Fish and Wildlife Service Credit Transfer

Background

In the 2003 Legislative session, service as an enforcement officer for the Department of Fish and Wildlife was made eligible for inclusion in the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plan 2. The officers employed at that time who were in the Public Employees' Retirement System (PERS) Plan 2 were prospectively transferred to LEOFF Plan 2, but were not given the opportunity to transfer their prior PERS Plan 2 service as enforcement officers into their new plan. They are dual members of PERS Plan 2 and LEOFF Plan 2 and can retire under provisions of the portability chapter (RCW 41.54).

Legislation was introduced in 2005 and 2006 to allow these officers to transfer their prior service.

This is one of four issues being coordinated with the Law Enforcement Officers' and Firefighters' Plan 2 Retirement Board.

Committee Activity

Presentations:
- July 17, 2007 - Full Committee
- August 14, 2007 - Executive Committee
- October 16, 2007 - Full Committee

Proposal:
- December 18, 2007 - Full Committee

Recommendation to Legislature

Allow Fish and Wildlife Enforcement Officers to transfer their prior enforcement officer service in PERS Plan 2 into LEOFF Plan 2. The members would pay the difference in employee contributions plus interest, and the Department of Fish and Wildlife would pay an additional amount sufficient to ensure the LEOFF Plan 2 rates would not increase due to the transfer.

Staff Contact

Dave Nelsen
Senior Policy Analyst
360.786.6144
nelsen.dave@osa.leg.wa.gov

Fish and Wildlife Service Credit Transfer

In Brief

ISSUE

Fish and Wildlife enforcement officers were mandated into LEOFF Plan 2 beginning July 23, 2003. When this occurred, existing employees were not allowed to transfer prior PERS service as Fish and Wildlife Officers into LEOFF Plan 2. The LEOFF Plan 2 Board has requested the committee study this issue and jointly recommend legislation allowing this transfer of prior service.

MEMBER IMPACT

This proposal would impact an estimated 68 active members of LEOFF Plan 2 serving as a Fish and Wildlife Enforcement Officers.

Dave Nelsen
Senior Policy Analyst
360.786.6144
nelsen.dave@leg.wa.gov

Current Situation

Fish and Wildlife enforcement officers who were members of the Public Employees' Retirement System (PERS) Plan 2 or PERS Plan 3 on or before January 1, 2003, and were employed on July 23, 2003, are mandated into the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2. Service as an enforcement officer prior to that date remains in PERS. Enforcement officers that were members of PERS Plan 1 remained in Plan 1.

History

Prior to the passage of HB 1205 in the 2003 legislative session, all enforcement officers hired by the Department of Fish and Wildlife were placed into the PERS retirement system. The employees had long sought membership in the LEOFF system, but the responsibilities and authority of these officers were somewhat different than LEOFF-eligible police officers. Generally, the eligibility of a group of employees for membership in LEOFF Plan 2 as law enforcement officers is determined by three things:

- They must be full-time, fully authorized law enforcement officers commissioned and employed to enforce the criminal laws in general.
- Their employer must be a general authority law enforcement agency which has as its primary function the enforcement of the traffic and criminal laws of the state in general.
- They must meet certain qualifications, including the Criminal Justice Training Commission basic law enforcement course.

As summarized by Office of the State Actuary staff in an October 18, 2000, letter to the Joint Committee on Pension Policy, prior to 2002, enforcement officers were considered limited authority peace officers, with their primary responsibility to enforce the laws and regulations related to

Transfer of prior PERS service was not part of Legislative request in 2003.

Fish and Wildlife. However, staff research at the time showed their duties often placed them in cooperative working situations with local law enforcement agencies, assisting with actions clearly outside the enforcement of Fish and Wildlife regulations. These situations were fairly common, particularly in the rural areas of the state.

Legislation in 2002 explicitly authorized Fish and Wildlife enforcement officers to be general authority enforcement officers, and designated the Department of Fish and Wildlife as a general authority enforcement agency. This legislation also kept the enforcement officers from qualifying for LEOFF by excluding the employer from the employer definition section in the LEOFF statute.

The legislation in 2003 established the future eligibility in LEOFF Plan 2 for existing employees and all new hires into these positions, but specifically did not allow the transfer of prior PERS service credit earned as enforcement officers into the LEOFF Plan 2 system. These existing members would be dual members in the PERS and LEOFF systems. Public testimony from representatives of both labor and management at the time agreed that they were asking only for prospective LEOFF eligibility, without a transfer of prior service.

Since that time, legislation was introduced in the 2006 and 2007 Legislative sessions that would have allowed for the transfer of prior PERS service into LEOFF Plan 2, but neither effort was passed by the Legislature.

Examples

The following examples highlight the difference in total retirement benefit amount between an enforcement officer that retires at the normal age in LEOFF Plan 2 as a dual member or retires with all prior service transferred into LEOFF Plan 2.

A Fish and Wildlife Enforcement officer had 10 years of prior PERS Plan 2 time as an enforcement officer, worked 15 years in LEOFF Plan 2, and now is retiring at age 53, with a Final Average Salary of $50,000 per year.

Example 1: Retiring as a Dual Member

15 yrs X 2% X $50,000= LEOFF Plan 2 annual benefit of $15,000

10 yrs X 2% X $50,000 X .31 (reduction factor for 12 year early retirement) = PERS Plan 2 annual benefit of $3,100

*Total annual benefit of **$18,100***

Example 2: Retiring with all service in LEOFF

Prior service transfers to a higher benefit system create liabilities in the new system.

25 yrs X 2% X $50,000 = *Total annual benefit of **$25,000***

Policy Analysis

The policy question is whether the current LEOFF Plan 2 Fish and Wildlife Enforcement Officers should be allowed to transfer prior PERS Plan 2 service as enforcement officers into the LEOFF Plan 2 system.

In general, when service from one system is transferred to a system with a higher level of benefits, a financial liability is created. How that liability is paid for becomes part of the policy deliberations about the transfer. Should the affected members and employers be the only parties that pay for the transfer, and if so, in what proportion for each? Alternatively, should the costs be socialized throughout the plan and everyone in the plan would pay through increased contribution rates, if necessary?

Dual membership provisions help members retain value of prior service in their previous system.

Another consideration is whether the policy of dual membership is sufficient for this situation, and if not, why not? Dual membership is in place to provide a cost effective way to help retain the value of service credit earned in a prior system under the prior system's rules. Are there compelling reasons why the dual membership status is insufficient in this situation?

To address these questions, we can first look at what has been the historical practice in LEOFF Plan 2 when eligibility has been expanded to include former PERS duties. There have been four prior instances where other PERS members were allowed to become members of LEOFF. In each case, prior PERS service was allowed to be transferred, although the funding models to pay for the increased liabilities varied.

The following chart displays information about these four prior situations, including the year the expansion took place, what members were included in the eligibility change, what payment was required of the affected member to transfer prior service, what corresponding payment was required of the affected member's employer if the member paid their share, and finally, was their additional liability socialized over all members and employers of the plan.

YEAR	Members Affected	Cost to Affected Member	Cost to Affected Employer	Additional liability socialized by plan? (Y/N)
1993 SHB 1744	Port and university police officers	Difference in member contribution rates, plus interest	Difference in PERS employer rate and the LEOFF employer and state contribution rates, plus interest amount sufficient to prevent increased rates	N
1996 SHB 2191	Higher Ed fire fighters	Difference in member contribution rates, plus interest	Difference in PERS employer rate and the LEOFF employer and state contribution rates, plus interest, and an additional amount sufficient to ensure the LEOFF rates would not increase due to the transfer	N
2003 SHB 1202	Prior PERS EMTs whose jobs were relocated to a fire district and they became fire fighters	Difference in member contribution rates, plus interest	None	Y
2005 HB 1936	Current PERS EMTS working for a LEOFF employer	Difference in member contribution rates, plus interest	An amount sufficient to ensure the LEOFF contribution rates will not increase due to the transfer	N

Previous expansions of LEOFF Plan 2 eligibility allowed prior service transfers.

In each of the four above cases, the member's prior time in PERS was allowed to transfer into LEOFF. The only consistency in the funding, however, was the amount required to be paid by the member. The nature of the prior service in the four instances also varied. For example, EMT service alone had long been considered PERS service, until the 2005 Legislation amended the definition of LEOFF-eligible duty to include EMT time. As discussed earlier, for the Fish and Wildlife Enforcement Officers, the duties and authority granted them over time grew into more LEOFFlike service, but may not have always been as similar as they were in 2003.

Other Systems

There are also examples within the other retirement systems administered by the State where individuals performing the same job are moved to a different retirement system.

- In 2000, existing PERS Plan 2 members of school and educational service districts had all their prior service transferred to the School Employees' Retirement System (SERS) Plan 2.
- In 2002, PERS Commercial Vehicle Enforcement Officers (CVEO) became eligible for the WSPRS, and prior service as a CVEO was allowed to be transferred.
- In 2006, PERS Plan 2 and 3 members could transfer to the Public Safety Employees' Retirement System (PSERS), but their prior PERS service remained in PERS.

Other Washington State systems likely addressed prior service transfers based upon unique circumstances of the situation.

There doesn't appear to be a consistent application of a prior service transfer policy to each of the above situations. All but PSERS allowed prior service to transfer, and the SERS example mandated the transfer. The SERS example is the only situation where the benefits in the two systems affected were equivalent and where the affected individuals were not moving to a system with a higher benefit level. What the disparity shows, is that each situation was likely treated uniquely, and may have had other compelling reasons to justify the decisions made regarding the transfer of prior service.

Other States

A look at similar situations in our comparative states provides a general mix of how this situation has been handled over time, even within the same state. The State of California, for example, is indicative of other states' practice, and has seen significant expansion of their public safety plan. In all cases save one, where the public safety eligibility requirements were expanded to include members previously reported in their general plan, the prior service was also moved into the public safety plan. The only exception to allowing prior service was the latest transfer, in 2005, where some 4,000 employees in various job classes were allowed into the system, but only on a prospective basis. According to staff of the system, the main reason for disallowing the transfer in this case was the cost.

Possible Options

The Committee has two primary options;

- Don't recommend any change to the current situation, or
- Recommend allowing some form of prior service transfer.

The **first option** allows the enforcement officers to maintain value of their prior service according to the original plan rules through dual membership, and is in keeping with the original requests of the labor and management representatives who backed the legislation in 2003. While this doesn't appear to be consistent with the past practice in LEOFF Plan 2, the examples from the other systems show in those cases that prior service transfers were likely addressed based upon their own unique circumstances.

One argument against dual membership in these situations was in the House bill analysis for HB 1202. The argument made was that though the dual membership provisions exist, given the wide difference in the normal retirement ages for PERS Plan 2 and LEOFF Plan 2 (age 65 and age 53), only a greatly reduced PERS 2 benefit would be available to the member at the LEOFF 2 normal retirement age. This reduction was demonstrated in our earlier example.

The **second option** is consistent with past practice in LEOFF Plan 2, and represents the current wishes of the affected stakeholders. While it doesn't match with the use of dual membership, it recognizes the impact of disparate normal ages of retirement.

If the committee recommends the option to transfer prior PERS Plan 2 service, several questions arise regarding the funding of the transfer:

1. If a member payment is required, how much should it be and how long should the member have to elect and pay for the transfer of service?
2. If an employer payment is required, how much should it be and how long should the employer have to pay?
3. Should any amount of the liability be socialized over all members and employers in the plan?

With regard to the first question, past practice in LEOFF Plan 2 has required the member to pay the difference in the PERS 2 member contributions and the LEOFF 2 member contributions, plus interest, and provide a window to complete that payment, usually five years. However, other payment options exist. For example, the proposal could require the employee to pay the full actuarial cost of the prior service in the LEOFF system. Given the value of the service, the cost could be high, but it would be a compromise between the current dual membership status and the employer paying for the benefit enhancement.

As to the employer payment, the past practice is generally to pay an amount sufficient to keep contribution rates from increasing due to the transfer. The one time in LEOFF Plan 2 this didn't happen, the remaining liability that was socialized was not sufficient to cause an immediate rate increase on its own.

With regard to socialization of costs, again, that occurred only in LEOFF Plan 2 with the 2003 EMT legislation, and the liability that was socialized did not raise contribution rates.

Prior LEOFF Plan 2 Board Proposal

The proposal to the Legislature from the LEOFF Plan 2 Board on this issue in 2006 and 2007 allowed the transfer of prior PERS Plan 2 service to the LEOFF system. The details of the proposal are as follows:

- Members who elect to transfer their prior service pay the difference in the member contribution rates between PERS 2 and LEOFF 2, plus interest.
- Members would have five years to complete payment, but service credit would not be

transferred prior to the end of the five year waiting period.

- Upon completion of the five year waiting period, the Department of Fish and Wildlife would have one year to pay a sum sufficient to ensure the LEOFF Plan 2 rates would not increase due to this transfer.

Conclusion

Whenever eligibility of LEOFF Plan 2 was expanded to include prior PERS related duties, it has been the historical practice to allow the members moving to the new system the option to transfer their prior service. However, this was not part of the original request by the stakeholders in the 2003 Legislation. Other systems administered by the State of Washington have addressed this issue in variety of ways, each situation likely based upon their own unique circumstances. The LEOFF Plan 2 Board has asked the committee to study this issue, and to work cooperatively to develop legislation. The proposal submitted to the Legislature by the Board in the past is generally consistent with past LEOFF Plan 2 expansions of eligibility.

Bill Draft

Attached is HB 1687, the proposal submitted by the LEOFF Plan 2 Board to the Legislature in the 2007 Legislative Session.

Fiscal Note

Attached is the corresponding multi-agency fiscal note to HB 1687.

Stakeholder Input

Correspondence from Kelly Fox, LEOFF Plan 2 Board Chair, is attached.

Next Steps

The Executive Committee will provide further direction on this issue including possible options for pricing.

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BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #:	Z-0766.1/08
ATTY/TYPIST:	LL:rmh
BRIEF DESCRIPTION:	Allowing department of fish and wildlife enforcement officers to transfer service credit.

AN ACT Relating to allowing department of fish and wildlife enforcement officers to transfer service credit; and adding a new section to chapter 41.26 RCW.

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

NEW SECTION. **Sec. 1.** A new section is added to chapter 41.26 RCW to read as follows:

(1) A member of plan 2 who was a member of the public employees' retirement system plan 2 while employed as an enforcement officer for the department of fish and wildlife has the option to make an election no later than June 30, 2013, filed in writing with the department of retirement systems, to transfer service credit previously earned as an enforcement officer in the public employees' retirement system plan 2 to the law enforcement officers' and firefighters' retirement system plan 2. Service credit that a member elects to transfer from the public employees' retirement system to the law enforcement officers' and firefighters' retirement system under this section shall be transferred no earlier than June 30, 2013, and only after the member completes payment as provided in subsection (2) of this section.

(2)(a) A member who elects to transfer service credit under subsection (1) of this section shall make the payments required by this subsection prior to having service credit earned as an enforcement officer with the department of fish and wildlife under the public employees' retirement system plan 2 transferred to the law enforcement officers' and firefighters' retirement system plan 2.

(b) A member who elects to transfer service credit under this subsection shall pay, for the applicable period of service, the difference between the contributions the employee paid to the public employees' retirement system plan 2 and the contributions that would have been paid by the employee had the employee been a member of the law enforcement officers' and firefighters' retirement system plan 2, plus interest on this difference as determined by the director. This payment must be made no later than June 30, 2013, and must be made prior to retirement.

(c) No later than June 30, 2014, the department of fish and wildlife shall pay an amount sufficient to ensure that the contribution level to the law enforcement officers' and firefighters' retirement system will not increase due to this transfer. Payments made prior to June 30, 2014, are authorized as determined by the department and coordinated with the state actuary.

(d) Upon completion of the payment required in (b) of this subsection, the department shall transfer from the public employees' retirement system to the law enforcement officers' and firefighters' retirement system plan 2: (i) All of the employee's applicable accumulated contributions plus interest and all of the applicable employer contributions plus interest; and (ii) all applicable months of service, as defined in RCW 41.26.030(14)(b), credited to the employee under this chapter for service as an enforcement officer with the department of fish and wildlife as though that service was rendered as a member of the law enforcement officers' and firefighters' retirement system plan 2.

(e) If a member who elected to transfer pursuant to this section dies or retires for disability prior to five years from their election date, the member's benefit is calculated as follows:

(i) All of the applicable service credit, accumulated contributions, and interest is transferred to the law enforcement officers' and firefighters' retirement system plan 2 and used in the calculation of a benefit.

(ii) If a member's obligation under (b) of this subsection has not been paid in full at the time of death or disability retirement, the member, or in the case of death the surviving spouse or eligible minor children, have the following options:

(A) Pay the bill in full;

(B) If a continuing monthly benefit is chosen, have the benefit actuarially reduced to reflect the amount of the unpaid obligation under (b) of this subsection; or

(C) Continue to make payment against the obligation under (b) of this subsection, provided that payment in full is made no later than five years from the member's original election date.

(f) Upon transfer of service credit, contributions, and interest under this subsection, the employee is permanently excluded from membership in the public employees' retirement system for all service related to time served as an enforcement officer with the department of fish and wildlife under the public employees' retirement system plan 2.

--- END ---

DRAFT FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	PROPOSAL NAME:
Office of the State Actuary	**035**	**12/3/07**	**Z-0766.1**

INTENDED USE

This draft actuarial fiscal note was prepared by the Office of the State Actuary. The changes in liability, contribution rates, and fiscal costs are based on our understanding of the proposal as of the date of this draft fiscal note. Liabilities, contribution rates, and fiscal costs presented herein are subject to change should actual bill language for this proposal be introduced as legislation in the upcoming Legislative Session. This draft fiscal note is intended to be used by the Select Committee on Pension Policy and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board during the 2007 Interim only.

Any third party recipient of this draft fiscal note is advised to seek professional guidance concerning its content and interpretation and should not rely upon this communication in the absence of such professional guidance. The options and analysis presented in this draft fiscal note should be read as a whole. Distributing or relying on only portions of this draft fiscal note could result in misuse and may be misleading to others.

EXECUTIVE SUMMARY

This proposal would allow enforcement officers for the Department of Fish & Wildlife to convert prior PERS 2 service to LEOFF 2 by paying the difference in contribution rates.

Increase in Actuarial Liabilities			
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits	$24,970	5	$24,975
Unfunded Actuarial Accrued Liability	2,494	0	2,494
Unfunded Liability (PVCPB)	($2,859)	5	($2,854)

Total Increase in Contribution Rates		
Current Biennium	**PERS**	**LEOFF**
Employee (Plan 2)	0.00%	0.00%
Employer	N/A	N/A
State		0.00%

Fiscal Costs			
(Dollars in Millions)	**2008-2009**	**2009-2011**	**25-Year**
General Fund-State	$0.0	$0.0	$0.0
Total Employer	$0.0	$0.0	$0.0

See the Actuarial Determinations section of this Draft Fiscal Note for additional detail.

SUMMARY OF PROPOSAL

This proposal impacts Plan 2 of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System and Plan 2 of the Public Employees' Retirement System (PERS). This proposal allows LEOFF 2 members to transfer into LEOFF 2 their prior PERS 2 service credit for periods of employment as enforcement officers for the Department of Fish and Wildlife (DFW). There is a waiting period for transferring the service credit, as the proposal provides that it shall be transferred no earlier than June 30, 2013, and only after the member completes payment, which must be made no later than June 30, 2013. Allowances for early transfer are provided for members who become disabled or die during the waiting period.

The member cost for the service credit is the difference between the PERS 2 contributions paid by the member, and the contributions that the member would have paid as a member of LEOFF 2. These amounts are then subject to interest as determined by the director. The assets associated with the PERS 2 member and employer contributions will be transferred from the PERS 2 assets to LEOFF 2 and will be used to further offset the cost to the DFW.

The proposal also provides that no later than June 30, 2014 the DFW would be required to pay an amount sufficient to ensure that the contribution rate in LEOFF 2 will not increase due to the specified transfer of funds and service credit. The proposal also allows for payments prior to 2014 as determined by the Department of Retirement Systems (DRS) in consultation with the Office of the State Actuary.

Finally, the proposal provides that members who elect to transfer their service credit must transfer all their service as an Enforcement Officer with DFW under PERS 2. Furthermore, these members are thereafter permanently excluded from membership in PERS for all service related to time served as an enforcement officer with the DFW in PERS 2.

Assumed Effective Date: 90 days after session

CURRENT SITUATION

Currently, LEOFF 2 members who transferred from PERS 2 while serving as enforcement officers for DFW have no ability to transfer their prior PERS 2 service to LEOFF 2; rather, they are dual members of PERS 2 and LEOFF 2 and can retire under provisions of the portability chapter (RCW 41.54).

SUMMARY OF MEMBERS IMPACTED

We estimate that 67 members out of the total 108 active DFW enforcement officers have eligible prior service credit in PERS 2 and could be affected by this proposal. We believe that 60 of those members would receive improved benefits from this proposal. The remaining seven members would not elect to transfer service credit since they will be retiring prior to culmination of the waiting period. Thus the option to transfer their service credit is not financially advantageous for their situation. This proposal would not affect inactive members.

We estimate that for a typical member impacted by this proposal, the increase in benefits would be the opportunity for a full retirement at age 53 instead of 65, or a benefit at age 50 with 20 years of service reduced 3% for each year under age 53. The affected members would also be required to pay the difference in the member contribution rates as though they had been in LEOFF 2 instead of PERS 2 for the period of service they transfer, with interest.

Furthermore, the Department of Fish and Wildlife would be required to pay an amount sufficient to ensure that the contribution rate in LEOFF 2 will not increase due to the specified transfer of funds and service credit.

See the Data section of this draft fiscal note for more details.

METHODS

The proposal provides that there shall be no increase in unfunded liability to LEOFF 2 resulting from the additional service being transferred from PERS 2, that DFW would pay any additional cost not covered by the asset transfer, and additional member contributions. The purpose of this pricing exercise was to isolate the total cost to DFW which is equal to the amount of remaining LEOFF 2 liability after the associated PERS 2 assets and member contributions are subtracted from the total transferred liability. The PERS 2 assets are equal to two times the members' PERS savings funds which were provided in the data.

The liability increase to LEOFF 2 resulting from this proposal is equal to the present value of the additional benefits resulting from the transferred service credit.

Otherwise, costs were developed using the same methods as those disclosed in the September 30, 2006 Actuarial Valuation Report (AVR).

The methods chosen are reasonable for the purpose of the actuarial calculations presented in this draft fiscal note. Use of another set of methods may also be reasonable and might produce different results.

ASSUMPTIONS

We assumed for this pricing exercise that all past PERS 2 service is eligible for transfer to LEOFF 2. We also assumed that only members of PERS 2 are eligible to transfer. We assumed that this service transfer is only available to active DFW enforcement officers. We assumed that all PERS 2 members who are eligible to transfer service credit would elect to transfer that service if the value of the additional benefit is greater than the sum of double their PERS 2 member account plus the contributions required from the member (that is true for approximately 60 out of the 67 members with eligible service to transfer). It is assumed that members who transfer service will not receive additional benefits as a result of the transfer until after June 30, 2013. We assume that the calculation of the cost to DFW will be administered using annuity factors that assume no pre-retirement decrements other than mortality.

Otherwise, costs were developed using the same assumptions as those disclosed in the AVR.

The assumptions chosen are reasonable for the purpose of the actuarial calculations presented in this draft fiscal note. Use of another set of assumptions may also be reasonable and might produce different results.

DATA

Of the 108 DFW enforcement officers active as of September 30, 2006, we were provided information for 67 who had eligible prior service credit in PERS 2. Among the DFW active records were a handful of members with more than the approximately 3.2 years of service they could have earned in their current positions since joining LEOFF 2. These members most likely have past service with other LEOFF agencies. There are also a few active members with no past service in PERS because they entered after July 2003. Of the 67 LEOFF members with prior PERS service, we found that 60 members were vested in their respective plans under the provisions of portability. The remaining seven Plan 2 members were not vested. The vested status for these members was determined utilizing their total service from both the PERS and LEOFF retirement systems. A demographic summary of the affected members is shown below:

Demographic Summary of the Affected Members				
	Count	**Average Service (Years)**	**Average Savings Fund**	**Average Current Salary***
LEOFF Actives	108	3.52	$14,212	$63,468
LEOFF Actives with PERS Service	60	8.58	$20,749	$68,215
PERS 2 Service Range (Rounded, in years)				
0 - 2	15	1.22	$551	$63,324
3 - 5	14	3.38	$2,519	$67,031
6 - 10	8	7.82	$12,398	$68,938
11 - 15	11	13.71	$34,468	$72,240
16 - 20	8	17.96	$53,810	$72,126
21+	4	22.98	$73,144	$70,362

**LEOFF 2 salary, effective September 30, 2006, is used for all records, including PERS inactive records.*

Otherwise, costs were developed using the same data and assets as those disclosed in the AVR.

FISCAL IMPACT

Description

This bill would increase the liability in LEOFF 2 by about $7 million. This would be offset by the approximately $2 million transferred from the PERS 2 assets, $2 million in additional contributions from Fish and Wildlife members, and a $3 million contribution from DFW.

The liability reduction in PERS 2 due to the proposed service transfer is about $2 million. This amount is offset by the estimated transfer of assets from PERS 2 to LEOFF 2 of about $2 million, which consists of the member and employer contributions, with interest. The PERS 2 contribution rates will not be affected by this service credit transfer. The members eligible to transfer service credit are currently dual members eligible for portability. The transfer could result in additional experience gains for PERS Plan 2.

A summary of costs/(savings) for all parties appear below:

Summary of Costs/(Savings) for All Parties *(Dollars are in Millions)*	PERS 2	LEOFF 2	Total
Change in Present Value of Fully Projected Benefits			
(The Value of the Total Commitment to all Current Members)	($2)	$7	$5
Assets Transferred from PERS to LEOFF 2	$2	($2)	$0
Additional Member Contributions	$0	($2)	($2)
Payment from Department of Fish and Wildlife	$0	($3)	($3)
Net Change in Present Value of Unfunded Fully Projected Benefits	$0	$0	$0

These costs are based on the assumption that 60 out of 67 eligible DFW enforcement officers will transfer past PERS 2 service credit to LEOFF 2. The actual cost of this bill will be determined by the actual number of affected members who elect to transfer past service.

Actuarial Determinations

The bill will not increase the present value of **unfunded** fully projected benefits of the affected systems.

(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Projected Benefits			
(The Value of the Total Commitment to all Current Members)			
PERS 2/3	$18,966	($2)	$18,964
LEOFF 2	$6,004	$7	$6,011
Unfunded Actuarial Accrued Liability			
(The Portion of the Plan 1 Liability that is Amortized at 2024)			
PERS 1	$3,196	$0	$3,196
LEOFF 1	($702)	$0	($702)
Unfunded Liability (PVCPB)			
(The Value of the Total Commitment to all Current Members Attributable to Past Service)			
PERS 2/3	($2,338)	$0	($2,338)
LEOFF 2	($521)	$0	($521)

Note: *Totals may not agree due to rounding.*

Increase in Contribution Rates:	(Effective 9/1/2008)	
System/Plan	PERS	LEOFF
Current Members		
Employee (Plan 2)	0.00%	0.00%
Employer	N/A	N/A
State		0.00%
New Entrants*		
Employee (Plan 2)	0.00%	0.00%
Employer	N/A	N/A
State		0.00%

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

Fiscal Budget Determinations

There is no fiscal impact to members or employers in the affected systems with the exception of members electing to transfer service and the estimated $3 million payment required from DFW.

The analysis of this proposal 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.

Sensitivity Analysis

The amount that DFW will be responsible to pay is sensitive to the assumption regarding the number of members who transfer. For the pricing, we assumed the members that benefit from making the transfer would be the members who elect to transfer their past service. For the sensitivity analysis, we assumed that the members with the greatest benefit from making the transfer would be the members who elect to transfer their past service. If between 41 and 60 members with the greatest benefit transfer, the cost to DFW would still be about $3 million. If between 18 and 40 members with the greatest benefit transfer, the cost to DFW would be about $2 million. If less than 18 members transfer, the cost to DFW would be about $1 million. More likely than not, the number of members who transfer will be between 41 and 60, and the cost to DFW would be about $3 million.

As with the costs developed in the actuarial valuation, the emerging costs of the system will vary from those presented in the AVR or this draft fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Present Value of Credited Projected Benefits (PVCPB): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PVCPB): The excess, if any, of the Present Value of Credited Projected Benefits over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.