/1/81	N/A	Excess earnings adjustment no longer in effect as employer contribution rate increased above rate on 4/24/73.

History of Post-Retirement Adjustments in TRS 1 and PERS 1	
Date	**TRS 1 and PERS 1**
7/1/83	$0.74/month/year of service COLA to disability and survivor benefits being received on 12/31/82, and service retirement benefits being received on 7/1/78.
7/1/86	Minimum benefit increased to $13.00/month/year of service.
7/1/87	Minimum pension benefit increased to $13.50/month/year of service. Permanent automatic 3% annual increase to the minimum benefit becomes effective.
7/1/88	Minimum pension benefit increased to $13.82/month/year of service.
7/1/89	Minimum pension benefit increased by $1 to $14.91/month/year of service and then increased 3% to $15.36/month/year of service. Permanent automatic COLA enacted for retirees whose age 65 purchasing power had been reduced by more than 40%.
7/1/90	Minimum pension benefit increased 3% to $15.72/month/year of service. 3% COLA for eligible retirees.
7/1/91	Minimum pension benefit increased 3% to $16.19/month/year of service. 3% COLA for eligible retirees.
2/1/92	The current benefits of those eligible for the COLA adjusted to be equal to 60% of their age 65 retirement allowance.
7/1/92	Minimum pension benefit increased 3% to $16.68/month/year of service. 3% COLA for eligible retirees.
7/1/93	Minimum pension benefit increased 3% to $17.18/month/year of service. 3% COLA for eligible retirees. Continuation of special adjustment effective 2/92. Temporary ad-hoc COLA effective through 6/30/94, $3/month/year of service for those retired 5 years, who were 70 years of age, and did not receive a COLA in 1992.
7/1/94	Minimum pension benefit increased 3% to $17.70/month/year of service. 3% COLA for eligible retirees. Special adjustment effective 2/92 made permanent. Temporary ad-hoc COLA extended to 6/30/95. Provides $3/month/year of service to eligible retirees.
7/1/95	Uniform Increase established. Initial increase of $0.59/month/year of service to be increased by 3% per year. Retirees are eligible for the Uniform Increase if they have been retired at least one year and are age 66 by 7/1 in the calendar year in which the annual increase is given, or if their retirement allowance is lower than the minimum benefit amount. Minimum benefit increased to $24.22/month/year of service, and to automatically increase each year by the Annual Increase amount. Temporary ad-hoc COLA that had been extended to 6/30/95 made permanent.

History of Post-Retirement Adjustments in TRS 1 and PERS 1	
Date	**TRS 1 and PERS 1**
7/1/98	Gain-sharing established, providing even-year enhancements to the Annual Increase amount based on half the compound average investment returns in TRS 1 and PERS 1 plan assets over the previous four fiscal years that exceed 10%.
7/1/04	$1,000 minimum benefit (before optional benefit payments) established for retirees with 25 years of service and at least 20 years of retirement. Does not include an automatic increase. Effectively sunsets after the regular minimum increases to $40/month/year of service.
7/1/06	$1,000 minimum benefit (before optional benefit payments) extended to retirees with 20 years of service and at least 25 years of retirement. Automatic increase provided for $1,000 minimum of 3% per year.
7/1/07	UCOLA eligibility changed to include all retirees who have been retired one year and will have attained age 66 by 12/31 of the calendar year in which the increase is given.
7/22/07	Gain-sharing repealed after 2008 distribution. One-time increase in the UCOLA of $0.40*/month/year of service in lieu of future gain-sharing. **$0.35 of the increase payable 1/1/08; $0.05 payable on 7/1/09.*
7/1/11	UCOLA repealed and $500 increase applied to Alternate Minimum benefit.
7/1/18	1.5% increase granted to PERS and TRS Plan 1 retirees not receiving a minimum benefit.

Appendix B

The following are welfare programs administered by DSHS analyzed in the context of Plan 1 beneficiaries.

Aged, Blind, or Disabled (ABD) Cash

The ABD Cash Assistance program provides a maximum monthly cash grant of $197 for a single individual or $248 for a married couple meeting the benefit qualifications. Additionally, members cannot receive ABD cash assistance if they:

- Are eligible for the Temporary Assistance to Needy Families or State Family Assistance program;
- Do not pursue federal aid assistance (e.g., Medicaid) without good cause;
- Do not participate in substance use disorder treatment (when required) without good cause;
- Do not follow through with the Supplemental Security Income (SSI) application process without good cause;
- Are eligible for SSI benefits or are an ineligible spouse of an SSI recipient; or
- Do not follow a Social Security Administration (SSA) program rule or application requirement and SSA denied or terminated your benefits.

Food Stamps

Food Stamps, also known as Basic Food, is a program that provides eligible households an electronic benefits card and monthly benefits to buy food at participating grocery stores. The income level is 200 percent of the Federal Poverty Guideline. These income limits based on household size are documented in the table below.

Household Size	Monthly Gross Income
1	$1,945
2	$2,622
3	$3,299
4	$3,975
5	$4,652
6	$5,329
7	$6,005
8	$6,682
9	$7,359
10	$8,035
Add for each person over 10	$677

Medical Assistance

Medical Assistance is available to age 65 or over, blind, or disabled individuals who have income at or below SSI standards. There are three types of health care coverage offered through the ABD Medical programs. They are:

1. Categorically Needy Program;
2. Medically Needy Program with no spenddown; and
3. Medically Needy with spenddown.

Spenddown is the amount of medical expense an individual must incur within a specified period of time to qualify for Medical Assistance benefits. In this way, it is similar to an insurance deductible for the program.

If an individual's income is at or below the SSI standard, they may be eligible for the base Categorically Needy Program coverage. If their income is above the SSI standard, they may be eligible for the Medically Needy Program with or without spenddown.

The income limit for Supplemental Security Income-related benefits such as Medical Assistance is $750 a month for individuals and $1,125 a month for couples. The personal resource limit for SSI benefits is $2000 for an individual and $3000 for couples. There are a variety of reductions and exceptions applied to both the income and resource limit for SSI benefits.

Appendix C: Constituent Correspondence on Benefit Adequacy

Constituent Correspondence from Theresa Downey

Hawbaker, Lisa

From: Theresa Downey <theresa.g.downey@gmail.com> on behalf of Theresa G. Downey <tgdowney@yahoo.com>
Sent: Thursday, July 20, 2017 4:07 PM
To: Office State Actuary, WA
Subject: Select Committee on Pension Policy: TRS Plan 1 Cola

RECEIVED
E-MAILED
JUN 12 2018
Office of the State Actuary

Dear Committee Members,
Please seriously study the issue of granting a COLA to members of TRS 1 and PERS 1. I have been retired since 2001. I received a cost-of living increase once in 2010. That's once in sixteen years! Obviously that does not cover the changes in cost-of-living in the past 16 years! And my situation is minor compared to many of my fellow retirees. Many retired years before I did with smaller pensions which are far behind the accumulated change in living costs. During our working years we contributed, without fail, our required portion of our salaries monthly to the pension fund with the expectation of a regular pension check in our retirement years. We receive that check but never did we realize how quickly that check would become a smaller portion of our budget. Please consider the issue and propose a significant change. Thank you.
Theresa Downey, Retired Teacher

1

Constituent Correspondence from Dr. Alan Burke

Washington State
School Retirees' Association
4726 Pacific Ave. SE • Lacey, WA 98503 • (360) 413-5496 • 1-(800) 544-5219 • www.wssra.org

July 18, 2018

RECEIVED
JUL 27 2018
Office of the State Actuary

The Honorable Steve Conway
Chair, Select Committee on Pension Policy
241 John A. Cherberg Building
P.O. Box 40429
Olympia, WA 98504

Dear Senator Conway,

Thank you for reviewing my letter dated May 18, 2018 (attached) and my comments regarding Plan 1 COLA legislation delivered during the Executive Session of June's Select Committee on Pension Policy (SCPP) meeting.

Please consider scheduling a public hearing for Plan 1 COLA legislation at the SCPP's October meeting. The Washington State School Retirees' Associations' request is that the SCPP resubmit its 2018 Plan 1 COLA request legislation to the Legislature for consideration during the 2019 Legislative Session.

As you know, Plan 1 retirees continue to lose purchasing power due to inflation. Passage of a COLA will help to mitigate that financial pain.

Sincerely,

Alan Burke

Dr. Alan Burke
Executive Director

cc: Aaron Gutierrez, Office of the State Actuary

Washington State
School Retirees' Association

4726 Pacific Ave. SE • Lacey, WA 98503 • (360) 413-5496 • 1-(800) 544-5219 • www.wssra.org

May 18, 2018

The Honorable Steve Conway
Chair, Select Committee on Pension Policy
241 John A. Cherberg Building
P.O. Box 40429
Olympia, WA 98504

Dear Senator Conway,

During the 2018 Legislative Session, the Select Committee on Pension Policy sponsored request legislation for a Plan 1 COLA. The bill recommended a 3% COLA on the first $25,000 in pension income for all Plan 1 retirees.

The legislature passed an amended version of the bill that provided a 1.5% increase. The 2018 increase takes effect July 1st. Unfortunately, inflation for 2018 is already projected to be 3.3%. Therefore, Plan 1 retirees will see a loss in purchasing power of 1.8% in 2018. That is added to the already substantial loss in purchasing power that has already been inflicted upon Plan 1 retirees.

We ask that the SCPP again resubmit the 2018 request legislation to the Washington State Legislature during the 2019 Legislative Session.

Sincerely,

Alan Burke

Dr. Alan Burke
Executive Director

cc: Aaron Gutierrez, Office of the State Actuary