Dear Lt. Gov., Speaker, Representative, Senator, (each member was addressed by title and name)

The Georgia State Retirees Association (GSRA) greatly appreciates the Senate overwhelmingly passing SB 343 which, among other things, enhances the state's ability to attract and retain quality employees. It does this by making members of ERS's Georgia State Employees' Pension and Saving plan eligible for cost of living adjustments (COLAs) when awarded by the ERS board of trustees, and it also greatly improves the amount of employer match for employees 401(k) savings. This is a good bill, and we hope that you will support it when the time comes.

We also appreciate the support we have heard from representatives for finally providing COLAs to ERS retirees after thirteen years with no adjustments, and for the Governor recommending $150 million to prefund a COLA for this purpose. We understand that this amount was reached in consultation with Jim Potvin of ERS who told us that he and the ERS actuary developed a "model" for awarding COLAs not to exceed that amount. Jim Potvin and staff have graciously met with the GSRA team on several occasions to explain in some detail how the model will work for ERS to make COLA decisions in the future.

Unfortunately, it appears that although the Governor recommended funds that for the first time ever would "prefund" COLAs for ERS retirees, the recommended amount will not be sufficient for both awarding meaningful COLAs and not depleting the pension fund. ERS's model leans heavily toward preserving the pension fund's integrity (which GSRA supports), but therefore appears not able to yield meaningful COLAs. That is, the COLAs generated by the ERS model are insubstantial and provide no real remedy to improving, much less restoring, state retirees' purchasing power lost over the 13 years of COLA suspension. We bring this to your attention because we are unsure if you are aware of this and whether your intentions are otherwise.

The ERS model, as detailed by ERS in pages 4 and 5 of the first attachment, applies the following the criteria:

- the actuarial rate of return on pension fund investments (approximated by the average of the most recent five fiscal years of earnings),
- a "hurdle" which the rate of return must exceed,
- the percentage of the pension fund's assets to its liabilities, and
- the most recent Social Security COLAs.

After meeting with Jim initially, and in the absence of any other information, GSRA has analyzed the ERS model's potential impact on future COLAs by applying the criteria to actual economic data from the past 20 years. We also identified and analyzed the results of applying several alternative COLA methods and compared them to the ERS model and to inflation during this period. We appreciate Jim's review of our analysis and the corrections he offered, which we incorporated.

GSRA's assessment is that the funding currently proposed combined with the methodology ERS proposes to implement for determining the COLA amount will be insufficient to meet the needs of retirees whose standards of living already have been ravaged by inflation. We specifically note the impact, even among insured retirees, of increased healthcare/ medical costs related to aging, chronic health conditions and access to care. We have come to these conclusions after:

1. Realizing that SB167's actuarial study in November 2021 estimated a cost of roughly $525 million annually for 20 years to pay for annual 3% COLAs. Since $150 million is barely a quarter of $525 million, it is not surprising that average future COLAs will likely be barely a quarter of 3%
2. Determining the worth of COLAs that would have been generated since 2002 using the ERS proposed model and a few other alternative methods -- the model would have not yielded any COLAs at all in ten of those years and a mere 1/2 of 1%, or less, in seven more of those years. We do not foresee future years' conditions changing sufficiently for us to anticipate COLAs of higher value and greater restorative impact, if the proposed ERS model is adopted.
3. Concluding that the model would be very difficult for younger retirees to understand and nearly impossible for older retirees, and
4. Being told that it is likely that 1.5% COLAs will be paid next year. This will come after record-shattering State revenue collections, close to 30% earnings by pension fund investments, and a 7% rate of inflation last year that has decimated most retirees' budgets.

Attachment 2 details our conclusions. Attachment 3 graphically displays some of the results of our analysis.

We are hopeful that there might be additional funding available for COLAs in the form of federal funds, as almost 37% of the state's payroll is funded by the federal government. Attachment 4 provides the basis for this possibility. We are hopeful that by leveraging federal funds and/or through an increase in the revenue estimate, additional funding will be identified and committed.

Again, we are most thankful for the General Assembly's and the Governor's desire to "solve" the ERS COLA problem for good this year, and for the support that is being expressed by many legislators. But we strongly suspect that rank and file retirees will not perceive the problem as being solved and the Governor's and General Assembly's major contributions and good intentions will go unrewarded. If you agree, we would be greatly appreciative for any efforts that may yield additional funding.

Many thanks for your continued assistance. And please let me know if we can help you in any way this session or later in the year.

Best regards,

Beverly Littlefield, President

Georgia State Retirees Association

Brlittlefield1@yahoo.com

404.493.4549

Click Attachment 1 for ERS explanation (on pp. 4 and 5) of how "model" will determine size of COLAs: **Attachment 1**

Click Attachment 2 for GSRA detailed analysis: **Attachment 2**

Click Attachment 3 for graphs comparing COLAs determined by the ERS model to COLAs determined by other methods and to inflation: **Attachment 3**

Click Attachment 4 for GSRA exploring the possibility of state funds leveraging additional federal funds for COLAs: **Attachment 4**