

Select Committee on Pension Policy

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Regular Executive Committee Meeting

June 20, 2006

12:30 PM - 2:30 PM
House Hearing Room C
Olympia

AGENDA

- 12:30 PM **(A) Approval of Minutes**
- 12:35 PM **(B) Direction on Day's Agenda**
- 1:15 PM **(C) July Committee Meeting**
- Post-retirement employment
 - Plan 1 funding method
 - Gain-sharing
- 2:15 PM **(D) Constituent Correspondence**
- 2:30 PM **(E) Adjourn**

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Senator Karen Fraser

***Representative Bill Fromhold,**
Vice-Chair

Leland A. Goeke
TRS and SERS Employers

Robert Keller
PERS Actives

***Sandra J. Matheson,** Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

***Glenn Olson**
PERS Employers

***Senator Craig Pridemore,**
Chair

Diane Rae
TRS Actives

***J. Pat Thompson**
PERS Actives

Senator Mark Schoesler

David Westberg
SERS Actives

*** Executive Committee**

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Select Committee on Pension Policy

REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

May 16, 2006

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on May 16, 2006.

Executive Committee members attending:

| | |
|-------------------------------------|--------------------|
| Senator Pridemore, Chair | Sandra J. Matheson |
| Representative Fromhold, Vice-Chair | Glenn Olson |
| Elaine Banks | J. Pat Thompson |

Other Committee members attending:

| | |
|-----------------------|-------------------|
| Representative Bailey | Corky Mattingly |
| Lois Clement | Senator Mulliken |
| Representative Conway | Senator Schoesler |
| Robert Keller | |

Senator Pridemore, Chair, called the meeting to order at 12:40 p.m.

(A) Approval of Minutes

It was moved to approve the March 21, 2006, Executive Committee Draft Minutes. Seconded.

MOTION CARRIED

(B) 2006 Interim Work Plan

The committee discussed the "2006 Interim Work Plan".

(C) June Committee Meeting

Issues for the June meeting were discussed. "Dual Membership", "\$150,000 Death Benefit" and "Service Credit Purchase Due to Injury" issues will be presented at the June 20th Full Committee meeting.

***Elaine M. Banks**
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PERS Retirees

Representative Steve Conway

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(D) Constituent Correspondence

Matt Smith, State Actuary, reported on the “constituent correspondence.”

The meeting adjourned at 1:44 p.m.

Select Committee on Pension Policy

July 18th – Meeting Planner

(June 8, 2006)

FULL COMMITTEE AGENDA

- (1) Post retirement employment
- (2) Plan 1 funding method
- (3) Gain-sharing
- (4) Adjourn

EXECUTIVE COMMITTEE AGENDA

- (A) Direction on day's agenda
- (B) September committee meeting
 - Recommendation to PFC
 - \$150,000 death benefit
 - Service credit purchase due to injury
- (C) Constituent correspondence
- (D) Adjourn

RETIREMENT/HEALTH 2007

WASA/AWSP Position

WASA/AWSP supports adequate funding for public pension plans, which attract quality educators to our schools. Concerns of all K-12 retirement system members, both certificated members within the Teacher's Retirement System (TRS) 1, 2, and 3 and classified members within the Public Employee's Retirement System (PERS) 1 and School Employee Retirement System (SERS) 2, and 3, need to be addressed. Plans need to be equitable with other state retirement systems and improvements or increases need to be placed in statute in order to provide stability. The cost of medical benefits needs to be affordable to both active and retired school employees.

WASA/AWSP shall introduce/support legislation related to the following retirement and health issues.

RULE OF 90 – Implement the "Rule of 90"

Background: TRS, SERS and PERS Plan 2 and 3 members must work to the age 65 in order to qualify for full retirement benefits under the plan's defined benefit. Implementing the "Rule of 90" would allow members to receive full retirement benefit when their age plus service years, totals 90. Such a process could be implemented over a period of several biennia.

Another approach is to impact the reduction factors for retiring earlier than age 65. Prior to the year 2000 the early retirement reduction factor averaged about 8% per year for the first five years of early retirement before age 65. Members who retired at age 60 lost 40% of their defined benefit pension.

In the 2000 legislative session the ERRF was lowered to 3% each year if the member had reached the age of 55 and had 30 years of service (SB 6530). We believe a more reasonable service year requirement would be 25 years. This would allow many more Plan 2 and 3 members to be able to retire with a more reasonable ERRF prior to them reaching age 65.

WASA/AWSP Position

- Start implementing the "Rule of 90" or a modification of the ERRF.

EXTRAORDINARY EARNINGS/GAIN-SHARING

Maintain the program of gain sharing that was put in place in 1998 or provide permanent replacement benefits as proposed in 2006 session HB 3183/SB 6795.

Background: Gain-Sharing is in jeopardy because of the recent recommendation to pre-fund the benefit at a cost of \$176 million during the 2005-07 biennium. The cost of pre-funding gain sharing was not addressed during the 2006 session and the gain-sharing bills of 2006, HB3183/SB 6795, were not given a hearing in fiscal committees.

History of Gain-Sharing: Assets invested in the state's retirement funds experienced growth in the 1990s substantially above the projected rate of the earlier 7.5% needed in order to keep retirement systems actuarially sound. The unfunded liability of PERS and TRS Plan 1 that experienced chronic under funding in the 1970s and 1980s had been kept on a schedule to be totally paid off by July 1, 2024. Better-than-expected investment earnings of the pension trust funds during the 1990s gave the Legislature the opportunity to lower employer contribution rates,

thus saving substantial General Fund-State dollars that could be used for purposes other than those that benefit plan members. In 1993, some of these savings were used to provide Plan 1 retirement improvements, including the Age 70 COLA, which was superseded in 1996 by the Plan 1 Uniform COLA. In the year 2000 retirement improvement was initiated for Plan 2 and 3 members by reducing the early retirement reduction factor to 3% for those members with 30 years service. The greatest amount of the savings was, however, subsumed within the state's general fund budget.

The two major pieces of retirement legislation that included gain sharing were passed during the 1998 session. These were ESHB 2491, dealing with Plan 1, and SSB 6306, the SERS/TRS Plan 3 bill. In the 2000 session SB 6530 provided gain sharing for PERS 3. The gain-sharing formula is somewhat similar for all these plans in that gain sharing occurred and is calculated in even-numbered years whenever the compound average rate of investment returns on the pension funds over the previous four years exceeds 10%. Of the total gain-sharing amount above 10%, only half goes to the members in both Plans 1 and 3. For Plan 1, the other half is used to accelerate the amortization for the PERS and TRS Plan 1 unfunded liability. With the SIB gaining four-year average earnings of 13.7% through 1997, half of the TRS and PERS Plan 1 gain was estimated at \$290 million, and for TRS Plan 3, the distribution was \$28.4 million. The gain sharing for Plan 1 was designated for a 10¢ increase to the Uniform COLA and to fund a "pop-up." The gain sharing in Plan 3 went to the members employee contribution account and was determined by the years of service the member had completed \$143 per year of service in 1998. The average four-year earnings through 1999 were 16.56%. The half over 10% allowed \$634 million to increase the Plan 1 COLA by 28¢ effective January 1, 2000 and a distribution of \$72.9 million was made to TRS 3 members' accounts, \$254 per year of service (\$2051 average per member).

SSB 6306 allowed classified school employees to move to a new School Employees' Retirement Service (SERS) Plan 3 in the year 2000. It also provides gain sharing for these members. Remaining Plan 2 members, both TRS and PERS, receive no gain sharing. With the dip in the national economy and the fall of some of the investments within the SIB, there has been no gain sharing since 2001, however the economy has picked up and gain sharing is presently on target for 2008.

During the 2005-07 biennium the Legislature failed to act on gain sharing trade-off bills. The 2006 trade-off bills, HB 3183/SB 6795 included a \$0.24 increase in the Plan 1 COLA, Plan 2 or 3 choice for new entrants to TRS and SERS, plan transfer options for mandated Plan 3 members, and an option for those who earlier chose Plan 3 to have a modified Plan 3 that is similar to Plan 2. Gain sharing would be eliminated under such a trade-off.

WASA/AWSP Position

- WASA/AWSP recommends protecting gain sharing from being repealed because of the cost of pre-funding. If repeal is considered, we support that replacement benefits similar to those included in the 2006 bills, HB 3183/SB 6795, be provided as a trade-off.

RETIRE/REHIRE MODIFICATION

Provide in statute additional retire/rehire guideline provisions that both TRS Plan 1 employers and members would need to follow. Modify some of the changes enacted in 2003 that impacted guidelines for PERS 1 employers and members.

Background: Retire/Rehire legislation was put into place for members of TRS Plan 1 and PERS Plan 1 effective July 1, 2001. This legislation was, and continues to be, in response to

shortages of experienced educators and public employees that are in high demand. Many Plan 1 members are eligible to retire while they are in their mid-fifties.

Significant changes were made to this legislation during the 2003 legislative session through SHB 1829; however, the Governor vetoed the entire sections pertaining to TRS 1.

DRS and OSPI have extensive web sites that outline present guidelines for both TRS and PERS 1 members.

Acceptable changes to the TRS Plan 1 portion of the program were included in the 2006 session's SHB 2689, which did not pass.

- Forbid both verbal and written return-to-work agreements between the member and their former employer. The punishment for a violation of this provision should be no more than a misdemeanor.
- Require the district to document a justifiable need to rehire a retiree.
- Mandate that the authority to hire a post-retirement employee rests with the school board.
- Require that an established process for rehiring be followed.
- Require the retention of procedural records subject to audit.
- Reduce the length a member can work under retire/rehire to three prospective years in order to reduce any projected cost of the program.
- Lengthen the period of required separation before a retiree may return to work in an eligible position from one month to one and one-half month.

Some of the changes made in 2003 to the PERS Plan 1 portion of the program need to be modified:

- The punishment for the violation of the statute forbidding a verbal or written agreement prior to separation needs to be in concert with the punishment within TRS Plan 1.

WASA/AWSP Position

- Provide additional guidelines for retire/rehire within TRS Plan 1.
- Modify some of the guidelines for retire/rehire within PERS Plan 1.

PENSION COLAS

Increase the COLA amount in the Plan 1 Uniform COLA. Benefits should be paid in dollars of constant value, meaning equal to the value of the dollars when they were earned.

Background: The Plan 1 Uniform COLA began July 1, 1995 with a 59¢ per month per years of service (YOS) amount for those reaching the age of 66. This 59¢ amount is increased each July 1 by 3%. On July 1, 1998, the COLA moved to 74¢ with the 3% increase and an additional 10¢ gain-sharing increase. The July 1, 1999 rate was 77¢. The July 1, 2000 rate, which included gain sharing, was \$1.08. The present rate is \$1.29, effective July 1, 2006. Once the Plan 1 retiree is on the Uniform COLA, the impact of the annual increase on the member's pension is cumulative.

Prior to July, 1995, three different COLAs were in effect: 1) a \$17.18 per month per YOS minimum COLA; 2) a regular automatic COLA of up to 3% annually on the entire pension which generally did not begin until about age 79; and 3) a temporary "Age 70 COLA" which provided benefit increases of \$3.00 per month per YOS.

The Uniform COLA legislation was an improvement since it begins increases at an earlier age and it carries over funding to maintain benefit increases to those who were receiving the "Age 70 COLA". It was further improved through gain sharing adopted during the 1998 legislative

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session. However, we believe that the amount of the starting COLA (\$1.29 in 2006) should be further increased. If a Plan 1 member retired with a \$25,000 pension, had worked 30 years, and was age eligible for the Uniform COLA, the Uniform COLA would be worth a little more than half of the amount were the COLA based on an annual 3% increase to the entire pension.

The changes brought about in 1995 with SSB 5119 (Uniform COLA) generally did not cost the state new additional dollars. Ongoing costs to maintain pension increases for those on the "Age 70 COLA" were carried over into the new Uniform COLA. The increase to the COLA through gain sharing also did not cost the state additional general fund dollars since these improvements are covered through investments of the pension trust funds.

Benefits have been defined by the State Supreme Court as deferred compensation for services rendered. This implies that the benefits should be paid in dollars of constant value, meaning equal to the value of the dollars when they were earned. Without a permanent COLA that goes into effect upon retirement, a retiree's benefit is paid in dollars of declining value. In a 1993 *Nationwide Survey of K-12 Pension Benefits*, 31 of 50 states granted an automated COLA after 1 year of retirement. In Washington, the Uniform COLA does not go into effect until July 1 following the retiree reaching age 66. Some must wait until they are nearly 67. This age criteria should be lowered. For the past half dozen years legislation has been introduced to at least allow the Uniform COLA pension adjustment to begin in July of the calendar year the member turns age 66. This improvement of up to six months for some of our members whose birthday comes after July 1 seems like a small and reasonable first step.

WASA/AWSP POSITION

- Improve the Plan 1 COLA so that it comes closer to meeting cost of living increases.
- Start the Plan 1 COLA at age 65 or at least implement "Age 66 COLA" legislation such as in the 2006 bills, HB 2686/SB 6454.

CONTRIBUTION RATES

Adopt contribution rates as recommended by the Pension Funding Council (PFC) for the 2007 – 2009 biennium. Oppose any further deferral of contribution rates.

Background: The Pension Funding Council (PFC), which was established in 1998, was directed in statute to make changes to state contribution rates every two years for the next biennium consistent with actuarial assumptions. During the 1999 legislative session, contribution rates were dropped significantly in the 1999-2001 budget, saving the state's general fund approximately \$350 million. Instead of waiting for the next biennium's rate adjustment, the 2000 legislative session budget writers reduced contribution rates again for an additional \$79.6 million general funds savings. It appeared that much of the extraordinary earnings from the past few years were being wiped away in order to help address short-term general fund budget problems. The only two improvements made to TRS and PERS/SERS plans included every other year gain sharing (see gain sharing issue in this position paper) that was adopted in 1998 and SB 6530 (Plan 2 and 3 ERRF) whose cost during the 1999-01 biennium starting September 1, 2000 was \$38.8 million. These were important improvements made in those three years; however, their impact on effecting contribution rates was not as significant as the rate decreases caused by extraordinary earnings, thus providing savings to the state general fund.

During September 2000 the PFC adopted recommendations that contribution rates be reduced again. Those projected savings for the general fund – state (GFS) during the 2001-03 biennium amounted to \$109 million. During the 2001 session rates were reduced even further, saving the state an additional \$192M for a total of \$301M. Employer rates for the TRS members moved from 11.75% starting the 1997-99 biennium to as low as 1.05% starting April 1, 2002.

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Contribution rates for most of the TRS member employees are set in statute (Plan 1 at 6%) or are set by the member (Plan 3). The only TRS members that have gained from contribution reductions are approximately 14% of the members that have remained in Plan 2 with rates going from 6.03% on September 1, 1998 to as low as 0.15% on April 1, 2002. TRS Plan 1 members are presently paying more than the employer (state) even though much of the state's contribution is attributed to the underfunding of the system by the state during the 1970s and 1980s. During the 2001 session ESSB 6167 moved the amortization of Plan 1 unfunded liability back to 2024 from 2017.

During the 2003 session rates were expected to rise based on pension Funding Council recommendations. The legislature made yet another change by adopting a new smoothing method that varies from the long-term SIB investment rate of return assumption recognized over a period up to 8 years rather than 4. This method saved the general fund \$87.7 million.

During the 2004 session HB2541 was passed to help stabilize contribution rates within the new smoothing method. Added was a market value corridor with a boundary of plus or minus 30% to better stabilize rates and insure that assets were adequate to meet actuarial costs. Contribution rates rose significantly during the 2005-07 biennium even with a four-year phase-in of rates. During the 2006 session HB 2681 was passed which establishes minimum employer contribution rates for the Plan 1 UAAL in TRS and PERS beginning July 1, 2009.

WASA/AWSP Position

- Except for the newly proposed cost of pre-funding of gain sharing, oppose any plan or effort of rate setting that makes further cost deferrals to PFC recommendations.
- In the future make changes to the pension setting process so rates become more stable over a period of years.
- Amortization of Plan 1 unfunded liability should be accelerated and shortened.

RETIREMENT GOVERNANCE

Give active and retired public employees further opportunity beyond what was accomplished in SHB 1204 in helping direct the oversight of their pension system.

Background: During the 2003 legislative session significant steps were taken to improve the opportunity for active and retired public employees to participate in the governance of their pension system. The Joint Committee on Pension Policy, which was made up of sixteen legislators, was dropped and a new twenty member Select Committee on Pension Policy (SCPP) was directed to be put in its place. This new SCPP group is to be composed of eight legislators, four employers, the directors of OFM and DRS, and four actives and two retired public employees.

WASA/AWSP wish to see further involvement of active and retired public employees in the governance of their pension system. WASA/AWSP wants increased representation of active and retired public employees within the SCPP; wants the SCPP to set contribution rates rather than the Pension Funding Council (PFC); and wants "Trust Fund" status for not only investment policies of the State Investment Board, but also for the overall oversight of the pension funds by a more balanced pension board.

WASA/AWSP Position:

- Increase representation of active and retired public employees within the SCPP and within the group's executive committee.
- Have the SCPP set contribution rates rather than the PFC.
- Give overall "Trust Fund" status to the state's public employee pension funds.

PLAN 3 VESTING

Change vesting for Plan 3 to five years.

Background: When each of the TRS, SERS, and PERS Plan 3 systems were enacted, the new members to each of these plans were given vesting into the defined benefit portion of their Plan after ten years of service or after five years of service if 12 months of that service is earned after attaining the age 54. Members that transferred into plan 3 systems from Plan 2 were automatically vested if they had five years of service in Plan 2 as of the transfer dates.

Plans 1 and 2 are vested after five years and many private plans now have vesting after as low as two years. Plan 3 vesting was modified during the 2006 legislative session through the passage of SHB2684. It provides vesting by requiring five years of service with one year of service after age 44 or with ten years of service.

WASA/AWSP Position

- Continue decreasing the length of vesting for Plan 3 members down to five years.

PLAN 2/3 FINAL YEAR CONTRACT

Make provision so that TRS Plan 2 and 3 members can receive a full year salary (12 months) for their final year work contract.

Background: Both school administrators and teachers that are in TRS Plans 2 and 3 who decide to retire on July 1st effectively lose two months of service credit in the last year of their contract. Service credit in Plan 1 is counted by the year, however in Plans 2 and 3 service credit is counted by the month; therefore these Plan 2 and 3 members lose July the August. A teacher's contract runs from September 1st through August 31st, while an administrator's contract is required to be on a fiscal year, July 1st through June 30th. Administrators and teachers could possibly wait to retire until September 1st and then get credit for twelve months of their last year; however, they effectively have finished their commitment to their contract by the end of June.

Most administrators and teachers do retire on July 1st in order to begin drawing retirement beginning that month, however they do lose those two months of service credit. Teachers are still drawing pay during July and August; however administrators receive their final pay at the end of their fiscal year contract.

WASA and AWSP are interested in the SCPP examining this issue during the interim and possibly recommending legislation to allow credit for the full year (12 months) of a members final work year.

WASA/AWSP Position

- Similar to TRS Plan 1, allow Plan 2 and 3 members to receive a full year (12 months) of service credit and pay for their final year through August 31st.

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CREDIT FOR MILITARY/UNIFORMED SERVICE

Provide similar military/uniformed service credit for TRS I members as is available for those in PERS I. This will provide credit for TRS I members whether or not the service was interrupted.

Background: WASA/AWSP supports allowing TRS employees, after 25 years, to receive up to five years credit for duty in the armed forces whether or not the service was interrupted. The member would contribute to the member reserve, either in a lump sum or installments, six percent of the member's average earnable compensation for his or her highest compensated consecutive years of service for each additional year of prior military service. With this provision there would be closer equity with the PERS system. SB 6743 was introduced during the 2004 session.

WASA/AWSP Position

- Provide similar military/uniformed service credit for TRS 1 members as is available for those in PERS 1.

RETIREE HEALTH CARE

Keep K-12 retiree health care benefit premium rates at an affordable level by continuing to fund the retiree health subsidy at levels that keep up with rising health insurance costs. Consider the option of allowing a new "open window" to allow additional K-12 retirees access to enroll in HCA health plans. Allow Plan 2 members access to the PEBB retiree health benefits upon separation at age 55 with at least 10 years of service.

Background: During the 1993 legislative session, K-12 retirees were given the option of being covered with health care insurance under plans provided by the state's Health Care Authority (HCA) through the Public Employee Benefits Board (PEBB). A health insurance subsidy has been provided to K-12 retirees that join the PEBB sponsored plans. This subsidy has changed since 1993 with those under the age of 65 now receiving an implicit subsidy by being placed in a large pool with state employees. The K-12 Medicare eligible employees still receive an explicit subsidy since they are in a smaller separate insurance pool. The amount of the K-12 Medicare eligible retiree subsidy is \$131.87 per month for calendar year 2006. This subsidy is funded by a "carve out" from school district active employees. The amount sent to the HCA by school districts is \$48.42 per month per employee for 2005-2006 and is scheduled to be \$55.15 beginning September 1, 2006.

Medical insurance rates for plans offered through the PEBB have been rising significantly. Rates for active public employees have been rising between 10 to 20% since 1998. Average rates for Medicare eligible retirees have risen even higher than active employees. All plans have higher co-pays for prescription drugs and other medical services.

In 1996, the state's supplemental operating budget directed the HCA to study options for expanding both state and district retiree access to PEBB health plans and the fiscal impacts of these options. On March 3, 1998, the HCA completed a study for the Governor and the Legislature. The study outlined the cost of changing eligibility policies that might expand retiree access to the PEBB plans. HB 1425 was introduced during the 2004 legislative session. This bill provided an "open window" for enrollment in PEBB health plans; however, the cost of the bill stopped its passage in committee. The HCA has been exploring the possibility of allowing access for these non-enrolled retirees if they pay the state subsidy amount plus the premium amount.

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Plan 2 members do not have access to PEBB retiree health benefits unless they are retired. Many Plan 2 members, who are not eligible for full retirement till age 65, will decide to separate from service before starting to draw their pension in order to not take significant reduction in their pension through early retirement provisions. We recommend provision identical to Plan 3 for Plan 2 members that allows them access to PEBB plans upon separation at age 55 with at least 10 years of service. Bills have been introduced during the last few biennia to implement such access; however these bills have never been acted upon.

WASA/AWSP Position

- Keep health care benefits at an affordable level for K-12 retirees. The health insurance subsidy for K-12 retirees should keep up with the inflation of rates charged by insurance plans.
- Make available an open window for K-12 retirees to gain access to PEBB health plans.
- Allow Plan 2 members access to PEBB retiree health benefits upon separation at age 55 with at least 10 years of service.

Facilitated by John Kvamme, WASA/AWSP Consultant

Updated May 7, 2006

WASA Position Papers

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May 25, 2006

The Honorable Craig Pridemore, Chair
Select Committee on Pension Policy
Washington State Senate
111 Modular Building 1
PO Box 40449
Olympia, WA 98504-0449

Dear Senator Pridemore,

During the last legislative session, HB 2927 and its companion, SB 6655, were introduced at the request of the Board for Judicial Administration to clean-up several statutory provisions related to the Judicial Retirement Account (Chapter 2.14 RCW). Last year the draft legislation was not presented to the Select Committee on Pension Policy in time for formal adoption by the Committee, though the Committee did vote to endorse the bills as introduced and the bill(s) made some progress in the legislature.

On behalf of the Board for Judicial Administration, I am requesting that the Select Committee on Pension Policy consider adopting as Committee legislation the attached for introduction in the 2007 legislative session.

The primary impetus for the legislation are embodied in sections 6 and 7 of the bill which provide language found in other state retirement system statutes allowing distribution of account funds pursuant to a qualified domestic relations order. Sections 1, 2, and 5 of the bill are presented as non-technical clean-up: Sections 1 and 2 clarify application to judges participating in all state retirement systems other than the Judicial Retirement System; and, section 5 removes the State Court Administrator as one of two possible investors of the account leaving the State Investment Board as the entity responsible for directing the investment of account funds. Sections 3 and 4 are technical amendments correcting section references.

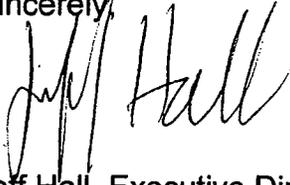
You may recall last session that the legislature did pass SHB 2691 allowing judges to opt out of the Judicial Retirement Account and creating a new PERS retirement option for judges. This requested legislation is necessary without regard to the SHB 2691 due to the fact that some judges may choose to remain within the Judicial Retirement Account and for the purpose of continuing to

disburse benefits to judges who are currently drawing benefits from the Judicial Retirement Account.

I have enclosed copies of the House bill from last session as well as the House and Senate Bill Reports and the Fiscal Note for your information.

Please feel free to contact me should you have any questions regarding the above and I look forward to presenting this legislation to the full committee at your request.

Sincerely,

A handwritten signature in black ink that reads "Jeff Hall". The signature is written in a cursive style with a large, prominent "J" and "H".

Jeff Hall, Executive Director
Board for Judicial Administration

Enclosures

cc: Select Committee on Pension Policy (w/o enclosures)
Matthew Smith, State Actuary
Board for Judicial Administration (w/o enclosures)
Ramsey Radwan, Management Services Director, AOC (w/o enclosures)

HOUSE BILL 2927

State of Washington

59th Legislature

2006 Regular Session

By Representatives Fromhold, Crouse, Nixon, Bailey, Kessler, Rodne, Moeller and Conway; by request of Board For Judicial Administration

Read first time 01/17/2006. Referred to Committee on Appropriations.

1 AN ACT Relating to retirement benefits for judges; and amending RCW
2 2.14.010, 2.14.030, 2.14.040, 2.14.060, 2.14.080, 2.14.100, and
3 2.14.110.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 2.14.010 and 1988 c 109 s 12 are each amended to read
6 as follows:

7 (1) The purpose of this chapter is to provide a supplemental
8 retirement benefit to judges who are elected or appointed under chapter
9 2.04, 2.06, or 2.08 RCW and who are not members of the (~~public~~
10 ~~employees~~) judicial retirement system (~~(for their service as a~~
11 ~~judge)~~) authorized by chapter 2.10 RCW.

12 (2) This chapter may be known and cited as the judicial retirement
13 account act.

14 **Sec. 2.** RCW 2.14.030 and 1988 c 109 s 14 are each amended to read
15 as follows:

16 The judicial retirement account plan is established for judges
17 appointed or elected under chapter 2.04, 2.06, or 2.08 RCW and who are

1 ~~not~~ members of the (~~public employees~~) judicial retirement system
2 (~~for their service as a judge~~) authorized by chapter 2.10 RCW.

3 **Sec. 3.** RCW 2.14.040 and 1998 c 245 s 1 are each amended to read
4 as follows:

5 The administrator for the courts, under the direction of the board
6 for judicial administration, shall administer the plan. The
7 administrator shall:

8 (1) Deposit or invest contributions to the plan consistent with RCW
9 2.14.080;

10 (2) Credit investment earnings or interest to individual judicial
11 retirement accounts consistent with RCW (~~2.14.070~~) 2.14.060;

12 (3) Keep or cause to be kept full and adequate accounts and records
13 of the assets, obligations, transactions, and affairs of any judicial
14 retirement accounts created under this chapter; and

15 (4) Adopt rules necessary to carry out this chapter.

16 **Sec. 4.** RCW 2.14.060 and 1988 c 109 s 17 are each amended to read
17 as follows:

18 The judicial retirement principal account is created in the state
19 treasury. Any deficiency in the judicial retirement administrative
20 account caused by an excess of administrative expenses disbursed from
21 that account over earnings of investments of balances credited to that
22 account shall be transferred to that account from the principal
23 account.

24 The contributions under (~~section 19 of this act~~) RCW 2.14.090
25 shall be paid into the principal account and shall be sufficient to
26 cover costs of administration and staffing in addition to such other
27 amounts as determined by the administrator for the courts. The
28 principal account shall be used to carry out the purposes of this
29 chapter.

30 **Sec. 5.** RCW 2.14.080 and 1996 c 39 s 20 are each amended to read
31 as follows:

32 (~~(1) The administrator for the courts shall:~~

33 ~~(a) Deposit or invest the contributions under RCW 2.14.090 in a~~
34 ~~credit union, savings and loan association, bank, or mutual savings~~
35 ~~bank;~~

1 ~~(b) Purchase life insurance, shares of an investment company, or~~
2 ~~fixed and/or variable annuity contracts from any insurance company or~~
3 ~~investment company licensed to contract business in this state; or~~

4 ~~(c) Invest in any of the class of investments described in RCW~~
5 ~~43.84.150.~~

6 ~~(2))~~) The state investment board or the department of retirement
7 systems, at the request of the administrator for the courts, may invest
8 moneys in the principal account. Moneys invested by the investment
9 board shall be invested in accordance with RCW ~~((43.84.150))~~
10 43.33A.140. Moneys invested by the department of retirement systems
11 shall be invested in accordance with applicable law. Except as
12 provided in RCW 43.33A.160 or as necessary to pay a pro rata share of
13 expenses incurred by the department of retirement systems, one hundred
14 percent of all earnings from these investments, exclusive of investment
15 income pursuant to RCW 43.84.080, shall accrue directly to the
16 principal account.

17 **Sec. 6.** RCW 2.14.100 and 1988 c 109 s 21 are each amended to read
18 as follows:

19 (1) A member who separates from judicial service for any reason is
20 entitled to receive a lump sum distribution of the member's accumulated
21 contributions. The administrator for the courts may adopt rules
22 establishing other payment options, in addition to lump sum
23 distributions, if the other payment options conform to the requirements
24 of the federal internal revenue code.

25 (2) The right of a person to receive a payment under this chapter
26 and the moneys in the accounts created under this chapter are exempt
27 from any state, county, municipal, or other local tax and are not
28 subject to execution, garnishment, attachment, the operation of
29 bankruptcy or insolvency law, or any other process of law whatsoever
30 and is not assignable, except as is otherwise specifically provided in
31 this section.

32 (3) If a judgment, decree or other order, including a
33 court-approved property settlement agreement, that relates to the
34 provision of child support, spousal maintenance, or the marital
35 property rights of a spouse or former spouse, child, or other dependent
36 of a member is made pursuant to the domestic relations law of the state
37 of Washington or such order issued by a court of competent jurisdiction

1 in another state or country, that has been registered or otherwise made
2 enforceable in this state, then the amount of the member's accumulated
3 contributions shall be paid in the manner and to the person or persons
4 so directed in the domestic relations order. However, this subsection
5 does not permit or require a benefit to be paid or to be provided that
6 is not otherwise available under the terms of this chapter or any rules
7 adopted under this chapter. The administrator for the courts shall
8 establish reasonable procedures for determining the status or any such
9 decree or order and for effectuating distribution pursuant to the
10 domestic relations order.

11 (4) The administrator for the courts may pay from a member's
12 accumulated contributions the amount that the administrator finds is
13 lawfully demanded under a levy issued by the internal revenue service
14 with respect to that member or is sought to be collected by the United
15 States government under a judgment resulting from an unpaid tax
16 assessment against the member.

17 **Sec. 7.** RCW 2.14.110 and 2005 c 282 s 1 are each amended to read
18 as follows:

19 If a member dies, the amount of the accumulated contributions
20 standing to the member's credit at the time of the member's death,
21 subject to the provisions of chapter 26.16 RCW, shall be paid to the
22 member's estate, or such person or persons, trust, or organization as
23 the member has nominated by written designation duly executed and filed
24 with the administrative office of the courts. If there is no such
25 designated person or persons still living at the time of the member's
26 death, the member's accumulated contributions shall be paid to the
27 member's surviving spouse as if in fact the spouse had been nominated
28 by written designation or, if there is no such surviving spouse, then
29 to the member's legal representatives.

--- END ---

HOUSE BILL REPORT

HB 2927

As Reported by House Committee On: Appropriations

Title: An act relating to retirement benefits for judges.

Brief Description: Revising retirement benefits for judges.

Sponsors: Representatives Fromhold, Crouse, Nixon, Bailey, Kessler, Rodne, Moeller and Conway; by request of Board For Judicial Administration.

Brief History:

Committee Activity:

Appropriations: 1/26/06, 1/31/06 [DP].

Brief Summary of Bill

- Provides membership in the Judicial Retirement Account Plan (JRA) for any state-employed justice or judge who is not a member of the Judicial Retirement System.
- Removes options for the Administrator of the Courts to manage contributions, leaving investment of the principal account with the State Investment Board.
- Exempts JRA accounts from judicial process, including attachment and the operation of bankruptcy or insolvency laws, except for domestic relations orders and federal income tax levies.
- Subjects distribution of JRA accounts to the operation of state community property laws upon a member's death.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Staff: David Pringle (786-7310).

Background:

State-employed justices and judges, including those on the Washington Supreme Court, Courts of Appeals, and Superior Courts, also participate in a supplemental defined contribution program called the Judicial Retirement Account (JRA). The JRA was established in 1988, and members and employers each contribute 2.5 percent of pay to an individual member account. Distribution of the JRA is available to the member upon retirement as a lump-sum, or in other payment forms as made available by the administering agency, the Administrator of the Courts.

Since July 1, 1988, newly elected or appointed judges and justices have become members of the Public Employees' Retirement System (PERS) Plan 2. Since March 1, 2002, judges and justices without previously established PERS membership have had the choice to enter PERS Plan 2 or Plan 3. Judges who established membership in PERS Plan 1 prior to October 1, 1977, and who became judges after the closure of the Judicial Retirement System in 1988 remain members of PERS Plan 1.

The PERS Plan 2 provides members with an unreduced benefit of 2 percent of average final compensation for each year of service credit earned at age 65. The PERS Plan 3 provides members with an unreduced benefit of 1 percent per year of service credit earned at age 65, plus an individual member account of accumulated employee contributions plus investment earnings. A member of PERS Plan 2 or 3 may include any number of years of service towards the 2 percent or 1 percent formula in calculating their retirement benefit. The PERS Plan 1 provides members with a 2 percent per year unreduced benefit of up to 60 percent of average final compensation after 30 years of service at any age, 25 years of service beginning at age 55, or five years of service beginning at age 60.

Between 1937 and 1971, judges participated in the Judges' Retirement Plan, and between 1971 and 1988, the Judicial Retirement System. Both plans offered a benefit capped at 75 percent of pay that could be accrued after approximately 21.5 years of service. Both systems are funded on a pay-as-you-go basis, with member contributions between 6.5 percent and 7.5 percent of pay, and state contributions averaging in excess of 40 percent of pay. There are 19 active members of the Judicial Retirement System and 127 annuitants (retirees plus survivors), and no active members of the Judges' Retirement Plan and 16 annuitants.

Summary of Bill:

Membership in the JRA is provided to all justices and judges of the Washington Supreme Court, Courts of Appeals, and Superior Courts, except members of the Judicial Retirement System. The State Investment Board, at the request of the Administrator of the Courts, may invest the JRA principal account.

The JRA accounts are made more broadly exempt from judicial process, including from attachment and the operation of bankruptcy or insolvency law. The JRA accounts are made

subject to domestic relations orders, and lawfully demanded levies issued by the federal Internal Revenue Service.

Distribution of the accumulated contributions in a member's JRA account are made subject to state community property laws at the time of a member's death.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This is at the request of the State Investment Board and endorsed by the Select Committee on Pension Policy. An attorney asked for a disbursement for a former spouse, and we could not do that under current law. This makes some important changes to the JRA program, including concerning one judge who is a member of the TRS system - a situation that wasn't anticipated when the JRA was created in 1988.

Testimony Against: None.

Persons Testifying: Jeff Hall, Board for Judicial Administration.

Persons Signed In To Testify But Not Testifying: None.

SENATE BILL REPORT

SB 6655

As Reported By Senate Committee On:
Judiciary, January 31, 2006

Title: An act relating to retirement benefits for judges.

Brief Description: Revising retirement benefits for judges.

Sponsors: Senators Fraser and Pridemore; by request of Board For Judicial Administration.

Brief History:

Committee Activity: Judiciary: 1/26/06, 1/31/06 [DP].

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Kline, Chair; Weinstein, Vice Chair; Johnson, Ranking Minority Member; Carrell, Esser, Hargrove, McCaslin, Rasmussen and Thibaudeau.

Staff: Aldo Melchiori (786-7439)

Background: Currently, there is a supplemental retirement benefit (SRB) for elected or appointed Supreme Court justices, Court of Appeals judges, and Superior Court judges who are members of the public employees retirement system. This benefit is not available for judges who are members of the teachers' retirement system. Presently, monies in the judicial retirement principal account are exempt from any state, county, municipal, or other local tax and are not subject to execution, garnishment, or any other process of law.

Summary of Bill: The SRB is available to all judges who are not members of the judicial retirement system, without regard to which other retirement system they may belong. The administrator for the courts is specifically authorized to disburse funds from the judicial retirement account pursuant to a domestic relations order for child support, spousal maintenance, or marital property rights. A member's accumulated contributions may also be disbursed if the administrator for the courts finds that they are lawfully demanded under a levy issued by the Internal Revenue Service for an unpaid tax assessment.

Appropriation: None.

Fiscal Note: Available

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This clarifies that judges who belong to other retirement systems, other than the judicial retirement system, are all eligible for the supplemental retirement benefit. It also allows the administrator to disburse funds pursuant to valid court orders.

Testimony Against: None

Who Testified: PRO: Jeff Hall, Board of Judicial Administration.

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|-------------------------------------|
| Bill Number: 2927 HB | Title: Retirement for judges |
|-----------------------------|-------------------------------------|

Estimated Cash Receipts

| Agency Name | 2005-07 | | 2007-09 | | 2009-11 | |
|-----------------|-----------|-------|-----------|-------|-----------|-------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| | | | | | | |
| | | | | | | |
| Total \$ | | | | | | |

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| Local Gov. Courts * | | | | | | |
| Local Gov. Other ** | | | | | | |
| Local Gov. Total | | | | | | |

Estimated Expenditures

| Agency Name | 2005-07 | | | 2007-09 | | | 2009-11 | | |
|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Office of the State Actuary | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Administrative Office of the Courts | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Retirement Systems | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total | 0.0 | \$0 | \$0 | 0.0 | \$0 | \$0 | 0.0 | \$0 | \$0 |

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| Local Gov. Courts * | | | | | | |
| Local Gov. Other ** | | | | | | |
| Local Gov. Total | | | | | | |

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| | | |
|--------------------------------------|-------------------------------|---|
| Prepared by: Jane Sakson, OFM | Phone: 360-902-0549 | Date Published: Final 1/24/2006 |
|--------------------------------------|-------------------------------|---|

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note
FNPID: 12875

Individual State Agency Fiscal Note

| | | |
|-----------------------------|-------------------------------------|--|
| Bill Number: 2927 HB | Title: Retirement for judges | Agency: 035-Office of State Actuary |
|-----------------------------|-------------------------------------|--|

Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

| | | |
|-----------------------------------|---------------------|------------------|
| Legislative Contact: | Phone: | Date: 01/16/2006 |
| Agency Preparation: Robert Baker | Phone: 586-9237 | Date: 01/24/2006 |
| Agency Approval: Matthew M. Smith | Phone: 360-753-9144 | Date: 01/24/2006 |
| OFM Review: Jane Sakson | Phone: 360-902-0549 | Date: 01/24/2006 |

FISCAL NOTE

REQUEST NO.

| RESPONDING AGENCY: | CODE: | DATE: | BILL NUMBER: |
|-----------------------------|-------|---------|-----------------|
| Office of the State Actuary | 035 | 1/24/06 | HB 2927/SB 6655 |

SUMMARY OF BILL:

This bill impacts the Judicial Retirement Account Plan (JRA) by allowing membership in the plan for any state-employed justice or judge who is not a member of the now-closed Judicial Retirement System.

The bill also provides for distributions related to domestic relations orders (DROs) and IRS levies.

Additional sections of the bill provide for technical corrections dealing with credited investment earnings to individual retirement accounts, incorrect references to non-codified sections, current investment practices, and provides clarification of survivor benefits relative to community property provisions.

Effective Date: 90 days after session

CURRENT SITUATION:

Currently, membership in the JRA is limited to state-employed justices or judges who are members of the Public Employees' Retirement System (PERS). However, Washington State is also a Teachers' Retirement System (TRS) employer. As a result, any justice or judge who first established membership with a TRS employer and subsequently became a state-employed justice or judge, would retain their active membership in TRS while serving as a justice or judge. Ergo, they are not eligible to participate in the JRA.

There are no specific provisions in the JRA chapter related to DROs or IRS levies.

MEMBERS IMPACTED:

We estimate that one additional judge may be affected under this bill.

The state, as the employer, would contribute 2.5% of salary to the JRA for any additional member. Based on a salary of \$122,000, the increase in state contributions would be \$3,050 a year per additional member (2.5 percent of \$122,000).

ASSUMPTIONS:

No other judges or justices will be eligible for the JRA under this bill. The payment(s) of DROs and IRS levies will not result in a payment that exceeds the affected member's accrued benefit. As a result, this legislation should not result in any increase in payments from the plan.

FISCAL IMPACT:**Description:**

The JRA is a defined contribution plan where the member contributes 2.5% of salary and the state, as the employer, matches this contribution.

Actuarial Determinations:

The bill will impact the funding of the system by increasing the contributions payable for any additional members. There is no change in contribution rates.

Fiscal Budget Determinations:

Based on a salary of \$122,000 for one additional member, both the member and the employer contributions would increase by \$3,050 a year (2.5 percent of \$122,000).

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2004 actuarial valuation report of the state's Retirement Systems. Additional data on the number of members affected and the salaries of judges was collected from the Administrative Office of the Courts.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: none
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2006 Legislative Session.

Judicial Impact Fiscal Note

| | | |
|-----------------------------|-------------------------------------|---|
| Bill Number: 2927 HB | Title: Retirement for judges | Agency: 055-Admin Office of the Courts |
|-----------------------------|-------------------------------------|---|

Part I: Estimates

No Fiscal Impact

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.

| | | |
|---------------------------------|-----------------------|------------------|
| Legislative Contact: | Phone: | Date: 01/16/2006 |
| Agency Preparation: Julia Appel | Phone: (360) 705-5229 | Date: 01/17/2006 |
| Agency Approval: Jeff Hall | Phone: 360-357-2131 | Date: 01/17/2006 |
| OFM Review: Garry Austin | Phone: 360-902-0564 | Date: 01/17/2006 |

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill will revise provisions related to the Judicial Retirement Account by allowing a disbursement from the an individual account pursuant to a qualified domestic relations order. It will have no fiscal impact on the Washington courts.

II. B - Cash Receipts Impact

II. C - Expenditures

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Individual State Agency Fiscal Note

| | | |
|-----------------------------|-------------------------------------|---|
| Bill Number: 2927 HB | Title: Retirement for judges | Agency: 124-Department of Retirement Systems |
|-----------------------------|-------------------------------------|---|

Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

| | | |
|-------------------------------------|-----------------------|------------------|
| Legislative Contact: | Phone: | Date: 01/16/2006 |
| Agency Preparation: Dave Nelsen | Phone: (360) 664-7304 | Date: 01/18/2006 |
| Agency Approval: Sandra J. Matheson | Phone: (360) 664-7312 | Date: 01/20/2006 |
| OFM Review: Doug Jenkins | Phone: 360-902-0563 | Date: 01/20/2006 |

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill removes an eligibility requirement for the Judicial Retirement Account (JRA) that judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts must also be members of the Public Employees' Retirement System. It also allows the application of Qualified Domestic Relations Orders (QDRO) to JRA accounts. These changes do not have a fiscal impact on the Department of Retirement Systems.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

No impact.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

No impact.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No impact.

Burkhart, Kelly

Subject: FW: HB 2679 'Rule of 90'

-----Original Message-----

From: gregduras@hotmail.com
Sent: Wednesday, May 24, 2006 11:00 PM
To: Fromhold, Rep. Bill
Subject: NC: HB 2679 'Rule of 90'

HOUSE INTERNET E-MAIL DELIVERY SERVICE

TO: Representative Bill Fromhold

FROM:

Mr. Greg Duras (Non-Constituent from District 27)
4302 N. Waterview St.
Tacoma, WA 98407

E-MAIL: gregduras@hotmail.com

PHONE: 253-759-5785

SUBJECT: HB 2679 'Rule of 90'

MESSAGE:

Representative - I noticed with pleasure you were one of the sponsors of HB 2679 that will help ensure more fairness in the retirement of government employees. I reviewed the fiscal note done by the State Actuaries on the bill and it appears to me they may not have given adequate consideration to some of the positive fiscal effects your bill will have. I suspect if all of the following were factored-in, the impact may well be cost neutral and I encourage you to continue pressing forward with the bill.

1. Government employees who choose to retire earlier under the Rule of 90 will almost all be at the top step of their job classification. If they are replaced by a new hire, the new employee will probably not be hired at the top step of that same job classification and will take years to get there. The savings to state government employers will be significant.
2. The retirement benefits for most employees who elect to retire under the Rule of 90 will be calculated utilizing the average of their last 5 years of employment because in most cases that will be their highest salary years. That dictates that they will not receive the benefit of any wages increases, COLAs, or promotions that would increase their average salary had they remained longer in government service longer. Their retirement benefits will be paid at a lesser rate, particularly considering that under the new collective bargaining procedures, more routine COLAs or raises may

occur.

3. In some cases, agencies may choose not to rehire into the positions being vacated. Some concerns have been expressed by the unions and administration about the increasing numbers of exempt supervisory or management employees in comparison to classified employees. By allowing some employees to retire earlier under the Rule of 90, particularly those in the higher pay scales, and then by not refilling those positions or filling them with lesser paid classified employees, savings can be realized. And as a bonus, problems associated with rifting employees can be avoided.
4. Employees choosing to retire under the Rule of 90 will have less total years of service upon which their retirement benefits will be based. Accordingly, their retirement benefit will be less than if they are forced to continue longer with state service.
5. Employees who retire under the Rule of 90 will almost all come from PERS 2 or similar systems and those hired to replace them will be in PERS 3 where the defined benefit is less, and their contributions are greater. Savings will be significant for state government.
6. Employees who retire earlier under the Rule of 90 will be younger when they retire and those who have dependents may be more likely to sign-up for retirement plans that provide for those dependents in event of the retirees' death. Those plans may result in savings.
7. Retirees under the Rule of 90 will mostly be older than those who replace them and the cost of their health care will generally be higher than those who replace them. That will result in significant savings.
8. It probably cannot be quantified, but younger workers who will replace older workers who retire under the Rule of 90, may be more vibrant and energetic and may bring with them new ideas and enthusiasm keeping the state work force attuned to new ideas, and technologies, with increased productivity, morale and competitiveness.

NOTE: No response required by the sender.

NOTE: We are 99% sure that this is a non-constituent from district 27

Burkhart, Kelly

From: Eby, Wilma on behalf of Matheson, Sandra
Sent: Tuesday, June 06, 2006 9:53 AM
To: Eby, Wilma
Subject: FW: Gainsharing - Ritz Requa 0605

Dear Rita,

Thank you sharing your concerns with Governor Gregoire about cost of living adjustments (COLA's) and gain sharing for retired teachers enrolled in Plan 1. I am responding on her behalf.

I understand your concern about the increasing costs of living, especially as medical costs continue to escalate. We have received similar comments from other Plan 1 retirees and members about that plan's provisions for maintaining purchasing power.

The Select Committee on Pension Policy (SCPP) reviews pension policy changes and forwards recommendations to the legislature for consideration. The committee is continuing to discuss the topics of COLA's and gain sharing. I will forward your comments to the committee for inclusion in their discussions.

Thank you very much for sharing your thoughts. Please feel free to follow the committee's activities through the Office of the State Actuary's Web site at <http://osa.leg.wa.gov/>.

Sincerely,

Sandy Matheson, Director
Department of Retirement Systems

cc: Governor Gregoire

-----Original Message-----

From: Murphy, Sean (GOV)
Sent: Monday, May 22, 2006 3:36 PM
To: Eby, Wilma (DRS)
Subject: GOV'S E-MAIL REFERRAL #650719

REFERRAL DIRECTIONS (For Complete Directions Refer to Citizen Response Team Guidelines)

Referred To: DEPARTMENT OF RETIREMENT SYSTEMS

Action:

RESPOND AS YOU DEEM APPROPRIATE (LETTER, PHONE CALL, DIRECTOR SIGNATURE, ETC.) PLEASE RETURN THE ORIGINAL LETTER, THE REFERRAL SHEET, AND COPY OF REPLY TO CONSTITUENT SERVICES. IF YOU HAVE REPLIED BY EMAIL, PLEASE SEND US A COPY OF YOUR REPLY BY EMAIL.

Comments:

Gain Sharing

Gain Sharing is an important benefit and must be retained in statute unless replaced with benefits of significant value. I, as a member of TRS 1 depend on Gain Sharing to augment the value of the Uniform Plan 1 COLA and mediate the impact of lost purchasing power. I have been retired 10 years and have seen health costs more than triple and my purchasing power significantly reduced. Gainsharing is also a critical issue for members of TRS/PERS/SERS 3 who depend on Gain Sharing to enhance the value of their pension. Please support this issue. Thank you, Rita Requa

6/19/2006

DUE BACK: 6/5/2006

Referred By: Sean Murphy, Constituent Relations

CONTACT INFORMATION (Log: 650719)

Contact Date: 5/20/2006

Contact Type: Gov. Web Page E-mail

From: Rita Requa
19121 Ballinger Way NE, #102
Lake Forest Park, WA 98155-2449

Email Address: rrequa@earthlink.net

Phone(s): Home 1 (206) 362-5220

CONSTITUENT MESSAGE

CATEGORY: STATEGOV
SUBJECT: STATES\$

Burkhart, Kelly

From: Eby, Wilma on behalf of Matheson, Sandra
Sent: Tuesday, June 06, 2006 9:53 AM
To: Eby, Wilma
Subject: FW: Gain sharing - JoAnn Bright 0605

Dear JoAnn,

Thank you sharing your concerns with Governor Gregoire about cost of living adjustments (COLA's) and gain sharing for Plan 1 and Plan 3 members. I am responding on her behalf.

I understand your concern about the increasing costs of living, especially as medical costs continue to escalate. We have received similar comments from other Plan I retirees and members about that plan's provisions for maintaining purchasing power.

The Select Committee on Pension Policy (SCPP) reviews pension policy changes and forwards recommendations to the legislature for consideration. The committee is continuing to discuss the topics of COLA's and gain sharing. I will forward your comments to the committee for inclusion in their discussions.

Thank you very much for sharing your thoughts. Please feel free to follow the committee's activities through the Office of the State Actuary's Web site at <http://osa.leg.wa.gov/>.

Sincerely,

Sandy Matheson, Director
Department of Retirement Systems

cc: Governor Gregoire

REFERRAL DIRECTIONS (For Complete Directions Refer to Citizen Response Team Guidelines)

Referred To: DEPARTMENT OF RETIREMENT SYSTEMS

Action:
RESPOND AS YOU DEEM APPROPRIATE (LETTER, PHONE CALL, DIRECTOR SIGNATURE, ETC.) PLEASE RETURN THE ORIGINAL LETTER, THE REFERRAL SHEET, AND COPY OF REPLY TO CONSTITUENT SERVICES. IF YOU HAVE REPLIED BY EMAIL, PLEASE SEND US A COPY OF YOUR REPLY BY EMAIL.

Comments:
Gain Sharing
Gain Sharing is an important benefit and must be retained in statute unless replaced with benefits of significant value. Members of TRS and PERS I depend on Gain Sharing to augment the value of the Uniform Plan I COLA and mitigate the impact of lost purchasing power.

This benefit is also a critical issue for members of TRS/PERS/SERS 3 who depend on Gain Sharing to enhance the value of their pension.

Thank you for your attention to this matter.

JoAnn

DUE BACK: 6/15/2006

Referred By: Sean Murphy, Constituent Relations

CONTACT INFORMATION (Log: 652132)

6/19/2006

Contact Date: 6/1/2006

Contact Type: Gov. Web Page E-mail

From: Joannes Bright
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CONSTITUENT MESSAGE

CATEGORY: STATEGOV
SUBJECT: DRS

Burkhart, Kelly

From: Eby, Wilma on behalf of Matheson, Sandra
Sent: Tuesday, June 06, 2006 9:53 AM
To: Eby, Wilma
Subject: FW: Gain sharing - Susan Webber 0605

Dear Susan,

Thank you sharing your concerns with Governor Gregoire about cost of living adjustments (COLA's) and gain sharing for Plan 1 members. I am responding on her behalf.

I understand your concern about the increasing costs of living, especially as medical costs continue to escalate. We have received similar comments from other Plan I retirees and members about that plan's provisions for maintaining purchasing power.

The Select Committee on Pension Policy (SCPP) reviews pension policy changes and forwards recommendations to the legislature for consideration. The committee is continuing to discuss the topics of COLA's and gain sharing. I will forward your comments to the committee for inclusion in their discussions.

Thank you very much for sharing your thoughts. Please feel free to follow the committee's activities through the Office of the State Actuary's Web site at <http://osa.leg.wa.gov/>.

Sincerely,

Sandy Matheson, Director
Department of Retirement Systems

cc: Governor Gregoire

REFERRAL DIRECTIONS (For Complete Directions Refer to Citizen Response Team Guidelines)

Referred To: DEPARTMENT OF RETIREMENT SYSTEMS

Action:
RESPOND AS YOU DEEM APPROPRIATE (LETTER, PHONE CALL, DIRECTOR SIGNATURE, ETC.) PLEASE RETURN THE ORIGINAL LETTER, THE REFERRAL SHEET, AND COPY OF REPLY TO CONSTITUENT SERVICES. IF YOU HAVE REPLIED BY EMAIL, PLEASE SEND US A COPY OF YOUR REPLY BY EMAIL.

Comments:

Gain Sharing

This message is to let you know the importance of Gain Sharing and encourage your support. Gain Sharing is an important benefit and must be retained in statue unless replaced with benefits of significant value. I have the benefit of being able to have a part time job in order to help with insurance, prescriptions and other cost of living issues. Many members of TRS and PERS 1 depend on Gain Sharing to augment the value of Uniform Plan 1 Cola. Members of TRS/PERS/SERS 3 depend on Gain Sharing to enhance the value of their pension.

Please support this important issue.

DUE BACK: 6/14/2006

Referred By: Cale Lee Ehrlich, Constituent Services

CONTACT INFORMATION (Log: 650872)

6/19/2006

Contact Date: 5/23/2006

Contact Type: Gov. Web Page E-mail

From: Susan Webber
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CONSTITUENT MESSAGE

CATEGORY: STATEGOV
SUBJECT: STATES\$