



Washington State
Association of Counties

Dear Chair Manweller, Vice Chair Conway, Members of the Select Committee on Pension Policy,

The Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC) appreciate the opportunity to provide comments on the pending proposal before the Select Committee on Pension Policy to revisit the post-retirement Cost-of-Living Adjustments (COLA) for Plan 1 members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS).

The combination of capped local revenues, decreased shared state revenues and increasing costs have created a particularly challenging fiscal environment for local governments. Local governments rely on state shared revenues to support safe communities and strong infrastructure, while relying on the ability of local revenues to grow along with the cost of delivering essential services. Long-term fiscal health cannot occur for local governments without the ability to control costs.

As a result of the continuing local government fiscal challenges throughout the state, we have concerns with any proposal that would increase employer contribution rates and Plans 1 unfunded liabilities. For example, the draft bill discussed at the November 14th meeting provided a one-time permanent benefit increase equal to 3% of a qualifying retiree's benefit and capped the increase to \$62.50 per month. The draft adjusted that cap for retirees that opted for a benefit reduction such as an annual COLA adjustment or survivor benefits. This seemingly minor benefit increase would further worsen the PERS 1 UAAL by \$142 million and was projected to cost local government employers \$6.2 million in the 2018-2019 biennium, \$15.6 million in the 2019-2021 biennium, and a cumulative \$86.3 million over the next 10 years. An increase in local government employer contribution rates is one more additional cost that we are not able to control and for which our revenues cannot accommodate.

We recognize that the Select Committee will consider a variety of issues in making the decision regarding whether to recommend to the Legislature revisiting the Plans 1 COLA proposals. We strongly encourage that you will also consider the potential increase in costs to local governments and the residents we serve.

Again, thank you for the opportunity to comment. Please let us know if you have questions or if there is additional information that would be helpful.

Sincerely,

A handwritten signature in black ink that reads "Peter King".

Peter King, CEO
Association of Washington Cities

A handwritten signature in black ink that reads "Eric Johnson".

Eric Johnson, Executive Director
Washington State Association of Counties