

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

Regular Executive Committee Meeting

May 22, 2007
12:30 p.m. - 2:30 p.m.
Senate Conference Rooms A,B,C
Olympia

AGENDA

- 12:30 p.m. **(A) State Actuary Appointment Committee**
- 12:35 p.m. **(B) Constituent Correspondence**
- 12:40 p.m. **(C) 2007 Interim Issues**
- 2:30 p.m. **(D) Adjourn**

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Charles E. Cuzzetto
TRS and SERS Employers

Randy Davis
TRS Actives

Senator Karen Fraser

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

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

***Glenn Olson**
PERS Employers

***Senator Craig Pridemore,**
Chair

Senator Mark Schoesler

***J. Pat Thompson**
PERS Actives

David Westberg
SERS Actives

Senate Position Vacant

*** Executive Committee**

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 786-6140. TDD 1-800-635-9993.

State Actuary Appointment Committee

Composition and Duties RCW 44.44.013 and 44.44.030

The State Actuary Appointment Committee (SAAC) consists of the chair and ranking minority members of the House Appropriations and the Senate Ways & Means committees, and four members of the SCPP. The SAAC is jointly chaired by the chairs of Appropriations and Ways & Means. The duties of the SAAC include appointing and removing the State Actuary and approving the salaries of the staff of the Office of the State Actuary.

SCPP Appointments to Committee RCW 44.44.013(1)

The Chair and Vice Chair of the SCPP shall jointly appoint four SCPP members to serve on the State Actuary Appointment Committee, at least one of which shall represent state retirement system active or retired members, and one member representing retirement system employers. It has been the past practice of the SCPP for the Chair and Vice Chair to appoint themselves to the State Actuary Appointment Committee in addition to two other SCPP members.

Current Members

- ❖ Senator Margarita Prentice
- ❖ Senator Joseph Zarelli
- ❖ Representative Helen Sommers
- ❖ Representative Gary Alexander
- ❖ Senator Craig Pridemore*
- ❖ Representative Bill Fromhold*
- ❖ Glenn Olson, Employers*
- ❖ J. Pat Thompson, Members*

**Appointed by Chair and Vice Chair of SCPP*

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In Brief

CONSTITUENT CORRESPONDENCE

Possible decisions:

- *Recommend for an agenda this interim*
- *Defer until a later interim*
- *No action*

SCPP Correspondence

OSA regularly receives correspondence that is intended for the SCPP or one or more of its members. Copies are provided to the full SCPP by including them in the packet for each regular meeting.

The Executive Committee sets the agendas for the full SCPP. To that end, Executive Committee members screen the correspondence to determine whether it contains any issues they'd like to recommend for the full SCPP agenda.

Each month there will be an opportunity on the Executive Committee's agenda for members to state whether they wish to recommend any correspondence items for the full SCPP agenda or defer their consideration to another time. For items receiving no recommendation, staff will assume that the Executive Committee does not intend to take action on them. Staff will notify correspondents of the Executive Committee's decisions.

O:\SCPP\2007\5-22-07 Exec\B.exec_correspondence.doc

Laura Harper
Senior Research
Analyst/Manager
360.786.6145
harper.laura@leg.wa.gov

SELECT COMMITTEE ON PENSION POLICY

EXECUTIVE COMMITTEE

Constituent Correspondence as of May 17, 2007

May 22, 2007

Received by OSA	From	To	Subject	Status
1/4/2007	Amalgamated Transit Union Legislative Council	Joint (sic) Committee on Pension Policy	Actuarial reduction of PERS 2/3 disability pensions	
1/16/2007	Barbara Wagner et al	Rep. Fromhold (with copy of 11/29/06 letter to DRS)	PERS 1 benefit cap	
1/16/2007	Kim Webster	OSA, SCPP	PERS 1 benefit cap	
1/18/2007	Mike Cunningham	OSA	Plan 3 retirement for teachers	
1/21/2007	Sen. Karen Fraser	Matt Smith	Pension Protection Act of 2006	
2/7/2007	Maria Nardella	SCPP, SCPP Staff	Out-of-state service credit	
2/16/2007	Mike Hudson	Rep. Bob Hasegawa (copy provided)	Rule of 85, service credit for two jobs, converting PERS 2 service to PERS 1	
3/12/2007	Thad Lindquist	Matt Smith	LEOFF 1 disability retirement	
4/10/2007	Sen. Jim Honeyford	Matt Smith, Sen. Pridemore, SCPP	Past service credit for term-vested judges	
5/2/2007	Elizabeth Knox	OSA, SCPP	Revocation of gain-sharing (Plan 3)	
5/7/2007	John Kvamme (for WASA & AWSP)	Matt Smith	Plan 3 vesting Survivor benefits Plan 3 improvement Plan 1, 2 & 3 military service Plan 2 & 3 final year contract	
5/17/2007	Tom Pillow (for WSPTA)	Senator Pridemore	WSPRS demographics Benefit changes paralleling LEOFF Plan 2 Death benefit changes WSPRS governance	



AMALGAMATED TRANSIT UNION

LEGISLATIVE COUNCIL

of Washington State

DEC 2 2006
SECRETARY/TREASURER

RECEIVED

JAN 4 2007

Office of
The State Actuary

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Fax: 360-459-5368

Email: dantonellis@atu1015.com

Affiliated Locals

- 587 *Seattle*
Jefferson Co.
Clallam Co.
- 757 *Vancouver*
Walla Walla
- 758 *Tacoma*
Longview
- 843 *Bellingham*
- 883 *Everett*
- 1015 *Spokane*
- 1384 *Grays Harbor Co.*
Kitsay Co.
Lewis Co.
Pacific Co.
Thurston Co.
- 1576 *Snohomish Co.*
- 1598 *Spokane*
- 1599 *Tri-Cities*

The Honorable Craig Fridemore
Chair, Joint Committee on Pension Policy
111 Modular Building 1
P.O. Box 40449
Olympia, WA 98504-0449

Dear Senator Pridemore:

I am writing on behalf of the Washington State Amalgamated Transit Union Legislative Council. Our members are bus driver and mechanics from all over the State of Washington. Due to the importance of pension policy to our members our organization follows the work of the Select Committee on Pension Policy closely. Of keen interest to us is the issue of the actuarial penalty for the pensions of disabled workers. We request that the Committee add a study of this issue to their work plan for the 2007 interim.

The physical and mental stresses of bus drivers' work are intense and continuous. Work conditions that bus driver must frequently tolerate include long exposure to vehicle exhaust; constant vibration of the spine; repetitive motion, particularly of the back and neck; extremely high stress; and threats or even violence from passengers. Numerous scientific studies have shown consistently higher rates of illness, injury and death among bus drivers than in the general population.

Conditions that in studies have shown a higher rate of incidence among bus drivers include back pain and spinal injury, diabetes, pulmonary disease, musculoskeletal disorders, stomach ulcers, hypertension, heart disease, numerous types of cancer and suicide. Many studies have found that the higher rate of these ailments among bus drivers is not due to bus drivers being less healthy before entering the profession (in fact, less healthy workers are often selected out of the bus driver population early on). Nevertheless, despite their prevalence among bus driver, many of these conditions are not always recognized as work-related.



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Our members belong to the PERS Retirement System. As you know disability pensions for PERS 2 and 3 are currently actuarially reduced for every year the disabled worker is below age 65 at the time they retire. When a worker is forced to retire many years before age 65, the pension they receive can be far too little to live on, even if the worker has been in PERS for most of their working life. The actuarial penalty for PERS 2 and 3 is 3% per year for a member with 30 years of service credit who retires at age 55 or older. For workers with fewer than 30 years of service, the penalties are much greater and vary based on retirement age. They are currently as high as 9% per year, reaching a maximum penalty of 90%.

For example, if a worker is PERS 2, has 20 years of service credit and a final average compensation of \$45,000 per year (this a high estimate), their unreduced monthly benefit would be \$1,500. If the worker is forced to retire at age 50 due to a work-related disability, they would be given an actuarial penalty of 76%, reducing their monthly benefit to \$360. Even if the worker was 55 years old when they became disabled, their actuarial penalty would be 63%, for a monthly benefit of only \$555 with 20 years of service. With 25 years of service, the 55-year old worker would receive \$694 per month. Such small benefits seem, to us, to be a poor way of rewarding decades of dedication to public service.

We are supportive of legislation that would eliminate the actuarial penalty imposed on workers forced into early retirement because of disability, and would like to work with the Committee and the Legislature to see such a bill enacted. We respectfully ask the Committee to add a study of this issue to their work plan for the 2007 interim.



AMALGAMATED TRANSIT UNION

LEGISLATIVE COUNCIL

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I would like to apologize for the lateness of this letter as we had hoped to have it to you and the Committee Members prior to your last meeting unfortunately, one of us had surgery and has been laid up for about four weeks and I had some personal family matter that need to be taken care of. But this is a very important issue to our Members here in the State of Washington. A very close friend of mine who was an employee with Grays Harbor Transit had to take a disability retirement and with over 20 years of service for the company he and his wife are barely receiving \$300.00 a month from his PERS.

Please consider this a priority for the upcoming session. Thank you very much for your attention to this important problem.

Sincerely yours,

Karen Stites
Secretary/Treasurer
Amalgamated Transit Legislative Council of Washington

RECEIVED

JAN 16 2007

Office of
The State Actuary

January 5, 2007

Senators and Representatives
Legislative Building
Olympia WA 98504-0600

Dear Representative Bill Fromhold:

I understand you were one of the sponsors of either Senate Bill 6447 or House Bill 2688 that was passed into law last year. This was the Bill that removed the 60% benefit cap from the LEOFF Plan 1 members.

Enclosed you will find a letter addressed to the Department of Retirement Systems from a group of several PERS Plan 1 members.

We strongly feel that an inequity was created when HB 2688 was promoted and passed. As you can see in our attached letter, many PERS 1 members are now starting to work past their 30 years, with no additional benefit that all plan 2 and now LEOFF Plan 1 members can accumulate. The main point being that the 60% cap is still on for PERS 1 and removed for the mentioned other groups.

The following signatures again recapitulate that removing the benefit cap of 60% from the PERS 1 members would create and maintain fair and equal treatment for all.

Respectfully Submitted,

Barbara Wagner
Barbara Wagner
527 E 23rd
Kennewick WA
99337

Terry Marden
Terry Marden

C.J. Esparza

Alice Von Moos
Alice Von Moos

Mark Fortune
Mark Fortune

Marsha Fortune
Marsha Fortune
Jeri Halmer

Copy
Sent or
11-29-0

November 29, 2006

Department of Retirement Systems
Mrs. Sandra Matheson
Department Director
PO Box 48380
Olympia WA 98504-8380

Dear Mrs. Matheson:

The purpose of this letter is to address an inequity within the PERS 1 plan.

The *inequity* I am referring to is the PERS 1 60% benefit cap. As you know PERS 2 members have no limiting cap and are therefore able to retire with a percentage that exceeds 60 percent.

This past year the Legislature passed House Bill 2688, which removed the benefit cap of 60% for LEOFF Plan 1 members, which enrolled on or after February 19, 1974.

PERS 1 members that started on or before April 25, 1973 do not have the 60% max cap. Only those PERS 1 members that started after April 25th 1973 and before Oct 1st 1977 (the 1977 date is the deadline to be PERS 1 eligible) thus a period of 4 year 5 months becomes a penalty box that is restricted to the Cap of 60%. This treatment is unfair and creates serious inequities between and within the Plans.

PERS 1 members have been locked into paying a full 6% of their wages, while over the years PERS 2 members received huge discounts to *their* contribution portions. Those differences certainly added up to large amounts over the years, thereby creating yet another inequity between the plans.

When we contacted and questioned DRS in the past, we were repeatedly told how lucky we are that we can retire in 30 years regardless of age. The fact is, many of us are still working past the 30 year window because of children in College, Mortgage Payments, or the sticker shock associated with the enormous increases in health care insurance. Health insurance and its increasing cost appear to be the most common reason PERS 1 members are working beyond 30 years.

With the change created for LEOFF 1 Plan members within House Bill 2688 and the "non capping" language of other plans, it is only fair and equal treatment to extend this same language for PERS 1 members (regardless of their date of hire). Removing the benefit cap of 60% (of final average salary) is fair; and it creates & maintains equal treatment for all.

Please let us know what plans or direction needs to be taken to correct this inequity for PERS 1 members.

Sincerely yours,

Barbara Wagner
PERS 1 since 1/19/76
527 E 23rd
Kennewick WA 99337

Allen Von...
1224 1/2 Playfield
Prosser, WA 99350

Seri L. Halmeu
PERS 1 Since 6/1974
827 Roza Vista
Prosser, WA 99350

Terry A. Marsden
929 Court St.
Prosser, WA 99350

C.J. Esparza
101 Walker Pl
Prosser, WA 99350

Hyde, Elizabeth

From: Webster, Kim [kwebster@ci.yakima.wa.us]
Sent: Tuesday, January 16, 2007 12:21 PM
To: Office State Actuary, WA
Subject: PERS 1 Cap

Members and Representatives.

I am writing this letter of concern because I get asked this one question quite often; are you going to retire when you have your thirty years in? You see I am in PERS1 and have been for 29.5 years and I am only 50 years old. Now days with the cost of health insurance it is not conceivable to retire at this age. There are several other people who work for the City of Yakima that fall into this same predicament. The city benefits with the experience these people bring to work each day. Yet there is no incentive to continue working, due to the 30-year cap. My question would be; Has DRS ever considered raising or lifting this cap? Raising the cap another 5-years to 35-years or 70% of highest 2-year wages would be very beneficial to the people this may affect. If this is something that may be possible, I would be willing to search for support on this throughout Washington state. I would appreciate a reply in either direction. Thank-you,

Kim Webster
Wastewater Maintenance Supervisor
City of Yakima
(509) 575-6118 Shop
(509) 728-4229 Cell
(509) 576-6337 Fax

Hyde, Elizabeth

From: Mike Cunningham [MikeC@mead.k12.wa.us]

Sent: Thursday, January 18, 2007 1:11 PM

To: Office State Actuary, WA

Subject: Plan 3 Retirement for Teachers

Plan 3 could possibly be the worse retirement plan for teachers in the U.S. The 85 combination that is before the legislature is a viable solution to an otherwise regressive system. I am 60 years old (emphasis on old) and I will, under the current system, be forced to teach until I am 65. If the 85 rule cannot be enacted, could you possibly offer 2% per year as you did with Plan 1, instead of the current 1% for plan 3? It is ludicrous that we, as teachers, who have devoted some 25-30 years of our lives to teaching students, have to be punished by such a regressive and horrible retirement plan. I doubt if this e-mail will make an impact, but I had to try.

Burkhart, Kelly

From: Smith, Matt
Sent: Monday, January 22, 2007 8:36 AM
To: Fraser, Sen. Karen
Cc: Pridemore, Sen. Craig; Fromhold, Rep. Bill; Harper, Laura; Burkhart, Kelly
Subject: RE: Pension Protection Act of 2006 - Review by SPPP in 2007

I will make a note of this and add it to our 2007 interim issues file.

Matt

From: Fraser, Sen. Karen
Sent: Sunday, January 21, 2007 3:43 PM
To: Smith, Matt
Cc: Pridemore, Sen. Craig; Fromhold, Rep. Bill
Subject: Pension Protection Act of 2006 - Review by SPPP in 2007

I request that we put this topic on our list of potential study issues in 2007.



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
COMMUNITY AND FAMILY HEALTH
Olympia, Washington 98504

RECEIVED

FEB 07 2007

Office of
The State Actuary

February 5, 2007

Select Committee on Pension Policy
PO Box 40914
Olympia, Washington 98504-0914

Dear SCPP Staff:

Since I began my employment with the Department of Health in 1992, I have been making inquiries to the Department of Retirement Systems (DRS) regarding the possibility of blending my service credits and retirement savings from my previous employment with another public retirement plan, the Arizona State Retirement System. If I were to move back to Arizona and again work as a state employee there, I would be able to "buy service credit" for my years of service in Washington. Unfortunately, the reverse is still not an option for Washington State employees.

I have made this inquiry to DRS before and have been told that it would take legislative action to make this option available to public employees in Washington. I know that the Select Committee on Pension Policy is active in the 2007 Legislative Session. I would like to suggest that my issue be included in those that are brought forward.

Please let me know if there is anything that I can do to impact this process. My phone number is 360-236-3573 and email, maria.nardella@doh.wa.gov.

Thank you for your assistance.

Sincerely,

Maria Nardella
Manager
Children with Special Health Care Needs Program

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

February 8, 2007

Ms. Maria Nardella
Children with Special Health Care Needs Program
Washington State Department of Health
Community and Family Health
Olympia, Washington 98504

Dear Maria:

I am Robert Baker, Senior Research Analyst with the Office of the State Actuary (OSA). The OSA provides staffing services to the Select Committee on Pension Policy (SCPP). The SCPP studies pension issues and makes recommendations to the legislature. The SCPP is an interim committee – it does not hold meetings during the legislative sessions. This year is a long legislative session scheduled through April 22. The SCPP typically meets once a month during the interim. You may keep track of the committee meeting schedule on its website at <http://leg.wa.gov/scpp/>.

The SCPP has recently taken action on the issue of members purchasing service credit for time spent in other public employment. Last session the Legislature passed an SCPP-sponsored bill allowing members of the Teachers' Retirement System (TRS) plans 2 and 3 to purchase up to seven years of service credit for public education experience outside the Washington state retirement system. Members must have at least five years of service in TRS before they are eligible to make the purchase. Members must pay the actuarial value of the resulting increase in their benefit.

In previous sessions, SCPP-sponsored legislation was enacted allowing PERS members to purchase up to five years of additional service credit at the time of retirement. This is not service related to any particular period of employment and is sometimes referred to as "air time" for that reason.

Your letter will be electronically scanned by our office so that copies can be provided to all members of the SCPP at the beginning of the 2007 interim. Committee members consider numerous issues, including those forwarded in constituent correspondence, when they establish the work-plan for the interim -- normally during the first or second meeting of the interim. Whether or not a work-plan is established, SCPP procedures require the Executive

***Elaine M. Banks**
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SERS Actives

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Ms. Maria Nardella

February 8, 2007

Page 2

Committee to set meeting agendas. Membership of the Executive Committee will be determined at the beginning of the interim when the SCPP elects officers. Agendas will be posted on the SCPP website.

Please let me know if I can be of further assistance.

Sincerely,



Robert Wm. Baker
Senior Research Analyst
Office of the State Actuary

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From: HudsonWhatsup@aol.com [mailto:HudsonWhatsup@aol.com]

Sent: Friday, February 16, 2007 5:55 PM

To: Hasegawa, Rep. Bob

Subject: Early Retirement HB 1199

Hi Bob, Thank you for your sponsorship of HB 1199. You may not remember me from years ago but I supported Teamster reform over the years with others at King County. Even though I was not longer an active Teamster member having taken a withdrawal after eight years and joined IUOE Local 302 when I became a heavy equipment operator at the county. I still felt that reform was needed so that is why I stayed involved. The same is so for our state retirement system. The "85 rule" is a good start. I feel it would be better if there were no minimum age. I myself am 50 and have 28 years of recorded service time.

There are several reform issues that I asked Pam Roach to help with and was basically told I that I was SOL. The first one is the service time credit accumulation. If you work two jobs which contribute to the state retirement system you only get a maximum of 2 service credits per. So if the one job is a full time position you get 2 service credits per year. While your second job is a half time position you get 0 service time credit although you would get 1 service credit had you not gotten the 2 from the full time position. Also you are still paying into the retirement plan from the second job. My thought is that all those who have worked two public sector jobs at the same time and paid into the retirement plan should get service time credit for the time they worked. This is time that they were away from their families and provided a service to the public so why should they be penalized in their retirement benefits. I myself worked a second job at night for about five years as a custodian at several schools and got no service time credit even though I paid into the state retirement system. Any bill to correct this should be retroactive to include all those like myself who never received the service time credit.

Another issue is that when I was young and ignorant of retirement issues and didn't even think about these things, I became employed at a school district as a custodian as part of a federal grant program for low income youth. I worked there for about four years. Since this job was funded by the federal government I was not putting any funds into the State retirement fund or getting service time credit. Also had I been I would have been in PERS 1. After I graduated I became regular employee in another position not part of the federal grant program and started to contribute to PERS 2. So the issue is that those like myself did not contribute to the state retirement plan and got no service time credit and ended up in the PERS 2 plan if they got regular public employment later. I would like to see a bill that would allow those like me to retroactively pay the amount that would have been paid into the state plan and receive the service time credit as well as the ability to convert to PERS 1 if that applies.

I know that these issues may not

be able to be addressed now but would hope that you could consider some action in the future.

Thank you, Mike Hudson IUOE 302 Steward (King County DOT)

Winner, Charlene

From: Smith, Matt
Sent: Tuesday, March 13, 2007 1:43 PM
To: Winner, Charlene
Cc: Harper, Laura
Subject: FW: LEOFF I Retirement system

Please green sheet and assign to Laura. Laura, please cc me and Senator Haugen on your response. Thank you.

From: Thad [mailto:crashlindquist@hughes.net]
Sent: Tuesday, March 13, 2007 1:35 PM
To: Smith, Matt
Subject: FW: LEOFF I Retirement system

From: Thad [mailto:crashlindquist@hughes.net]
Sent: Monday, March 12, 2007 3:59 PM
To: Smith.Matt@leg.wa.gov
Cc: crashlindquist@hughes.net; haugen.marymargaret@leg.wa.gov
Subject: LEOFF I Retirement system

Dear Mr. Smith,

I am a duty related disabled police officer. I recently wrote to Senator Haugen concerning disability retirements under the LEOFF I retirement system. The crux of my request was that if the legislature is looking at the funding of health benefits for cities and counties that officers on duty related retirements should be considered prior to any funding of health benefits. I guess I did not make myself clear to the Senator. I realize that there are approximately 50% disability retirements in LEOFF I. I was addressing disabled officers or firefighters that did not go to work elsewhere after taking a disability retirement. I was unable to return to work of any type but I still had to settle for 50% plus 5% for my teenage daughter. I fall within the change of the LEOFF I people that were hired into the system between 1974 and 1978. I was hired in September in 1974, I had 38 months in PERS I and 26 years in LEOFF I. I checked and I would have had to pay the actuarial value of my 38 months in PERS I and I was told that it would cost over ninety thousand dollars. Also the Senator thought I was talking retroactive payment which I did not mean. I would have worked for at least a full 30 years if not more. It appears to me that with everyone wanting a piece of a surplus or the cities and counties wanting their insurance bills paid that first to be considered should be totally disabled police officers and firefighters that could not returned to the work place and that the amount should be at 60 per cent starting this year or the next as if the had completed a full term of retirement prior to HB 2688. I would appreciate it if you would give this some thought and have the SCPP look ay the issue.

Sincerely

Thad Lindquist
13846 Seaview Way
Anacortes, Washington

E-17

3/13/2007

Harper, Laura

From: Harper, Laura
Sent: Friday, March 16, 2007 9:09 AM
To: Thad Lindquist (crashlindquist@hughes.net)
Cc: Smith, Matt; Haugen, Sen. Mary Margaret
Subject: Your E-Mail to the State Actuary Dated 3-2-2007

Attachments: 2688-S SL.pdf

Hello Mr. Lindquist. Matt Smith, the State Actuary, has asked me to respond to your e-mail to him dated March 12, 2007.

First, I'd like to assure you that your correspondence has been scanned and will be provided to the Select Committee on Pension Policy (SCPP) for consideration when the committee reconvenes. As provided by SCPP Rule 8(c), the SCPP's Executive Committee will set agendas for the full committee as it does its work during the 2007 interim. The membership of the Executive Committee will be determined at the beginning of the interim (after session ends). The SCPP typically receives many requests to study various issues, and while all of them will not be studied, all will be considered in the development of the SCPP's work plan. You can track the activities of the SCPP on its website, <http://www.leg.wa.gov/SCPP/default.htm>.

Also, I thought I would give you an update on the issue raised in your e-mail. Currently there is no proposal pending before the legislature to use LEOFF 1 plan funds to pay for employer liabilities for medical benefits. Last year's HB 2688 included a section that would have directed a joint executive task force to study funding alternatives for this employer obligation. The Governor vetoed that section of the bill and instead requested that the Department of Retirement Systems (DRS) and the Health Care Authority (HCA) "lay the groundwork for study of this issue." I have attached an electronic copy of the bill with the veto message. A report from DRS and HCA is expected this year.

You may be interested to know that while federal law allows the use of excess pension assets to fund medical benefits, there are very specific requirements for such use, including IRS approval of the account that would receive the assets. Currently, no such account exists and the assets in the plan are not sufficient to allow such a transfer.

Please feel free to contact me if you have questions.

Sincerely,

Laura Harper

Laura Harper
Senior Research Analyst/Manager
Office of the State Actuary
"Securing tomorrow's pensions today"
360-786-6145
harper.laura@leg.wa.gov



2688-S SL.pdf (20 KB)

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2688

Chapter 350, Laws of 2006

(partial veto)

59th Legislature
2006 Regular Session

LEOFF RETIREMENT SYSTEM--ALLOWANCE

EFFECTIVE DATE: 7/1/06

Passed by the House March 8, 2006
Yeas 75 Nays 23

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 8, 2006
Yeas 34 Nays 6

BRAD OWEN

President of the Senate

Approved March 30, 2006, with the
exception of section 2, which is vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2688** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

March 30, 2006 - 3:17 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2688

AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, Conway, Lovick, Kenney, Quall, Simpson, Ormsby, Moeller and Ericks; by request of Select Committee on Pension Policy)

READ FIRST TIME 01/31/06.

1 AN ACT Relating to the law enforcement officers' and fire fighters'
2 retirement system plan 1; amending RCW 41.26.100; creating a new
3 section; providing an effective date; and providing an expiration date.

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

5 **Sec. 1.** RCW 41.26.100 and 1991 c 343 s 16 are each amended to read
6 as follows:

7 A member upon retirement for service shall receive a monthly
8 retirement allowance computed according to his or her completed
9 creditable service credit years of service as follows: Five years but
10 under ten years, one-twelfth of one percent of his or her final average
11 salary for each month of service; ten years but under twenty years,
12 one-twelfth of one and one-half percent of his or her final average
13 salary for each month of service; and twenty years and over one-twelfth
14 of two percent of his or her final average salary for each month of
15 service: PROVIDED, That the recipient of a retirement allowance who
16 shall return to service as a law enforcement officer or fire fighter
17 shall be considered to have terminated his or her retirement status and
18 he or she shall immediately become a member of the retirement system
19 with the status of membership he or she had as of the date of

1 retirement. Retirement benefits shall be suspended during the period
2 of his or her return to service and he or she shall make contributions
3 and receive service credit. Such a member shall have the right to
4 again retire at any time and his or her retirement allowance shall be
5 recomputed, and paid, based upon additional service rendered and any
6 change in final average salary(~~(: PROVIDED FURTHER, That no retirement~~
7 ~~allowance paid pursuant to this section shall exceed sixty percent of~~
8 ~~final average salary, except as such allowance may be increased by~~
9 ~~virtue of RCW 41.26.240, as now or hereafter amended)~~).

10 ****NEW SECTION. Sec. 2. (1) The governor shall establish a joint***
11 ***executive task force on funding postretirement medical benefits for***
12 ***members of plan 1 of the law enforcement officers' and fire fighters'***
13 ***retirement system. The joint task force shall consist of seven***
14 ***members: The director of the department of retirement systems; the***
15 ***administrator of the health care authority; the state actuary; one***
16 ***representative of Washington cities, appointed by the governor; one***
17 ***representative of Washington counties, appointed by the governor; one***
18 ***active member of plan 1 of the law enforcement officers' and fire***
19 ***fighters' retirement system, appointed by the governor; and one retired***
20 ***member of plan 1 of the law enforcement officers' and fire fighters'***
21 ***retirement system, appointed by the governor.***

22 (2) The joint task force shall elect one of its members to serve as
23 chair of the joint task force.

24 (3) Joint task force members may be reimbursed for travel expenses
25 as authorized under RCW 43.03.050 and 43.03.060.

26 (4) It is the intent of the legislature to create a funding vehicle
27 to assist employers in providing postretirement medical benefits for
28 members of plan 1 of the law enforcement officers' and fire fighters'
29 retirement system. To that end, the joint task force is charged with
30 reviewing private and public funding vehicles that would accept
31 voluntary tax-advantaged employer contributions and permissible
32 transfers of excess pension assets. The task force shall select one or
33 more appropriate funding vehicles and coordinate with all necessary
34 parties to achieve implementation. To the extent that further
35 legislative authority is required for the implementation, the task
36 force shall make its recommendations for proposed legislation to the
37 appropriate committees of the legislature by no later than September 1,

1 2006. The task force shall submit its final report to the governor and
2 appropriate committees of the legislature by no later than December 1,
3 2006.

4 (5) The joint task force will evaluate the June 30, 2000,
5 suspension of employer and member contributions in the law enforcement
6 officers' and fire fighters' retirement system plan 1. The joint task
7 force shall make its recommendations regarding employer and member
8 contributions utilizing the most recent valuation study for the plan.

9 (6) This section expires December 1, 2006.

*Sec. 2 was vetoed. See message at end of chapter.

10 NEW SECTION. Sec. 3. Section 1 of this act takes effect July 1,
11 2006.

Passed by the House March 8, 2006.

Passed by the Senate March 8, 2006.

Approved by the Governor March 30, 2006, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State March 30, 2006.

Note: Governor's explanation of partial veto is as follows:

"I am returning, without my approval as to Section 2, Substitute
House Bill No. 2688 entitled:

"AN ACT Relating to the law enforcement officers' and fire
fighters' retirement system plan 1."

Local governments face challenges in providing health care benefits
for retired members of the Law Enforcement Officers' and
Firefighters' Retirement System Plan 1 (LEOFF 1). The cost of these
benefits can be significant, especially for smaller jurisdictions.
It is sensible for the state to assist local governments in their
search for ways to address this obligation in the most efficient way
possible. However, a thorough and careful review of options will
take longer than provided in the bill, and will need to include a
broader range of possibilities. The bill also charges a task force to
study the use of excess pension assets to provide health care
coverage. Notwithstanding potential legal barriers to this use of
pension assets, the current financial situation of the LEOFF 1
pension plan clearly does not support this option.

While I am vetoing Section 2, I am directing the Department of
Retirement Systems and the Health Care Authority to lay the
groundwork for study of this issue, and to consult plan members and
representatives of local governments in their work.

For these reasons, I have vetoed Section 2 Substitute House Bill No.
2688

With the exception of Section 2, Substitute House Bill No. 2688 is
approved."



RECEIVED

APR 10 2007

Office of
The State Actuary

All of Klickitat and
Skamania counties,
south Yakima County
and southeast Clark County

Olympia Office:
107 Irv Newhouse Building
PO Box 40415
Olympia, WA 98504-0415
Phone: (360) 786-7684
FAX: (360) 786-7173
e-mail: Honeyford.Jim@leg.wa.gov

Washington State Senate

Senator Jim Honeyford
15th Legislative District

MEMO

6 April 2007

TO: Matthew M. Smith, State Actuary ✓
Senator Craig Pridemore, Chair
Select Committee on Pension Policy

FROM: Senator Jim Honeyford

SUBJ: ESHB 1649

Enclosed is a copy of an amendment to ESHB 1649 that would allow inactive vested justices, or judges, who have separated from service but not yet retired, to apply to increase their benefit multiplier and to pay the full actuarial costs of this increase so that there is no cost to the pension system.

I am requesting that this be studied as legislation for the 2008 session.

Thank you for the consideration of this request. Please keep me informed on the progress of this request.

cc: Robert Baker
Sr. Research Analyst

/jkh

E-23

ESHB 1649 - S AMD

By Senator Honeyford

1 On page 1, line 18, after "(2)", strike "(a)" and insert "~~((a))~~".

2 On page 2, line 21, strike "(b)", and insert "~~((b))~~(3) From
3 January 1, 2008, through June 30, 2008, the following members may apply
4 to the department to increase their benefit multiplier by an additional
5 one and one-half percent per year of service for the period in which
6 they served as a justice or judge:

7 (a) Active members of plan 1 or plan 2 who are not currently
8 employed as a supreme court justice, court of appeals judge, or
9 superior court judge, and who have past service as a supreme court
10 justice, court of appeals judge, or superior court judge; and

11 (b) Inactive vested members of plan 1 or plan 2 who have separated,
12 have not yet retired, and who have past service as a supreme court
13 justice, court of appeals judge, or superior court judge.

14 A member eligible under this subsection may purchase the higher
15 benefit multiplier for all or part of the member's prior judicial
16 service beginning with the most recent judicial service. The member
17 shall pay, for the applicable period of service, the actuarially
18 equivalent value of the increase in the member's benefit resulting from
19 the increase in the benefit multiplier as determined by the director.

20 (4)"

21 On page 3, line 4, after "(2)", strike "(a)" and insert "~~((a))~~".

22 On page 3, line 26, strike "(b)", and insert "~~((b))~~(3) From
23 January 1, 2008, through June 30, 2008, the following members may apply
24 to the department to increase their benefit multiplier by an additional
25 one and one-half percent per year of service for the period in which
26 they served as a judge:

27 (a) Active members of plan 1 or plan 2 who are not currently
28 employed as a district court judge or municipal court judge, and who
29 have past service as a district court judge or municipal court judge;
30 and

1 (b) Inactive vested members of plan 1 or plan 2 who have separated,
2 have not yet retired, and who have past service as a district court
3 judge or municipal court judge.

4 A member eligible under this subsection may purchase the higher
5 benefit multiplier for all or part of the member's prior judicial
6 service beginning with the most recent judicial service. The member
7 shall pay, for the applicable period of service, the actuarially
8 equivalent value of the increase in the member's benefit resulting from
9 the increase in the benefit multiplier as determined by the director.

10 (4)"

11 On page 4, line 12, after "(2)", strike "(a)" and insert "~~(a)~~".

12 On page 4, line 34, strike "(b)", and insert "~~(b)~~(3) From
13 January 1, 2008, through June 30, 2008, the following members may apply
14 to the department to increase their benefit multiplier by an additional
15 six-tenths percent per year of service for the period in which they
16 served as a justice or judge:

17 (a) Active members of plan 3 who are not currently employed as a
18 supreme court justice, court of appeals judge, or superior court judge,
19 and who have past service as a supreme court justice, court of appeals
20 judge, or superior court judge; and

21 (b) Inactive vested members of plan 3 who have separated, have not
22 yet retired, and who have past service as a supreme court justice,
23 court of appeals judge, or superior court judge.

24 A member eligible under this subsection may purchase the higher
25 benefit multiplier for all or part of the member's prior judicial
26 service beginning with the most recent judicial service. The member
27 shall pay, for the applicable period of service, the actuarially
28 equivalent value of the increase in the member's benefit resulting from
29 the increase in the benefit multiplier as determined by the director.

30 (4)"

31 On page 5, line 8, strike "(3)" and insert "~~(3)~~(5)".

32 On page 5, line 20, after "(2)", strike "(a)" and insert "~~(a)~~".

33 On page 6, line 4, strike "(b)", and insert "~~(b)~~(3) From
34 January 1, 2008, through June 30, 2008, the following members may apply

1 to the department to increase their benefit multiplier by an additional
2 six-tenths percent per year of service for the period in which they
3 served as a judge:

4 (a) Active members of plan 3 not currently employed as a district
5 court judge or municipal court judge, and who have past service as a
6 district court judge or municipal court judge; and

7 (b) Inactive vested members of plan 3 who have separated, have not
8 yet retired, and who have past service as a district court judge or
9 municipal court judge.

10 A member eligible under this subsection may purchase the higher
11 benefit multiplier for all or part of the member's prior judicial
12 service beginning with the most recent judicial service. The member
13 shall pay, for the applicable period of service, the actuarially
14 equivalent value of the increase in the member's benefit resulting from
15 the increase in the benefit multiplier as determined by the director.

16 (4)"

17 On page 6, line 16, strike "(3)" and insert "~~((3))~~(5)".

18 On page 6, line 28, after "(2)", strike "(a)" and insert "~~((a))~~".

19 On page 7, line 12, strike "(b)", and insert "~~((b))~~(3). From
20 January 1, 2008, through June 30, 2008, the following members may apply
21 to the department to increase their benefit multiplier by an additional
22 one and one-half percent per year of service for the period in which
23 they served as a justice or judge:

24 (a) Active members of plan 1 not currently employed as a supreme
25 court justice, court of appeals judge, or superior court judge, and who
26 have past service as a supreme court justice, court of appeals judge,
27 or superior court judge; and

28 (b) Inactive vested members of plan 1 who have separated, have not
29 yet retired, and who have past service as a supreme court justice,
30 court of appeals judge, or superior court judge.

31 A member eligible under this subsection may purchase the higher
32 benefit multiplier for all or part of the member's prior judicial
33 service beginning with the most recent judicial service. The member
34 shall pay, for the applicable period of service, the actuarially
35 equivalent value of the increase in the member's benefit resulting from
36 the increase in the benefit multiplier as determined by the director.

--- END ---

EFFECT: Allows two additional groups to purchase the higher benefit multiplier for past judicial service: active members of PERS or TRS 1 not currently employed as a justice or judge but who were previously employed as a justice or judge; and inactive vested members of PERS or TRS 1 who have separated, but not yet retired, and who have past service as a justice or judge. From January 1, 2008, through June 30, 2008, these members may purchase the higher multiplier for past judicial service by paying the actuarially equivalent value of the benefit increase.

Hyde, Elizabeth

From: Elizabeth Knox [eknox@puyallup.k12.wa.us]
Sent: Wednesday, May 02, 2007 5:26 PM
To: Office State Actuary, WA
Subject: Revocation of Gain Sharing

Dear SCPP Members,

I am very concerned about the recent legislation that revokes gain sharing. This was one of the reasons I switched from TRS Plan 2 to TRS Plan 3. I feel that I was promised a format by the state and that promise has been betrayed. Can you please explain to me why the legislature can take away a provision that was promised and was extended as an enticement for me to switch retirement plans? Will you now allow me to switch back to Plan 2?

I began working in the state of Washington when I was 35 years old. I will not have 30 years in the system by 62, so the early retirement provision for those with 30 years in by age 62 does me no good at all. You are taking money from me and my family and giving it to other people. I strongly object to this.

I look forward to your response to my e-mail.

Thanks!
Liz Knox

Hyde, Elizabeth

From: Baker, Robert
Sent: Thursday, May 10, 2007 9:55 AM
To: 'eknox@puyallup.k12.wa.us'
Subject: RE: Revocation of Gain Sharing - Greensheet #26

Hello Ms. Knox,

I'm Robert Baker, with the Office of the State Actuary (OSA). This office provides staff services to the Select Committee on Pension Policy (SCPP). The SCPP studied gain-sharing during the 2004, 2005, and 2006 interims. While the SCPP had recommended gain-sharing legislation in prior sessions, none of the gain-sharing bills before the legislature this session were recommended by the SCPP.

Still, numerous issues and proposals were discussed by the SCPP in the process of studying gain-sharing. Among the issues was the non-contractual nature of the gain-sharing benefit. Also among the proposals was the possibility of allowing those who transferred to Plan 3 to transfer back to Plan 2.

In general, retirement benefits of public employees in Washington State are considered to be contractual rights. However, there are several retirement benefit provisions, gain-sharing being one of them, that have a non-contractual clause. That clause states that the legislature "... reserves the right to amend or repeal ..." the benefit in question. It also states that "... no member or beneficiary has a contractual right ..." to receive the benefit. This clause can be found in RCW 41.31A.020(4), the section that outlines the Plan 3 gain-sharing benefit.

During the 2005 interim, the SCPP was interested in receiving legal advice on the non-contractual rights clause. As a result, OSA asked the Attorney General's Office for an official opinion as to whether the non-contractual clause in the gain-sharing provisions negated any contractual obligation of the state to provide gain-sharing benefits in the future.

The Attorney General Opinion (AGO) stated that the non-contractual clauses did negate that contractual right. A full copy of that opinion can be found in Appendix A of the SCPP's Gain-Sharing Study at the following link:
http://leg.wa.gov/documents/osa/scpp/2005/Gain-sharing_Subgroup/Final_Gain-Sharing_Report.pdf

In regards to transferring from Plan 3 back to Plan 2 – that had been among the many trade-off proposals the SCPP discussed. However, the committee was cautioned by tax counsel for the Department of Retirement Systems (DRS) that the Internal Revenue Service (IRS) might not approve of such a proposal, and that it might jeopardize the retirement plan's tax status. Retirement plans adhere to IRS regulations to assure that taxes on both the retirement contributions and the investment earnings from those contributions are deferred until the plan members begin receiving retirement benefits. Were the retirement plans no longer qualified for this tax treatment, the State and plan members would be subject to considerable tax liability. After receiving that input, the SCPP decided against forwarding such a proposal to the legislature.

The SCPP meets once a month during the interim. The first meeting of the 2007 interim will be on May 22nd. Your E-mail will be among the correspondence that will be included in the meeting materials.

To keep up-to-date with SCPP activities you can visit their website at <http://leg.wa.gov/scpp/>.

Please let me know if I can be of further assistance.

Robert Wm. Baker
Senior Research Analyst
Office of the State Actuary
(360) 786-6144
Baker.Robert@leg.wa.gov

From: Elizabeth Knox [mailto:eknox@puyallup.k12.wa.us]
Sent: Wednesday, May 02, 2007 5:26 PM
To: Office State Actuary, WA
Subject: Revocation of Gain Sharing

Dear SCPP Members,

I am very concerned about the recent legislation that revokes gain sharing. This was one of the reasons I switched from TRS Plan 2 to TRS Plan 3. I feel that I was promised a format by the state and that promise has been betrayed. Can you please explain to me why the legislature can take away a provision that was promised and was extended as an enticement for me to switch retirement plans? Will you now allow me to switch back to Plan 2?

I began working in the state of Washington when I was 35 years old. I will not have 30 years in the system by 62, so the early retirement provision for those with 30 years in by age 62 does me no good at all. You are taking money from me and my family and giving it to other people. I strongly object to this.

I look forward to your response to my e-mail.

Thanks!
Liz Knox

TO: Matt Smith, State Actuary

FROM: John Kvamme, WASA & AWSP Consultant

DATE: May 7, 2007

RE: Some tentative SCPP recommendations

Attached is a list of draft or tentative recommendations for the SCPP to consider during the 2007 interim. It is too early to finalize our recommendations; however I want the SCPP Executive Committee to have these for the May 22nd meeting. I hope to meet with some our members in June and receive their input.

Thank you for including this in the SCPP Executive Committee packet.

WASA & AWSP Tentative 2007 Interim Retirement Issues

- **Plan 3 Vesting:** Take away the age requirement for vesting in Plan 3. Make vesting available after five years of service like other retirement plans. HB 1941 from the 2007 session would accomplish this issue. We recommend that the SCPP recommend such legislation.
- **Survivor Benefits:** Provide improved survivor benefits to members of TRS, SERS and PERS in Plans 1, 2 and 3. As a start provide survivor benefits to those members that are qualified to retire under early or regular retirement in each of the plans. HB 1838 from the 2007 session was one attempt at getting started with this issue. It would have provided the survivors of Plan 1 TRS or PERS both the employee and employer contributions plus interest if the member had at least 30 years of service. Another approach would be to provide the survivor 200% of the employee's contributions similar to what was done in an amendment to 2SHB 1266, death benefit bill, from the 2007 session. We recommend that the SCPP study this whole issue and make recommendations to the 2008 session.
- **Plan 3 Improvement:** Many Plan 3 members felt short-changed in the 2007 session bill EHB 2391, gain-sharing trade-off. Probably SERS 3 members received the smallest trade since more than a majority of these members will not attain 30 years in the system and, therefore will not benefit from the new early retirement reductions. Also, any Plan 3 member that is already retired receives no trade and that retiree loses the benefit of future gain-sharing distributions. We recommend that the SCPP examine this issue during the interim and make recommendations for improved trade-off for some of these Plan 3 members and retirees.
- **Plan 1, 2 & 3 Military Service:** Allow Plan 1 TRS members after 25 years of service to purchase up to five years of service credit for uninterrupted military service. During the 2007 session HB 1843 and SB 5695 were introduced. Presently PERS Plan 1 members receive this service credit without paying for it. HB 1843 and SB 5695 lower the cost of the Plan 1 military bills significantly by requiring the member to pay one-half of the actuarially equivalent value of the increase in the member's benefit. Also during the 2007 session SB 6009, Plan 2 Military Service Credit, was introduced and received a hearing in Senate Ways and Means. It called for PERS members with 25 years of creditable service to receive, without cost up, to five years of service credit for interrupted or uninterrupted military service. We recommend that the SCPP review these military service credit issues and approve recommendations to the 2008 legislature.
- **Plan 2 & 3 Final Year Contract:** Make provision so that TRS Plan 2 and 3 members can receive a full year (12 month) service credit for their final year's work when retiring on July 1. We recommend that the SCPP review this issue and make recommendation regarding any possible legislation that could alleviate this situation.



WASHINGTON STATE PATROL TROOPERS ASSOCIATION

200 UNION AVE. SE STE. 200, OLYMPIA, WA 98501 (360) 704-7530 FAX (360) 704-7527

May 17, 2007

Senator Craig Pridemore, Chairman
Select Committee on Pension Policy
307 John L. O'Brien Building
PO Box 40600
Olympia, WA 98504-0600

RECEIVED

MAY 17 2007

Office of
The State Actuary

Re: Interim Agenda for the SCPP

Dear Senator Pridemore:

Thank you again for working for the passage of the WSPRS contribution stabilization bill, ESHB 1260. Your support over the course of three sessions was key to making that bill a law. We also appreciate your support of the survivor benefit bill, SHB 1417, and lifting the mandatory retirement age, SB 5313. It was a good session for the Troopers, and you had a lot to do with that.

I am also writing to ask for some time on the SCPP's interim agenda. We're hoping to get a chance to explore the following issues:

- WSPRS Demographics. Trooper recruitment and retention are a challenge for the State Patrol. A review of retirement age data for Troopers, i.e. when they retire, how much service they have, and where they go, is an important part of analyzing and developing strategies for addressing that human resources challenge. I understand that the Actuary is planning an experience study that will provide some of this data. I am hoping that it will be possible to frontload the WSPRS analysis for discussion during this interim.
- Benefit Changes Paralleling LEOFF Plan 2: The Legislature has made several changes to law enforcement pension benefits at the request of the LEOFF Plan 2 board. Some of those changes would also be appropriate for law enforcement officers in WSPRS. Specifically, providing military service credit for Troopers on interruptive military leave who don't return to the patrol because of military death or disability (*See* LEOFF 2 bill HB 1325 (2005));
- Death Benefit Changes: We would like the committee to consider providing the in service death benefits for Troopers who are killed while serving on active military duty in a war zone.

- WSPRS governance. I appreciate the work that the SCPP and its staff have done on WSPRS issues. Last year our request for space on the SCPP's interim agenda was overshadowed by gain-sharing and other issues, highlighting an issue with the current governance structure. That structure works well for the larger plans, but may not be the best approach to WSPRS.

As commissioned law enforcement officers with a separate retirement plan, Trooper retirement issues are unique. Further, given the relatively small size of the plan, those issues can be dwarfed by TRS, PERS, and SERS issues. We believe it makes more sense to follow the model of the LEOFF 2 board, as was done when the House introduced HB 1585 in 2003. HB 1585 did not pass, but the issues merits further consideration.

HB 1585 would have formed a WSPRS board where employer and employee representatives familiar with WSPRS issues can focus on that plan. The LEOFF 2 Board takes its fiduciary responsibility to the plan very seriously, and a WSPRS board would do the same. We would appreciate an opportunity to discuss this issue during the 2007 interim.

Given the scope of these issues, I ask that you convene the SCPP's public safety subcommittee to focus on these WSPRS specific issues. Thank you again for your assistance with the Trooper pension issues and your consideration of these issues.

Sincerely,



Tom Pillow, President
Washington State Patrol Troopers' Association

cc: Matt Smith, OSA
Representative Steve Conway
Rick Jensen
Paul Neal
Davor Gjurasic
WSPTA board members

2007 Interim Issues (Preliminary Inventory)

Referred from 2006 SCPP

- ❖ **Disability Retirement** – Continue review of disability benefits and policies under the Washington State retirement systems, including reduction of actuarial penalties associated with early retirement for medical reasons (Sen. Eide).

Significant Amendments to SCPP Legislative Proposals

- ❖ **Index \$150,000 Death Benefit** – The SCPP's 2007 recommendation concerning the \$150,000 death benefit included indexing for this benefit, and the indexing provision was removed by the legislature.
- ❖ **Washington State Patrol Cost-Sharing** – The SCPP recommended that members pay one-third of the difference between the total cost of the system and the "Truman liability" or 7 percent, whichever is less. The bill was amended to specify that members would pay the lesser of one-half of the adjusted total contribution rate or 7 percent, plus one-half of any benefit improvements effective on or after July 1, 2007.

SCPP Member Requests

- ❖ **Pension Protection Act (Fraser)** – Study implications of recent federal legislation for Washington State retirement systems.
- ❖ **Member Flexibility at Member Cost (Olson)** – Continue to explore ways that members can obtain additional benefit flexibility with no cost to employers.
- ❖ **Benefits History (Olson)** – Review cost of Plans 2/3 from creation to present.

Legislator Requests

- ❖ **Former Judges (Sen. Honeyford)** – Allow inactive vested judges, or judges who have separated from service but not yet retired, to apply to increase their benefit multiplier and pay the full actuarial cost.

Co-ordination with LEOFF 2 Board

- ❖ Officially, none at this time.

Constituent/Stakeholder Requests

- ❖ **Disability retirement (ATULC)** – Eliminate actuarial reductions for disability pensions.
- ❖ **PERS 1 Benefit Cap (Wagner, Von Moos, Fortune, Madden, Esparza, Webster)** – Remove or increase the 60 percent cap on retirement pensions for PERS 1.
- ❖ **TRS 3 Benefits (Cunningham)** – Improve benefits by creating a rule of 85 and/or increasing the benefit multiplier.
- ❖ **Out-of-State Service Credit (Nardella)** – Authorize service credit purchases for all time served as a public employee in another state.
- ❖ **PERS Benefits (Hudson)** – Improve benefits by creating a rule of 85, allowing service credit for two jobs, and authorizing the conversion of service credit from Plan 2 to Plan 1.
- ❖ **LEOFF 1 Surplus (Lindquist)** – Use any surplus to improve pension payments to disabled police officers and firefighters (before using for medical benefits).
- ❖ **Plan 3 Vesting (tentative, WASA & AWSP)** – Allow vesting after five years regardless of age.
- ❖ **Survivor Benefits (tentative, WASA & AWSP)** – Improve survivor benefits for members of Plans 1, 2, and 3 of TRS, SERS, and PERS.
- ❖ **Plan 3 Benefits (tentative, WASA & AWSP)** – Provide additional benefits to Plan 3 members to improve the gain-sharing trade-off.
- ❖ **Military Service (tentative, WASA & AWSP)** – Review 2007 legislative proposals to improve Plan 1 military service credit provisions and make a recommendation for 2008.
- ❖ **“Plans 2/3 Final Year Contract” (tentative, WASA & AWSP)** – Allow TRS 2/3 members to receive a full year (12 months) of service credit for their final year’s work when retiring on July 1.

DRS Requests

- ❖ **SERS Auto-Transfer of Prior Plan Service Credit** – Adapt plan provisions to current conditions.

SCPP Statutory Obligations

- ❖ None for 2007.

Actuarial Work

- ❖ **2008 Gain-Sharing Distributions** – Calculate required distribution amounts and notify plan administrator.
- ❖ **LEOFF 1 Medical Study** – (Required in OSA budget) Identify local government employer liability for LEOFF 1 medical benefits.
- ❖ **OPEB Actuarial Valuation** – Using new governmental accounting standards, identify (and facilitate others in identifying) public employer obligations for “other post-employment benefits” (OPEB), the most significant of which is health care.
- ❖ **Review of Economic Assumptions** – Make recommendations to Pension Funding Council regarding long-term economic assumptions.
- ❖ **Experience Study Preparation** – Much of the work for the 2008 Experience Study will be done in 2007. OSA can provide the SCPP with “previews” of the data that will be reviewed, the study methodology, the standards of practice involved, and the assumptions that will be examined (e.g. retirement rates, mortality, etc).
- ❖ **2006 Actuarial Valuation**

SCPP Staff

- ❖ **State Actuary** – Annual Evaluation.

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