

Thank you Mr. Chairman, members of the committee, my name is Bill Milam and I am the Executive Director of the West Virginia Association of Retired School Employees, otherwise known as WVARSE.

WVARSE was formed in 1957 as a voice for retired teachers, school personnel, administrators and college personnel and is an affiliate of the National Retired Teachers Association (NRTA), AARP's Educator Community.

WVARSE's mission is to protect the pensions of retired educators and school service personnel, provide retirees with information and resources, and promote volunteer opportunities in communities across our state.

I am honored to be here today in front of you and speaking on behalf of WVARSE members and the 34,000 individuals enrolled in the Teachers Retirement System.

As you may know, for decades now, many of these retirees have endured significant increases in their health care costs, utilities and the cost of prescription drugs, but have nonetheless seen neither an increase in their state pension nor received any tax relief.

In addition, and as I'm sure you're aware, PEIA just announced proposed changes for the FY17 plan year.

These changes include an 8% premium increase, an increase in the deductible for medical and prescription drug coverage and an increase in out of pocket spending, all of which would fall squarely on the backs of retirees on fixed incomes who can least afford these increases.

As I said there are approximately 34,000 retirees in the West Virginia Teachers Retirement System, including 6,749 retirees over the age of 80 and 1,295 retirees over the age of 90.

Despite what you sometimes hear in the newspapers about overly generous public pension benefits, the average monthly benefit is quite modest at \$1,727, which is approximately \$20,000 per year.

And it is worth noting that the lowest paid pensions are among the 1,295 retirees over the age of 90.

At the same time, the modest benefits that teachers have earned over a lifetime of hard work have been effectively reduced in recent decades due to the ongoing impact of inflation.

As prices continue to rise for basic living expenses, the purchasing power of a retiree's fixed monthly check continues to get smaller and smaller.

This erosion reduces the adequacy of a retiree's earned benefit and can diminish their standard of living, especially the older the retiree gets.

And while the West Virginia legislature has seen fit to pass several modest increases and adjustments in recent years that were critically important for many retirees – especially those receiving less than \$7,200 a year – the adjustments only affected a small number of individuals, and in most cases, the same retirees received these increases.

This has left approximately 80% of retirees with no increase at all.

In 1998, some retirees received a \$2 a month increase for every year of service and retirees who received less than \$300 per month received an additional \$1 a month for each year of service.

In 2000, all retirees with 20 or more years of service were guaranteed a minimum annuity of \$500 per month.

In 2001, all retirees age 65 retired for 5 years or more received a 5% increase, all retirees age 70 retired for 5 or more years received a 10% increase and all early retirees age 65 who were retired for 5 or more years received a 3 % increase.

In 2006, all retirees age 70 and over who had been retired for 5 or more years, received a 3% increase.

In 2008, retirees who received an annual benefit of \$7,200 or less received an additional or 13th check for \$600 and in 2011 that was increased to \$1,200.

Not only does a retiree's diminished purchasing power have a negative impact on the lives of the individual retiree, it also reduces the economic benefits that retiree spending has on West Virginia communities and the state economy.

According to the National Institute on Retirement Security's report *Pensionomics 2014*, public pension benefits for all WV public retirees "support a significant amount of economic activity in the state of West Virginia ... as pension benefits received by retirees are spent in the local community.

This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect."

"In 2012, expenditures stemming from state and local pensions supported 9,637 jobs that paid \$380 million in wages and salaries and \$225 million in federal, state, and local tax revenues.

Finally, additional economic pressure is being place on retirees as it pertains to their taxes.

Prior to 1986, pensions for retired teachers were 100% exempt from West Virginia State Income Tax. In 1986, however, the legislature changed the exemption from 100% to a \$2,000 tax modification until the age of 65. At age 65, all West Virginia citizens are given an \$8,000 tax modification.

I am here today, therefore, to call on you and all members of the legislature to provide relief to the thousands of retired teachers and school personnel who dedicated their lives to educating our children, serving their communities, and often taking money out of their own pockets to help their students learn.

First, I urge you to provide additional funding for PEIA in the 2016 Legislative Session. On November 4th, WVARSE's Executive Board unanimously voted to adamantly oppose the proposed increases in premiums, co-pays, deductibles, out-of-pocket expenses, prescription costs and any other increases that are currently under consideration by the PEIA Finance Board.

These draconian changes will have a devastating impact, especially on those older retirees who struggle to live on very low fixed incomes.

Second, WVARSE urges this committee to consider legislative changes to the tax code to ensure that the \$2,000 tax modification created in 1986 does not erode once an individual turns 65.

In accordance with the intentions of the 1986 legislative change, the legislature should ensure that all public retirees age 65 receive a total tax modification of \$10,000.

Third, WVARSE recommends that this committee consider legislative changes to provide retirees with a monthly increase in their annuity equal to years of service multiplied by \$1.00 or an amount that does not exceed the limits established by the Pension Fairness Act.

Finally, WVARSE proposes a \$20,000 state income tax exemption for all public retirees.

Currently, state police, city police, county sheriff deputies and firemen receive a 100% exemption of State taxes on pensions and military retirees receive a \$22,000 exemption.

Once again, I'd like to thank you and the members of the committee for this opportunity to testify before you today on some of the important issues facing West Virginia's retired teachers and school personnel.

I urge you to support policies that honor these individuals and their lifetime of hard work and ensure that they can live out their retirement years with dignity and in continued service to their communities.