

## **PRESIDENT BEVERLY LITTLEFIELD MAKES CASE FOR MEANINGFUL COLAS TO ERS BOARD**

I'm here as President of Georgia State Retirees' Association, a non-profit, all-volunteer organization, representing all active and retired state workers and educators. In 2008, I retired from the Department of Human Resources Division of Aging Services with 34 years of service.

I'm here on behalf of retirees whose situations have become dire. Many have told us that they are struggling to pay increases in healthcare costs, even with insurance, and for utilities and food. So I can assure you that this *is not a manufactured crisis*.

You've been presented with a great deal of information today, so here is just one number I'd like you to keep in mind: \$22,000, the *median, or midpoint, annual retiree benefit*, or a monthly income of about \$1,800. That works out to about 175% of the poverty level for one person.

The cumulative effect of inflation combined with the impact of the 13-year suspension of the COLA underscores that many of our members are hurting, especially those whose benefits hover around, at or below that midpoint.

The challenge is how to provide meaningful and lasting relief, barring unforeseen and dramatic long-term capital market declines, to *put back into place* the additional retirement security provided by an annual COLA. This is the way forward, but the value or worth of the COLA must be sufficient to make a material difference in the retirees' lives.

Recently we have had the pleasure and privilege of working with Director Jim Potvin and his staff to discuss *options for restoring* the COLA to those retirees who were entitled to them before 2009.

Moreover, we have long advocated for the *removal of the prohibition* on COLAs for GSEPS members and are pleased that Senate Bill 343 will accomplish that objective.

Most importantly, we deeply appreciate the Governor's budget proposal that commits adding \$150 Million to the Actuarially Determined Employer Contribution/ADEC to "jump start", or "prefund" the COLA restoration: *An historic move* in the right direction. But, the truth is, the amount committed thus far, while moving the ball down the field, does not get us all the way across the goal line.

Director Potvin has proposed a formula that is more heavily weighted toward "maintaining the actuarial soundness of the system" than toward "maintaining essentially no less purchasing post-retirement purchasing power for beneficiaries," at least in the near term.

To better understand it, we applied the proposed ERS model to the last 20 years' worth of actual economic data. What we saw was that in 10 of those years, no COLAs *at all* would have been paid, and in 7 more of those years, retirees would have received COLAs of only  $\frac{1}{2}$  of 1%, *or less*. You have in your materials some handouts that provide quite a bit more detail about our analysis.

The guardrails protecting the system are very high and strong. Make no mistake, we are appreciative of Jim Potvin's knowledge, expertise and stewardship of our resources.

But while the guardrails provide effective system protections over the long term, it is difficult to describe insubstantial COLAs, or none at all, as a "win" for beneficiaries for whom ANY further erosion of income is catastrophic.

We understand that we may expect an initial COLA of 1.25%. Retirees with ERS pension benefits at or below that annual \$22,000 mark will net around \$23 (or less) per month.

Not a significant gain, when the cumulative 22-year rate of inflation means that what used to cost \$1 in 2000, now costs \$1.67, a significant erosion of purchasing power.

Director Potvin assures us that he has stretched the base funding as far it will go, but without additional dollars, further flexing isn't feasible. And adopting another methodology, so far, has not been considered.

GSRA's objective is to see the COLA restored at a *minimum* of 2%, below which it would not fall. That would cost an additional \$300 million. Given the current robust health of state revenues and budget, the objective seems achievable, if the political will exists to do it.

Legislative leadership says that this is just a start. Jim assures us that this *will be* a work-in-progress. And so, we are asked to take a leap of faith that all of these assertions and assurances will materialize. It's a BIG leap...

So... we are continuing to work for the appropriation of additional funds to make a *reality* of our *vision* of the *timely restoration* of a meaningful and predictable post-retirement benefit adjustment. In support of our ongoing work, on Tuesday, we sent to every legislator our analysis of the impact of the proposed ERS methodology, and other options that could be considered. We also shared this information with Jim and staff at the same time.

So today I ask you to go beyond just voting, when the time comes, on a measure and methodology to restore the COLA. Let your voices as the Board of Trustees be heard in support of State retirees. Go on record to adopt a Board Resolution that clearly states your support of increased appropriations. Create

language that reflects, going forward, your commitment to providing meaningful, predictable post retirement adjustments, while at the same time, maintaining the actuarial soundness of the system.

We sincerely appreciate having had the opportunity to actually discuss the issues and options with Jim and his staff. We are committed to keeping the dialogue alive and productive.

In closing, I leave you with one thought to ponder as Trustees, and all that the word carries with it: What will be YOUR legacy as a Board of Trustees?

Again, thank you, Madam Chair, Trustees and Director Potvin, for this time today. If GSRA may be of assistance to you at any time, do not hesitate to call on us.