

# Select Committee on Pension Policy

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

## Regular Committee Meeting

**May 22, 2007**  
10:00 a.m. - 12:00 p.m.  
Senate Hearing Room 4  
Olympia

### AGENDA

- 10:00 a.m.      **(1)    Approval of Minutes**
- 10:05 a.m.      **(2)    Election of Officers, Darren Painter, Research Analyst**
- 10:35 a.m.      **(3)    Rules of Procedure, Darren Painter**
- 10:45 a.m.      **(4)    2007 Legislative Session Update, Robert Wm. Baker, Senior Research Analyst**
- 11:15 a.m.      **(5)    Hot Topics**
- **Pension Protection Act, Laura Harper, Senior Research Analyst/Manager**
  - **Accounting for OPEB, Troy Dempsey, Actuarial Assistant**
- 12:00 p.m.      **(6)    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

JANUARY						
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Select Committee on Pension Policy  
**2007 Meeting Dates**

*Full - 10:00 am - 12:00 pm*  
*Executive - 12:30 - 2:30 pm*  
 SHR4/ABC, Olympia, WA

- January 16, 2007. *meeting cancelled*
- February 13, 2007. *meeting cancelled*
- March 20, 2007. *meeting cancelled*
- April 17, 2007. *meeting cancelled*
- May 22, 2007
- June 19, 2007
- July 17, 2007
- August 14, 2007
- September 18, 2007
- October 16, 2007
- November 13, 2007
- December 18, 2007

**Reserved Subgroup Dates**  
 SHR4  
 2:00 - 4:00 pm - Mondays

- May 21, 2007 - *none scheduled*
- June 18, 2007
- July 16, 2007
- August 13, 2007
- September 17, 2007
- October 15, 2007
- November 14, 2007
- December 17, 2007

# Select Committee on Pension Policy

## Goals for Washington State Public Pensions

*Revised and Adopted September 27, 2005*

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1. Contribution Rate Setting: To establish and maintain adequate, predictable and stable contribution rates, with equal cost-sharing by employers and employees in the Plans 2, so as to assure the long-term financial soundness of the retirement systems.
2. Balanced Long-Term Management: To manage the state retirement systems in such a way as to create stability, competitiveness, and adaptability in Washington's public pension plans, with responsiveness to human resource policies for recruiting and retaining a quality public workforce.
3. Retirement Eligibility: To establish a normal retirement age for members currently in the Plans 2/3 of PERS, SERS, and TRS that balances employer and employee needs, affordability, flexibility, and the value of the retirement benefit over time.
4. Purchasing Power: To increase and maintain the purchasing power of retiree benefits in the Plans 1 of PERS and TRS, to the extent feasible, while providing long-term benefit security to retirees.
5. Consistency with the Statutory Goals within the Actuarial Funding Chapter: To be consistent with the goals outlined in the RCW 41.45.010:
  - a. to provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State Retirement Systems;
  - b. to continue to fully fund the retirement system plans 2 and 3, and the Washington State Patrol Retirement System, as provided by law;
  - c. to fully amortize the total costs of PERS 1, TRS 1 and LEOFF 1, not later than June 30, 2024;
  - d. to establish predictable long-term employer contribution rates which will remain a relatively predictable portion of future state budgets; and
  - e. to fund, to the extent feasible, benefit increases over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

# Select Committee on Pension Policy

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## REGULAR COMMITTEE MEETING DRAFT MINUTES

December 12, 2006

The Select Committee on Pension Policy met in House Hearing Room A, Olympia, Washington on December 12, 2006.

### Committee members attending:

Elaine Banks	Corky Mattingly
Representative Bailey	Doug Miller
Lois Clement	Victor Moore
Representative Conway	Glenn Olson
Representative Crouse	Senator Pridemore
Randy Davis	J. Pat Thompson
Representative Fromhold	Senator Schoesler
Robert Keller	David Westberg
Sandra Matheson	

Senator Pridemore, Chair, called the meeting to order at 10:10 a.m.

### (1) Approval of Minutes

*It was moved to approve the November 21, 2006 Full Committee Draft Minutes. Seconded.*

**MOTION CARRIED**

### (2) Review of Projected Contributions/Fiscal Notes

Matt Smith, State Actuary, reported on "Review of Projected Contributions/Fiscal Notes." Discussion followed.

### (3) 2007 Proposed Interim Schedule

*It was moved to approve the "2007 Proposed Interim Schedule." Seconded.*

**MOTION CARRIED**

### (4) Age 66 COLA

Darren Painter, Research Analyst, reported on "Age 66 COLA." *It was moved that the Age 66 COLA bill draft Z-0061.1/07 be submitted to the Legislature. Seconded.*

**MOTION CARRIED**

**\*Elaine M. Banks**  
*TRS Retirees*

**Representative Barbara Bailey**

**Lois Clement**  
*PERS Retirees*

**Representative Steve Conway**

**Representative Larry Crouse**

**Randy Davis**  
*TRS Actives*

**Senator Karen Fraser**

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

**Robert Keller**  
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**\*Sandra J. Matheson,** Director  
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*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**

**Vacant**  
*TRS and SERS Employers*

**\* Executive Committee**

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**(5) WSP Contribution Rates**

Darren Painter, Research Analyst, reported on "WSP Contribution Rates."

*It was moved that the WSP Contribution Rates bill draft Z-0299.1/07 be submitted to the Legislature. Seconded.*

**MOTION CARRIED**

**(6) Technical Corrections**

Laura Harper, Senior Research Analyst/Legal, reported on "Technical Corrections."

*It was moved that the Technical Corrections bill draft Z-0300.1/07 be submitted to the Legislature. Seconded.*

**MOTION CARRIED**

**(7) Dual Membership**

Laura Harper, Senior Research Analyst/Legal, reported on "Dual Membership."

*It was moved that the Dual Membership bill draft Z-0318.2, which excludes members of the Washington State Patrol Retirement System from participation, be submitted to the Legislature. Seconded.*

**MOTION CARRIED**

**(8) Contribution-Rate Adoption Process**

Laura Harper, Senior Research Analyst/Legal, reported on "Contribution-Rate Adoption Process." Discussion followed.

*It was moved to endorse the Contribution-Rate Adoption Process bill draft Z-0319.1/07, correcting line 8, page 1, Sec. 1 (1) to read "beginning September 1, 2007, and every two years ...." Seconded.*

**MOTION CARRIED**

**(9) Judges Benefit Multiplier**

Robert Baker, Senior Research Analyst, reported on "Judges Benefit Multiplier." Discussion followed.

*It was moved to forward Judges Benefit Multiplier bill draft Z-0320.1/07 to the legislature without recommendation from the Select Committee on Pension Policy. Seconded.*

**MOTION CARRIED**

**(10) Gain-sharing**

Robert Baker, Senior Research Analyst, reported on "Gain-sharing."  
Discussion followed.

Caucus Break at 11:15 am.

Meeting resumed at 11:40 am.

*No action was taken on Gain-sharing.*

The meeting adjourned at 11:48 am.

# Election of Officers

The SPCP's rules of procedure (Rule 7) require reorganization elections at the first meeting of the year. First the Chair and Vice-Chair shall be elected, then members of the Executive Committee.

## Chair

The Chair shall be a member of the House in odd-numbered years. RCW 41.04.276 (3).

## Vice-Chair

The Vice Chair shall be a member of the Senate in odd-numbered years. RCW 41.04.276(3).

## Executive Committee

The executive committee shall include the Chair, the Vice Chair, one member representative, one employer representative, one retiree representative, and the Director of the Department of Retirement Systems; RCW 41.04.276(4).

Current members of the Executive Committee are:

- ❖ Senator Craig Pridemore
- ❖ Representative Bill Fromhold
- ❖ Sandra Matheson, *DRS*
- ❖ Elaine M. Banks, *TRS Retirees\**
- ❖ Glenn Olson, *PERS Employers\**
- ❖ J. Pat Thompson, *PERS Actives\**

\* Elected by full committee.

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# SCPP 2007 Election Of Officers

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- Required Elections (SCPP Rule 7)
  - Chair (member of House)
  - Vice Chair (member of Senate)
  - Executive Committee
    - Active, retiree, and employer representatives
    - Currently
      - J. Pat Thompson, *PERS Actives*
      - Elaine M. Banks, *TRS Retirees*
      - Glenn Olson, *PERS Employers*



## In Brief

### ABOUT THE SCPP

#### *Composition of the Select Committee:*

- ❖ *Four members of the Senate, appointed by the President of the Senate;*
- ❖ *Four members of the House of Representatives, appointed by the Speaker of the House;*
- ❖ *Four representatives of active members, appointed by the Governor;*
- ❖ *Two representatives of retired members, appointed by the Governor;*
- ❖ *Four employer representatives, appointed by the Governor; and*
- ❖ *The Directors of the Department of Retirement Systems and the Office of Financial Management.*

# Terms of Members

## Current Terms of Membership

Legislative members serve from the close of the session in which they are appointed, until the member resigns or a successor is appointed.

Member	Appointed*	Expires
Representative Barbara Bailey	7/1/2005	
Representative Steve Conway	6/23/2003	
Representative Larry Crouse	3/29/2004	
Senator Karen Fraser	7/7/2003	
Representative Bill Fromhold	6/23/2003	
Senator Craig Pridemore	6/1/2005	
Senator Mark Schoesler	3/13/2006	
Sandra J. Matheson, <i>DRS</i>	4/1/2005	NA
Victor Moore, <i>OFM</i>	1/1/2005	NA
Randy Davis, <i>TRS Active</i>	11/20/2006	6/30/2009
Robert Keller, <i>PERS Active</i>	7/1/2005	6/30/2008
J. Pat Thompson, <i>PERS Active</i>	7/1/2005	6/30/2007
David Westberg, <i>SERS Active</i>	12/8/2006	6/30/2009
Charles Cuzzetto, <i>TRS &amp; SERS Employers</i>	12/20/2006	6/30/2008
Corky Mattingly, <i>PERS Employers</i>	12/7/2006	6/30/2009
Doug Miller, <i>PERS Employers</i>	7/1/2004	6/30/2007
Glenn Olson, <i>PERS Employers</i>	7/1/2005	6/30/2008
Elaine M. Banks, <i>TRS Retirees</i>	7/1/2003	6/30/2008
Lois Clement, <i>PERS Retirees</i>	12/7/2006	6/30/2009
Vacant Senate Position		

\* Reflects reappointment in some cases.

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# Proposed Rules of Procedure

- RULE 1. Membership. The Committee shall consist of 20 members: two from each caucus of the legislature, four active members or representatives of active members of the state retirement systems, two retired members or representatives of retired members of the state retirement systems, four employer representatives, and the Directors of the Department of Retirement Systems and the Office of Financial Management.

The Directors of the Department of Retirement Systems and the Office of Financial Management may appoint alternates from their respective agencies for membership on the SCPP.

- RULE 2. Meetings. The Select Committee on Pension Policy (SCPP) will typically meet once each month during the Legislative Interim. ~~((Additional))~~ Meetings may be called or cancelled by the Chair of the SCPP or Executive Committee as deemed necessary.

*Effect of Change: Allows meetings to be cancelled by the Chair or Executive Committee. Recommended now that meeting dates are adopted at the beginning of the interim.*

- RULE 3. Rules of Order. All meetings of the SCPP, its Executive Committee, or any subcommittee created by the SCPP shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.

- RULE 4. Quorum. A majority of the 20 committee members shall constitute a quorum of the Full Committee (11 members). A majority of the members appointed to a subcommittee shall constitute a quorum of the subcommittee.

- RULE 5. Voting. A majority of the ~~((20-committee))~~ members present must vote in the affirmative for an official action of the SCPP to be valid ~~((11 members); a majority of those committee members present must vote in the affirmative on procedural matters (at least 6 members))~~ , unless provided otherwise in statute or these Rules of Procedure. A majority of the members present ~~((appointed to a subcommittee))~~ must vote in the affirmative for an official action of a subcommittee to be valid ~~((; a majority of those subcommittee members present must vote in the affirmative on procedural matters))~~ , unless provided otherwise in statute or these Rules of Procedure.

***Effect of Change:*** Allows official action of the SCPP to be taken by a majority of members present. Current rules require 11 members to vote in the affirmative for an official action and 6 members to vote in the affirmative on procedural matters.

RULE 6. Minutes. Minutes summarizing the proceedings of each SCPP meeting and subcommittee shall be kept. These minutes will include member attendance, official actions taken at each meeting, and persons testifying.

RULE 7. SCPP Chair, Vice Chair, Executive Committee and Subcommittees. An Executive Committee shall be established and shall include six members. Reorganization elections shall take place at the first meeting of the year as follows: First the Chair shall be elected and then the Vice Chair shall be elected. The Chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The Vice Chair shall be a member of the House in even-numbered years and a member of the Senate in odd-numbered years.

Three members of the Executive Committee shall then be elected, one member representing active members, one member representing employers, and one member representing retirees. In addition, the Director of the Department of Retirement Systems shall serve on the Executive Committee.

Executive Committee members may designate an alternate to attend Executive Committee meetings in the event they cannot attend.

~~((Alternates shall be members of the SCPP who represent the same member group as the elected Executive Committee member.))~~

Designations shall be made in the following manner:

- a. The Chair and Vice Chair shall designate an SCPP member who is a legislator.
- b. The Director of the Department of Retirement Systems shall designate an employee of the department.
- c. Active, Employer, and Retiree member representatives shall designate an SCPP member representing their member group.

***Effect of Change:*** Clarifies who may be designated as an alternate for a member of the Executive Committee.

Subcommittees of the SCPP may be formed upon recommendation of the Executive Committee. The creation of the subcommittee and appointment of members shall be voted on by the full SCPP.

**RULE 8. Duties of Officers.**

- A. The Chair shall preside at all meetings of the SCPP and Executive Committee, except that the Vice Chair shall preside when the Chair is not present. In their absence, an Executive Committee member may preside.
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the SCPP Committee, Executive Committee, and SCPP Subcommittees.
- C. The Executive Committee shall perform all duties assigned to it by these Rules of Procedure, such other duties delegated to it by the SCPP, and shall set meeting agendas and recommend actions to be taken by the SCPP.
- D. A recommendation to refer an issue to the Assistant Attorney General will be approved by the Chair or by a majority vote of the Executive Committee. The Chair or the Committee will consider priorities of the SCPP of all legal issues and budget constraints in making this decision.

Advice from the Attorney General's Office to the Chair or the Committee may be subject to the attorney client privilege. When subject to the privilege, Committee members are advised to maintain the advice as confidential. The privilege may be waived only by vote of the Committee.

- E. The State Actuary may refer requests for information or services by Select Committee on Pension Policy members that are directly related to current Committee projects or proposals and/or require a significant use of OSA resources to either the Chair of the SCPP or the Executive Committee. Such requests will be approved by either the Chair or by a majority vote of the Executive Committee prior to initiation and completion by the OSA. The Executive Committee will consider priorities of all current OSA projects and budget constraints in making this decision.
- F. The State Actuary shall submit the following to the Executive Committee and the full SCPP for approval: the biennial budget submission for the OSA, and any personal services contract of \$20,000 or more that is not described in the biennial budget submission.

- G. The Chair and Vice Chair shall appoint four members of the SCPP to serve on the State Actuary Appointment Committee. At least one member shall represent state retirement systems' active or retired members, and one member shall represent state retirement system employers. The Chair and Vice Chair may designate an alternate for each appointee from the same category of membership.

RULE 9. Expenses. Legislators' travel expenses shall be paid by the member's legislative body; state employees' expenses shall be paid by their employing agency; other SCPP members' travel expenses shall be reimbursed by the Office of the State Actuary in accordance with RCW 43.03.050 and 43.03.060.

RULE 10. Staff. The OSA shall provide staff and technical assistance to the Committee. The State Actuary has the statutory authority to select and employ such research, technical, clerical personnel, and consultants as the State Actuary deems necessary. The State Actuary shall inform the Executive Committee of final personnel actions. Any employee terminated by the State Actuary shall have the right of appeal to the Executive Committee. The State Actuary has also implemented a grievance procedure within the OSA. Any employee who has followed the OSA grievance process and disagrees with the outcome may appeal to the ~~((Chair or Vice Chair for action by the))~~ Executive Committee. Employee appeals must be filed in writing with the Chair within 30 days of the action being appealed.

*Effect of Change: Requires employee appeals of personnel actions to be made to the Executive Committee within 30 days. Currently there is no time limit.*

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**In Brief****2007 PENSION  
LEGISLATION**

*21 bills + companions  
26 solo bills*

*4 SCPP bills + companions  
3 signed into law  
1 awaiting signature\**

*3 SCPP / LEOFF 2 Board  
bills + companions  
2 signed into law  
1 awaiting signature*

*4 LEOFF 2 Board bills +  
companions  
2 signed into law*

*4 Gain-sharing bills  
1 awaiting signature*

*10 other pension bills  
passed the legislature  
7 signed into law  
3 awaiting signature*

*A total of 20 pension bills  
passed the legislature  
14 signed into law  
6 awaiting signature*

*\* Status as of May 8, 2007*

**2007 Legislative Session  
Update****SCPP Request Legislation****SB 5173 / SHB 1262 – Post-Retirement Employment  
(Pridemore / Bailey)**

This bill creates parity between PERS 1 and TRS 1 by adding a cumulative lifetime limit of 1,900 hours in TRS 1, and providing procedural safeguards and penalties. The bill also increases the TRS 1 waiting period from one to one and one-half months (half the duration of the PERS 1 waiting period). The bill also requires employers to have a written policy for rehire programs under both plans.

The substitute House bill removed the emergency clause and changed the effective date to 90 days after session.

Status on May 8, 2007: The Governor signed SHB 1262 on April 17, 2007, as Chapter 50, Laws of 2007.

**SB 5175 / HB 1263 – Age 66 COLA (Pridemore /  
Fromhold)**

The bill changes Uniform COLA eligibility to include all PERS 1 and TRS 1 retirees who have been retired one year and will have attained age 66 by December 31 of the calendar year in which the increase is given.

Status on May 8, 2007: The Governor signed SB 5175 on April 18, 2007, as Chapter 89, Laws of 2007.

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**SSB 5171 / ESHB 1260 – Washington State Patrol Contribution Rate (Schoesler / Conway)**

The original SCPP bill would have established a new cost-allocation formula by which members would pay one-third the cost of the plan with a 7 percent cap and employers would pay the balance. A minimum total contribution rate would become effective July 1, 2009, equal to 70 percent of the system's normal cost as calculated under the entry age normal cost method.

The bills were amended in the House and Senate. The final bill changes the cost-sharing split: members will pay the lesser of one-half of the adjusted total contribution rate or 7 percent. In addition, members will pay one-half the cost of any benefit improvements effective on or after July 1, 2007. The employer rate will be the contribution rate required to cover all total system costs not covered by the members. Unlike the original bills, neither substitute bill sets contribution rates for the upcoming biennium. Finally, the House and Senate substitutes provide that they are null and void if both SB 6129 and SSB 5937, which enhance funding and staffing for the State Patrol, are not enacted by June 30, 2007. Both were enacted by that date.

The substitute House bill differs from the Senate substitute in that it makes technical changes to language describing the minimum contribution rate and adds an emergency clause that had been removed under the first House substitute.

Status on May 8, 2007: The Governor signed ESHB 1260 on May 2, 2007 as Chapter 300, Laws of 2007. Contingent legislation: The Governor signed SB 6129 on April 20, 2007 as Chapter 155, Laws of 2007; SSB 5937 passed the House and Senate and was delivered to the Governor.

**SSB 5174 / HB 1265 – Technical Corrections (Pridemore / Fromhold)**

The original SCPP bill adds appropriate cross-references and other updates identified by the Department of Retirement Systems as necessary for consistency with recent changes to Washington's public pension law. The majority of corrections concern implementation of the new Public Safety Employees' Retirement System (PSERS).

The amended Senate bill adds a clarifying provision in LEOFF Plan 1 that affirms prior legislative action affecting contributions.

The House amended the Senate bill to allow a TRS 1 member to transfer into PERS 1 if they have at least ten years but not more than 20 years of service and who is employed by the Public School Employees of Washington (PSE). The House also amended the Senate bill to allow a TRS 2/3 member to purchase

service credit for education experience earned outside of Washington State after accruing at least two years of service in TRS. The Senate did not concur with these amendments and they were withdrawn.

Status on May 8, 2007: SSB 5174 passed House and Senate, and was delivered to the Governor.

## SCPP / LEOFF 2 Board Request Legislation

### **SB 5172 / SHB 1261 – Service Credit Purchase Due To Injury (Fraser / Crouse)**

This bill allows members of PSERS, SERS, LEOFF 2, and TRS to purchase up to 24 consecutive months of service credit for each period of temporary duty disability. This benefit is already provided in PERS.

The substitute House bill removed the emergency clause and changed the effective date to 90 days after session.

Status on May 8, 2007: The Governor signed SHB 1261 on April 17, 2007, as Chapter 49, Laws of 2007.

### **SB 5177 / SHB 1266 – \$150,000 Death Benefit (Fraser / Conway)**

The original SCPP/LEOFF 2 Board bill expanded the eligibility for the \$150,000 death benefit to include death from duty-related illness in plans where it is not provided. The amount of the death benefit was indexed to changes in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) for Seattle-Tacoma-Bremerton, with a maximum change of 3 percent per year.

The amended version of the House bill retains the expanded benefit but removes the indexing clause so that the death benefit amount does not automatically increase with changes in consumer prices.

The substitute House bill, as amended by the Senate, adds benefits for survivors of PERS 2 members who die while serving in Operations “Enduring Freedom” or “Iraqi Freedom”. Survivors may receive a refund of 200 percent of the member's accumulated contributions. For survivors to be eligible, the member must have ten or more years of PERS 2 service, left PERS 2 employment to enter the uniformed services, and die while honorably serving after January 1, 2007.

Status on May 8, 2007: SHB 1266 passed House and Senate, and was delivered to the Governor.

**SB 5176 / SHB 1264 – Dual Membership (Pridemore / Fromhold)**

The original SCPP/LEOFF 2 Board bill changes the definition of base salary in the portability chapter to include previously excluded payments such as overtime. The bill also lifts portability's "maximum benefit rule" (a rule designed to protect Plan 1 benefit caps) for members with less than 15 years of service in one capped plan and service in one uncapped plan. It also adds LEOFF 2 to the list of retirement plans whose members can combine service under portability in order to receive the indexed term-vested benefit after 20 years of service.

The substitute House bill removes the emergency clause and changes the effective date to 90 days after session.

Status on May 8, 2007: The Governor signed SHB 1264 on April 27, 2007, as Chapter 207, Laws of 2007.

*Note: The Washington State Patrol Retirement System was excluded from this benefit at the request of the Washington State Patrol Troopers' Association.*

## Other LEOFF 2 Board Request Legislation

**SB 5588 / HB 1687 – F&W Officer Service Credit Transfer (Franklin / Simpson)**

This bill would have provided Enforcement Officers working for the Department of Fish and Wildlife (DFW) the opportunity to transfer their prior PERS Plan 2 service earned as an Enforcement Officer to LEOFF Plan 2. Enforcement Officers became prospective members of LEOFF Plan 2 in 2003; all prior service remained in the PERS system.

Members would have paid the difference between the PERS 2 and LEOFF 2 contributions plus interest on the difference. The assets associated with PERS 2 member and employer contributions would then have been transferred to LEOFF 2 to further offset the cost to DFW.

No later than June 30, 2013, DFW would have been required to pay an amount sufficient to ensure that the contribution rate in LEOFF 2 would not increase due to this transfer.

Status on May 8, 2007: Neither bill received a hearing.

**SSB 5589 / HB 1678 – PEBB for LEOFF Plan 2 Retirees (Keiser / Morrell)**

This bill would have provided all LEOFF Plan 2 retirees with the option to purchase health insurance through the Public Employee Benefits Board (PEBB)

program managed by the Health Care Authority (HCA). The health premiums for retired LEOFF 2 members not yet eligible for parts A and B of Medicare would have been based on the community rated risk pool. Premiums for LEOFF 2 retirees eligible for Medicare would have been based on a separate risk pool; those premiums would have been reduced by the state-funded prescription drug subsidy under RCW 41.05.085.

The substitute Senate bill specified that the act would be null and void if specific funding for the act is not provided by June 30, 2007, in the omnibus appropriations act.

Status on May 8, 2007: Senate bill did not pass before cut-off. House bill did not receive a hearing.

### **SB 5590 / SHB 1679 – LEOFF 2 Board Membership (Tom / Ericks)**

This bill amends when employer, legislative, and retiree representatives join the LEOFF 2 Board. Employer terms are staggered so no more than one position will expire in the same year. Legislative terms will be two years and run from January through December. The one fire fighter and one law enforcement positions scheduled to be filled by retirees beginning in July 2007, can be filled by either active or retired members.

The House bill was amended to require the Board to have at least one retired member beginning January 2008.

Status on May 8, 2007: The Governor signed SHB 1679 on May 2, 2007, as Chapter 303, Laws of 2007.

### **SB 5591 / HB 1680 – EMT Service Credit in LEOFF (Roach / Hunter)**

This bill creates an exception to the five-year waiting period for a LEOFF 2 Emergency Medical Technician (EMT) to transfer their prior PERS service credit earned as an EMT into LEOFF 2.

This bill requires an immediate transfer of PERS EMT service and member contributions into LEOFF 2 if a member who elected to transfer such service dies or retires for disability prior to five years from their date of election.

The bill allows the member, or their beneficiary, to pay any outstanding member obligation in full, or by means of an actuarial reduction in the monthly benefit, or by continuing to make payments so that the obligation is paid in full by no later than five years from the member's original date of election.

Status on May 8, 2007: The Governor signed HB 1680 on May 2, 2007, as Chapter 304, Laws of 2007.

## SCPP / LEOFF Board 2 Endorsed Legislation

### **SB 5014 / SHB 1044 – Contribution Rate Adoption Process (Pridemore / Fromhold)**

This bill amends the timing of the contribution rate adoption process and impacts all the public retirement plans whose contribution rates are set by the Pension Funding Council and the LEOFF 2 Board. The bill requires the PFC to adopt rates by July 31 of even-numbered years, rather than September 30. At least 30 days prior to adoption, the PFC must submit the preliminary actuarial audit results to the SCPP for review and recommendations. The PFC may adopt annual, rather than biennial, contribution rates for any rate-setting period.

The State Actuary will submit preliminary contribution rates to the PFC based on current mandates, and following the actions of the PFC, prepare final actuarial valuation results and contribution rates. The final valuation and contribution rates will also be audited by the PFC.

The State Actuary must also notify DRS and OFM of the contribution rates. The bill also changes the timing for studying the long-term economic assumptions of the retirement systems to the fall of odd-numbered years, rather than the summer every four years. As a result, the State Actuary must submit information and make recommendations regarding the long-term economic assumptions by September 1 of odd-numbered years, beginning in 2007; and further, the PFC may adopt changes to the long-term economic assumptions by October 31, 2007, and by October 31 of each odd-numbered year thereafter.

The substitute House bill removed the emergency clause and changed the effective date to 90 days after session.

Status on May 8, 2007: The Governor signed SB 5014 on May 2, 2007, as Chapter 280, Laws of 2007.

## Other Retirement Legislation That Passed into Law

### **SB 5593 / HB 1475 – Volunteer Fire Fighters Board Membership (Fairley / Hurst)**

This bill adds two members to the State Board for Volunteer Fire Fighters and Reserve Officers, for a total of five board members. No more than two of the members of the Board may be receiving relief or retirement pension payments under the system. The Governor may consider recommendations from appropriate state associations when making appointments to the Board.

Status on May 8, 2007: The Governor signed HB 1475 on April 17, 2007, as Chapter 56, Laws of 2007.

### **SHB 2147 – Volunteer Fire Fighters Vocational Rehabilitation (Kristiansen)**

This bill provides vocational rehabilitation benefits for members of the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension System (VFFRORPS) at the sole discretion of the State Board of the VFFRORPS. It provides coverage for up to \$4,000 of a disabled participant's costs for education, retraining, and job placement. The bill also provides coverage for an additional \$5,000 of accommodations necessary for participation in a retraining plan, or for performing the essential functions of an occupation.

The substitute version of the bill added an emergency clause making it effective immediately upon signing.

Status on May 8, 2007: The Governor signed SHB 2147 on April 17, 2007, as Chapter 57, Laws of 2007.

### **SB 5313 / HB 1325 – WSP Retirement Age (Haugen / Dickerson)**

This bill changes the mandatory retirement age for members of the Washington State Patrol Retirement System from 60 to 65, effective July 1, 2007. The mandatory retirement age, however, does not apply to a member serving as Chief of the Washington State Patrol.

Status on May 8, 2007: The Governor signed SB 5313 on April 18, 2007, as Chapter 87, Laws of 2007 with a partial veto. The Governor vetoed the emergency clause; therefore the effective date of the bill is July 22, 2007.

### **SB 5918 – Judicial Retirement Accounts (Fraser)**

The bill exempts Judicial Retirement Account Plan (JRA) accounts from attachment and the operation of bankruptcy or insolvency laws. It also

provides that the right to receive payments from the plan is non-assignable, except for domestic relations orders and federal income tax levies. Finally, the bill subjects JRA distributions to the operation of state community property laws upon a member's death.

Status on May 8, 2007: The Governor signed SB 5918 on April 18, 2007, as Chapter 108, Laws of 2007.

### **ESHB 1649 – Judges Benefit Multiplier (Fromhold)**

The original bill would have allowed a Judge who elects to earn an enhanced service credit multiplier, to buy the higher multiplier for their past judicial service at a cost of one-half of the actuarially equivalent value (AEV) of the increase in the member's benefit. The member would have been able purchase the higher benefit multiplier for all or part of their prior judicial service beginning with the most recent judicial service. Payment would have to have been made before retirement.

This bill would have provided that the member's employer would be obligated to pay one-half of the AEV of the increase in the member's benefit. This payment would have to have been made within five years of the completion of the employee payment.

This bill also would have allowed a member who purchased the higher benefit multiplier for past judicial service prior to the effective date of this act, to have the cost recalculated and any difference remitted to the member.

Under the amended version of the bill, a PERS or TRS 1 member will have until December 31, 2007, to purchase up to 70 percent of that portion of their prior judicial service that would maximize their benefit at normal retirement age. A TRS 1, PERS 1, or PERS 2 member making such a purchase will pay 5 percent of salary plus interest for each year of service. A PERS 3 member will pay 2.5 percent of salary plus interest. After December 31, 2007, a member making such a purchase will pay the AEV of the increase in their benefit.

Status on May 8, 2007: The Governor signed ESHB 1649 on April 19, 2007, as Chapter 123, Laws of 2007.

### **SB 5464 / SHB 1124 – DNR As A PSERS Employer (Jacobsen / VanDeWege)**

The original bill amended the definition of employer in the Public Safety Employees' Retirement System (PSERS) to include the Department of Natural Resources (DNR). This change would have mandated DNR Enforcement

Officers – currently PERS members – into PSERS if their job duties met the definition for PSERS membership.

The substitute version of the House bill amends the PSERS chapter to establish a window from July 1, 2007, through September 30, 2007, during which DNR enforcement officers may elect to join PSERS. Enforcement officers who join will become dual members of PERS and PSERS and will have their PSERS membership begin prospectively from the date of election. DNR Enforcement Officers hired after the effective date of the act will automatically become members of PSERS.

Status on May 8, 2007: The Governor signed SHB 1124 on May 2, 2007, as Chapter 294, Laws of 2007.

**SB 5499 / HB 1417 – WSP Survivor Medical Reimbursement (Eide / Lovick)**

This bill provides that the survivor benefit paid to the spouse and dependent children of a WSP member who is killed in the course of employment shall include reimbursement for any payments of medical premiums to the Washington State Health Care Authority.

Status on May 8, 2007: HB 1417 passed House and Senate and was delivered to the Governor.

**SB 5741 / ESHB 1833 – Fire Fighters Occupational Disease (Franklin / Conway)**

The bill modifies the industrial insurance presumption of occupational disease for fire fighters to include certain heart injuries and certain cancers. The bill allows a fire fighter to recover litigation fees and costs in certain cases involving the presumption of occupational disease for firefighters.

The engrossed substitute version of the bill contains stricter language on heart related illnesses among active fire fighters than was present in the original bill. It also restricts the age at which prostate cancer would be considered an occupational disease. It also uses the explicit listing of “colorectal” cancer instead of “intestinal” cancer to the list of occupational diseases. This is a stricter evidentiary standard than in the original bill.

Status on May 8, 2007: ESHB 1833 passed House and Senate and was delivered to the Governor.

**EHB 2391 – Eliminating Gain-Sharing And Providing Alternate Pension Benefits (Fromhold / Conway)**

The original bill (which was subsequently amended) eliminated gain-sharing after the 2008 event and established the following alternate benefits:

- Up to a 13-cent adjustment to the PERS 1 and TRS 1 annual increase amount on July 1, 2009, should the 2008 gain-sharing event result in less than a 34-cent adjustment to the annual increase amount (subsequently amended);
- TRS and SERS members hired on or after July 1, 2007, have the choice of joining either Plan 2 or Plan 3 of their respective systems; and
- Members of PERS 2/3, TRS 2/3, and SERS 2/3 who have completed at least 30 service credit years may retire at age 55 under improved early retirement reduction factors (subsequently amended).

The bill provides for supplemental contribution rate increases in support of the Plan 2/3 alternate early retirement benefits beginning on the effective date of the benefits.

The bill also includes contingency language that stipulates the legislature's intent that the benefits provided in the bill are replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of gain-sharing, the right to partake of any of the benefits in the bill is non-contractual. If the repeal of gain-sharing is held to be invalid, and gain-sharing is reinstated, then the benefits provided in the bill shall cease.

The *engrossed* bill enhanced the Plan 1 Uniform COLA proposal to provide up to a 20-cent adjustment to the PERS 1 and TRS 1 annual increase amount on July 1, 2009, should the 2008 gain-sharing event result in less than a 40-cent adjustment to the annual increase amount.

The *engrossed* bill also enhanced the Plan 2/3 retirement eligibility provisions. Beginning July 1, 2008, members who have completed at least 30 service credit years may retire at age 62 with unreduced benefits, or at age 55 with improved early retirement reduction factors. Under these provisions, members are ineligible for post-retirement employment prior to age 65.

The other provisions of the original bill remained the same.

Status on May 8, 2007: Passed House and Senate, and delivered to the Governor.

**SB 6167 – DRS Authority To Determine Interest (Pridemore)**

This bill clarifies the existing authority of the Director of the Department of Retirement Systems (DRS) with respect to interest credited to member accounts within the state-administered systems. The bill states that in those instances in which interest is provided by the plan, the Director has the discretion to determine the frequency, amounts and methods for crediting interest. The bill also specifies that if interest is credited, it must be done at least quarterly.

Status on May 8, 2007: Passed House and Senate, and delivered to the Governor.

**Other Retirement Legislation that did not Pass****SB 5000 – Rainy Day Reserve Fund (Zarelli)**

This bill would have implemented 2007 Senate Joint Resolution 8200, amending the state Constitution to establish a Rainy Day Reserve Fund. The fund would have been managed and funds invested by the State Investment Board. Net investment earnings of the Rainy Day Reserve Fund would have been deposited to the Education Legacy Trust Account, which was established by the 2005 Legislature to fund enhancements to K-12 and higher education.

If the balance of the Rainy Day Reserve Fund exceeded 10 percent of general state revenues, withdrawals would have been allowed to fund any unfunded liabilities in the State administered retirement systems.

Status on May 8, 2007: The bill did not move from committee.

**SB 5062 / SHB 1067 – TRS 1 to PERS 1 (Prentice / Haigh)**

This bill would have allowed a member of TRS 1 who has at least ten but not more than 20 years of service in TRS 1, and who was employed by the Public School Employees of Washington (PSE), to join PERS 1 during an election window from July 1, 2007, through September 30, 2007, and become a dual member of TRS 1 and PERS 1.

The substitute House bill removed the emergency clause and changed the effective date to 90 days after session.

Status on May 8, 2007: Passed the House. The bill did not receive a hearing in the Senate.

*Note: These provisions were included under a House amendment to SSB 5174; the Senate did not concur.*

### **SB 5069 and SB 5724 – Domestic Partners / Survivor Beneficiary (Prentice)**

The provisions in these bills were identical, although they had different bill titles and “brief descriptions.” These bills would have impacted all the retirement systems administered by the State of Washington with the exception of the Washington State Patrol retirement system. Generally, the bills would have allowed domestic partners to be treated as spouses for pension purposes. Spouses may currently receive survivor benefits upon the death of a member. They may also collect refunds of accumulated contributions of deceased members.

Status on May 8, 2007: Neither bill received a hearing.

*Note: The Domestic Partner Registry bill was SSB 5336, which was signed into law as Chapter 156, Laws of 2007.*

### **SB 5178 – Judges Benefit Multiplier (Fraser)**

This bill would have changed the way that judges would have paid for prior judicial service under the higher benefit multiplier program. Plan 1 and Plan 2 member’s cost of purchasing the prior service would have been 5 percent of the salary earned at the time of service, plus interest for each year of service. Plan 3 members would have paid 2.5 percent of salary earned at the time of service, plus interest for each year of service. The purchase price could not have exceeded the actuarial equivalent value of the increase in the member’s benefit. If a judge purchased prior service before passage of this act, he or she could have the cost recalculated; if the new cost was less than the amount originally paid, the balance would have been returned to the member.

Status on May 8, 2007: The bill did not receive a hearing.

### **SB 5427 / HB 1284 – Separated Plan 2 Members PEBB Access (Keiser / Cody)**

This bill would have allowed PERS 2, TRS 2, and SERS 2 members who separate, were at least age 55, and had at least ten years of service, to continue participation in their employers’ insurance plans and contracts if that participation was selected immediately upon separation from employment. Eligibility would have been prospective from the effective date of the bill for

SERS Plan 2 and TRS Plan 2 members who separate, but retroactive for PERS Plan 2 members who have separated since March 1, 2002.

Status on May 8, 2007: The House bill did not move from committee, and the Senate bill did not receive a hearing.

### **SSB 5459 – WSP Longevity Bonuses (Haugen)**

This bill would have allowed the Chief of the State Patrol to provide a one-time longevity bonus of \$5,000 to any individual who completed trooper basic training after January 1, 2007, and served a continuous commission with the Washington State Patrol of at least four years.

Under the substitute bill members may have been disqualified from receiving the bonus if they accepted a reassignment or transfer within the first four years of employment. The bonus would also have been excluded from salary for purposes of calculating any retirement benefits.

Status on May 8, 2007: Did not pass the Senate prior to cut-off.

### **SB 5668 – Modifying Gain-Sharing Benefits (Fraser)**

This bill would have limited Plan 3 gain-sharing benefits to those members hired prior to July 1, 2007, and provided newly hired TRS and SERS members the choice of joining either Plan 2 or Plan 3 in their respective systems.

Gain sharing benefits for TRS 1 and PERS 1 retirees would not have been affected by this bill.

Status on May 8, 2007: The bill did not receive a hearing.

### **SB 5752 / HB 1878 – Volunteer Fire Fighter Vocational Rehabilitation (Stevens / Kristiansen)**

This bill would have allowed the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund to pay certain costs associated with the vocational rehabilitation of injured members. Payments would have been subject to the discretion of the Executive Secretary of the Board for Volunteer Fire Fighters' and Reserve Officers'. Benefits would have been available for members who had claims pending as of the effective date of the act or were injured on or after January 1, 2006.

Status on May 8, 2007: Neither bill received a hearing.

**SB 5779 / HB 1771 – Revising Pension Gain-Sharing (Prentice / Sommers)**

This bill would have eliminated gain-sharing after the 2008 event and established the following alternate benefits:

- Up to a five-cent adjustment to the PERS 1 and TRS 1 annual increase amount on July 1, 2009, should the 2008 gain-sharing event result in less than a 23-cent adjustment to the annual increase amount;
- Plan 2/3 choice for TRS and SERS members hired on or after July 1, 2007; and
- An Assured Benefit Program (ABP) into which Plan 3 members would have contributed that would have provided, upon retirement, an annuity equal to 1 percent of the member's average final compensation (AFC) per year of participation in the ABP with any excess remitted to the DC account. Other distribution options would also have been available.

Status on May 8, 2007: The House bill did not move from committee, and the Senate bill did not receive a hearing.

**SB 5946 – Projected Mortality Improvements (Schoesler)**

This bill would have required the Legislature to recognize projected mortality improvement in PERS, TRS, SERS, PSERS, and WSP, which would have affected contribution rates. ["Projected mortality improvement" is an approach to determining the expected mortality of members that uses new technologies and software, and the latest actuarial standards of practice, to recognize continued improvement in mortality over time.] The bill would have established contribution rates for each system for the 2007-2009 biennium that would fund the liability associated with projected mortality improvement, and would have added them onto rates otherwise adopted by the PFC or revised by the Legislature.

Status on May 8, 2007: The bill did not receive a hearing.

**SB 6009 – PERS, TRS, And SERS Plan 2 Military Service (Rasmussen)**

This bill would have established the same provisions for both interruptive and non-interruptive military service credit in PERS 2, TRS 2, and SERS 2 as are currently found in PERS 1. This would have allowed Plan 2 members to receive retirement credit for up to five years of prior and interruptive military service at

no cost, and extended the length of time the member would have had to apply for such service under the retirement system.

The Plans 3 were not included in this bill.

This benefit would have been in addition to and separate from the benefits granted under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Status on May 8, 2007: The bill did not move from committee.

### **SB 6093 – PERS And TRS Plan 1 Prospective 70 Percent Cap (Fraser)**

This bill would have allowed PERS 1, and TRS 1 members who have not opted into the post-30-year contribution program, to accrue an additional benefit of 2 percent of average final compensation (AFC) per year for service credit beyond 30 years of service. Members would have been able to accrue up to 10 percent of AFC in this additional benefit for service earned after July 1, 2007. In combination with existing retirement benefits, members would have been able to earn a maximum benefit equal to seventy percent of AFC.

Status on May 8, 2007: The bill did not receive a hearing.

### **SB 6131 – TRS Plan 1 Military Service Credit Purchase (Regala)**

This bill would have allowed members of TRS 1 to purchase up to five years of service credit for time served in the armed forces prior to public employment. This prior time could only have been purchased after 25 years of service credit was earned in TRS 1 and if the member met the definition of veteran under 41.04.005. The cost would have been one-half the actuarial equivalent value of the increase to the members' benefit.

Status on May 8, 2007: The bill did not receive a hearing.

### **SB 6145 – Judges Increased Multiplier Purchase (Honeyford)**

This bill would have allowed 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 members of PERS or TRS 1 who had separated but not yet retired, and who had past service as a justice or judge. From January 1, 2008, through June 30, 2008, these members would have been allowed to purchase the higher multiplier for past judicial service by paying the actuarially equivalent value of the benefit increase.

Status on May 8, 2007: The bill did not receive a hearing.

### **HB 1199 – Providing Full Retirement Benefits At Early Ages (Conway)**

This bill would have allowed any PERS 2/3, TRS 2/3, and SERS 2/3 member who was at least age 55, had met the vesting requirements of their plan, and whose age and years of service credit summed to 85 or more, to retire with an unreduced retirement benefit.

Status on May 8, 2007: The bill did not receive a hearing.

### **SHB 1200 – TRS Out Of State Service (Conway)**

This bill would have allowed TRS 2/3 members to purchase service credit for education experience earned outside of Washington State after they had accrued at least two years of service in TRS.

The substitute House bill removed the emergency clause and changed the effective date to 90 days after session.

Status on May 8, 2007: Passed the House. The bill did not receive a hearing in the Senate.

*Note: These provisions were included under a House amendment to SSB 5174; the Senate did not concur.*

### **SHB 1522 – Judges Retirement Age (Williams)**

This bill would have eliminated the mandatory retirement age provisions in the Judicial Retirement System (JRS) for Supreme Court, Court of Appeals, and Superior Court judges. Members of JRS must currently retire at age 75.

The substitute bill included a contingency clause. There is a proposed amendment to Article IV, section 3(a) of the state Constitution that would eliminate the mandatory retirement age for Supreme Court, Court of Appeals, Superior Court, and District Court judges. If that amendment were not approved and ratified by the voters in the next general election, this bill would have been void in its entirety.

Status on May 8, 2007: Did not pass the House prior to cut-off.

**HB 1824 – Survivor Benefits For Certain Fire Fighters (Chase)**

This bill would have allowed the continuation of benefits from the pre-LEOFF city retirement system if the spouse of a deceased fire fighter remarried.

Status on May 8, 2007: Passed the House. The bill did not receive a hearing in the Senate.

**HB 1838 – Plan 1 Death Before Retirement (Seaquist)**

This bill would have increased the payment to the survivor of a PERS 1 or TRS 1 member to include both employer and employee contributions if the member died prior to retirement and had more than 30 years of service.

Status on May 8, 2007: The bill did not receive a hearing.

**HB 1941 – Plan 3 Vesting (Conway)**

This bill would have changed the vesting period for the defined benefit portion of PERS 3, TRS 3, and SERS 3 to five years of service regardless of age.

Status on May 8, 2007: The bill did not receive a hearing.

**HB 2116 – Modifying Gain-Sharing Benefits And Increasing Contributions Towards Unfunded Pension Liabilities (Bailey)**

This bill would have changed gain-sharing provisions by:

- Increasing the investment return threshold that triggers a gain-sharing event from 10 percent to 14 percent;
- Limiting eligibility for Plan 3 gain-sharing to those members hired prior to July 1, 2007;
- Providing TRS and SERS members hired on or after the effective date of the act the choice of joining either Plan 2 or Plan 3 of their respective systems; and
- Establishing additional employer contribution rates to amortize the unfunded actuarial accrued liability (UAAL) in PERS 1 and TRS 1.

Status on May 8, 2007: The bill did not move from committee.

**HB 2134 – Port District Fire Fighter Membership In LEOFF 2 (VanDeWege)**

This bill would have amended the definition of a fire fighter eligible for membership in the Law Enforcement Officer and Fire Fighter (LEOFF) retirement system. The new definition would have included an individual who was a full-time employee of a port district whose duties include fire suppression, was trained in rescue and firefighting duties prior to assuming fire suppression responsibilities, and was required to receive annual recurring instruction in rescue and firefighting including live-fire drills. The definition was also amended to include supervisory personnel working for a port district who were trained in rescue and firefighting, but who were not required to receive annual recurring instruction in rescue and firefighting.

Status on May 8, 2007: Passed the House. The bill did not receive a hearing in the Senate.

**HB 2159 – PERS 1 Educational Staff Associates (Hunt)**

This bill would have expanded the group of persons employed as educational staff associates (ESA) that have the option to remain in PERS or join TRS. Certain members of PERS 1 who became employed as educational staff associates would have been allowed to remain in PERS 1 rather than be mandated into TRS 3. These members would have to have been at least age 55, had established service credit in PERS 1, and been employed as an educational staff associate after July 1, 2007.

Status on May 8, 2007: The bill did not receive a hearing.

**HB 2381 – Voluntary Compliance With Streamlined Sales Tax (Hunter)**

This bill would have created a new funding source for LEOFF 2, and for funding local government public safety uses. The bill would have directed the State Treasurer to transfer the lesser of "voluntary compliance revenue" or \$6.25 million to the LEOFF 2 trust fund each quarter beginning January 2009. "Voluntary compliance revenue" is the net gain in state sales tax revenue from participation in the Streamlined Sales and Use Tax Agreement (SSUTA).

Status on May 8, 2007: The bill did not move from committee.

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**Washington Retirement System Contribution Rates**

Contribution rates **in effect** are those currently being collected by the Department of Retirement Systems.

**Adopted rates** are those approved by the Pension Funding Council (PFC) and the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF Board). They include supplemental rates for the cost of 2007 pension legislation.

**Projected rates** are our best estimate for future rates based on projected assets and liabilities.

**All rates are subject to change by the Legislature.**

**Effective dates:** Unless otherwise specified, PERS, PSERS, LEOFF, and WSP rates are effective from 7/1 to 6/30 of the following year. TRS and SERS rates are effective from 9/1 to 8/31 of the following year.

<b>Employee Contribution Rates (Revised 4/30/07)</b>					
	<b>In Effect</b>	<b>Adopted</b>		<b>Projected</b>	
	(7/1/06 - 6/30/07) <sup>1</sup>	(7/1/07 - 6/30/08) <sup>1</sup>	(7/1/08 - 6/30/09) <sup>1</sup>	(7/1/09 - 6/30/11) <sup>1</sup>	(7/1/11 - 6/30/13) <sup>1</sup>
	<b>2006-07</b>	<b>2007-08<sup>2</sup></b>	<b>2008-09<sup>2</sup></b>	<b>2009-11<sup>3</sup></b>	<b>2011-13<sup>3</sup></b>
<b>PERS<sup>4</sup></b>					
Plan 1 Members	6.00%	6.00%	6.00%	6.00%	6.00%
Plan 2 Members	3.50%	4.15%	5.45%	5.43%	5.38%
<b>PSERS</b>					
Members	6.57%	6.57%	6.57%	6.57%	6.57%
<b>TRS<sup>4</sup></b>					
Plan 1 Members	6.00%	6.00%	6.00%	6.00%	6.00%
Plan 2 Members	3.01%	2.90%	4.18%	5.28%	5.68%
<b>SERS</b>					
Plan 2 Members	3.79%	3.90%	4.68%	5.04%	5.14%
<b>LEOFF</b>					
Plan 1 Members	0.00%	0.00%	0.00%	0.00%	0.00%
Plan 2 Members	7.85%	8.63%	8.82%	8.71%	8.49%
<b>WSP</b>					
Plan 1 Members	4.51%	6.65%	6.65%	6.94%	5.92%
Plan 2 Members	4.51%	6.65%	6.65%	6.94%	5.92%

<b>Employer Contribution Rates (Revised 4/30/07)</b>					
	<b>In Effect</b>	<b>Adopted</b>		<b>Projected</b>	
	(1/1/07 - 6/31/07) <sup>1</sup>	(7/1/07 - 6/30/08) <sup>1</sup>	(7/1/08 - 6/30/09) <sup>1</sup>	(7/1/09 - 6/30/11) <sup>1</sup>	(7/1/11 - 6/30/13) <sup>1</sup>
	<b>2006-07</b>	<b>2007-08<sup>2</sup></b>	<b>2008-09<sup>2</sup></b>	<b>2009-11<sup>3</sup></b>	<b>2011-13<sup>3</sup></b>
<b>PERS Plans 1, 2, &amp; 3</b>					
Normal Cost	3.50%	4.15%	5.45%	5.50%	5.45%
Plan 1 UAAL	1.78%	1.82%	2.70%	3.44%	3.51%
Gain-Sharing	0.00%	0.00%	0.00%	0.00%	0.00%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Total</b>	<b>5.46%</b>	<b>6.15%</b>	<b>8.33%</b>	<b>9.12%</b>	<b>9.14%</b>
<b>PSERS</b>					
Normal Cost	6.57%	6.57%	6.57%	6.57%	6.57%
PERS 1 UAAL	1.78%	1.82%	2.70%	3.44%	3.51%
Gain-Sharing	0.00%	0.00%	0.00%	0.00%	0.00%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Total</b>	<b>8.53%</b>	<b>8.57%</b>	<b>9.45%</b>	<b>10.19%</b>	<b>10.26%</b>
<b>TRS Plans 1, 2, &amp; 3</b>					
Normal Cost	3.26%	3.15%	4.43%	5.85%	6.25%
Plan 1 UAAL	1.30%	2.51%	3.79%	5.64%	5.98%
Gain-Sharing	0.00%	0.00%	0.00%	0.00%	0.00%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Total</b>	<b>4.74%</b>	<b>5.84%</b>	<b>8.40%</b>	<b>11.67%</b>	<b>12.41%</b>
<b>SERS Plans 2 &amp; 3</b>					
Normal Cost	3.79%	3.90%	4.68%	5.65%	5.75%
PERS 1 UAAL	0.88%	1.82%	2.70%	3.44%	3.51%
Gain-Sharing	0.00%	0.00%	0.00%	0.00%	0.00%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Total</b>	<b>4.85%</b>	<b>5.90%</b>	<b>7.56%</b>	<b>9.27%</b>	<b>9.44%</b>
<b>LEOFF Plan 1</b>					
Local Employer	0.00%	0.00%	0.00%	0.00%	0.00%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Local Employer Total</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>
State <sup>5</sup>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
<b>Plan 1 Total</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>
<b>LEOFF Plan 2</b>					
Local Employer	4.74%	5.19%	5.30%	5.23%	5.10%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Local Employer Total</b>	<b>4.92%</b>	<b>5.37%</b>	<b>5.48%</b>	<b>5.41%</b>	<b>5.28%</b>
State <sup>5</sup>	<u>3.14%</u>	<u>3.44%</u>	<u>3.52%</u>	<u>3.48%</u>	<u>3.39%</u>
<b>Plan 2 Total</b>	<b>8.06%</b>	<b>8.81%</b>	<b>9.00%</b>	<b>8.89%</b>	<b>8.67%</b>
<b>WSP Plans 1 &amp; 2</b>					
Normal Cost - State	4.51%	7.70%	7.70%	7.99%	6.97%
DRS Expense Charge	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>	<u>0.18%</u>
<b>Total</b>	<b>4.69%</b>	<b>7.88%</b>	<b>7.88%</b>	<b>8.17%</b>	<b>7.15%</b>

---

<sup>1</sup> TRS and SERS rates are effective from 9/1 to 8/31 of the following year.

<sup>2</sup> Rates shown for 2007-2009 are based on the 2005 Actuarial Valuation. They reflect current plan provisions. LEOFF 2 rates were adopted by the LEOFF Board and match rates previously projected for this period. The rates for all other plans were adopted by the PFC. The rates for all plans exclude the assumption change for projected mortality improvement. These rates are subject to change by the legislature.

<sup>3</sup> Rates shown for 2009-11 and beyond are projections based on 2005 data and current plan provisions. Rates for this period also include a rate increase to reflect the impact of an expected January 1, 2008 gain-sharing event.

<sup>4</sup> Plan 1 members' contribution rate is statutorily set at 6.0%. Members in Plan 3 do not make contributions to their defined benefit.

<sup>5</sup> In the LEOFF plans only, the state pays a percent of the total cost of benefits.

Companion	Bill #	Brief Title	Sponsor	Legislative Status	Bill #
SB	5014	Contribution Rate Adoption Process	Pridemore	C 280 L 07	5014 SB
SHB	1124	DNR as a PSERS Employer	VanDeWege	C 294 L 07	1124 SHB
SB	5175	Age 66 COLA (SCPP)	Pridemore	C 89 L 07	5175 SB
SHB	1262	Post-retirement employment (SCPP)	Bailey	C 50 L 07	1262 SHB
SHB PL	1266	\$150,000 Death Benefit (SCPP/LEOFF 2)	Conway	Gov Signed	1266 SHB PL
SHB	1261	Service Credit Purchase Due to Injury (SCPP/LEOFF 2)	Crouse	C 49 L 07	1261 SHB
2ESHB	1260	WSP Contribution Rates (SCPP)	Conway	C 300 L 07	1260 2ESHB
SSB	5174	Technical Corrections (SCPP)	Pridemore	Gov Signed	5174 SSB
SHB	1264	Dual Membership w/o WSP (SCPP/LEOFF 2)	Fromhold	C 207 L 07	1264 SHB
HB	1680	Service Credit Transfer Waiting Period (LEOFF 2)	Hunter	C 304 L 07	1680 HB
SB	5313	WSP Retirement Age	Haugen	C 87 L 07	5313 SB
SHB PL	1417	Reimbursement for certain WSP Survivor Benefits	Lovick	Gov par Vetoed	1417 SHB PL
HB	1475	VFF Board	Hurst	C 56 L 07	1475 HB
ESHB	1649	Judges Benefit Multiplier PERS/TRS	Fromhold	C 123 L 07	1649 ESHB
ESHB PL	1833	Occupation Diseases affecting Firefighters	Conway	Gov par Vetoed	1833 ESHB PL
SB	5918	Judicial Retirement Accounts	Fraser	C 108 L 07	5918 SB
SHB	2147	Voc Rehab for VFF - Bd	Kristiansen	C 57 L 07	2147 SHB
EHB	2391	Gain-sharing	Fromhold	Gov Signed	2391 EHB
SB	6167	DRS Authority to determine interest	Pridemore	Gov Signed	6167 SB



## 2007 Legislative Session Update

Robert Wm. Baker  
May 22, 2007



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## SCPP Goals

- Contribution rate setting
- Balanced long-term management
- Retirement eligibility
- Purchasing power
- Consistency with the statutory goals within the actuarial funding chapter



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## 2007 Pension Legislation Introduced

- 21 bills with companions
  - 4 SCPP request bills
  - 3 SCPP/LEOFF 2 board joint request bills
  - 4 LEOFF 2 board request bills
  - 1 SCPP/LEOFF 2 board endorsed bill
  - 9 other bills
- 26 solo bills



## 2007 Pension Issues

Plan 1 Purchasing Power

Member Contributions

Retire Rehire

Service Credit

Benefit Multiplier

Survivor Benefits

Plan 1 UAAL

# Gain-Sharing

Health Insurance Access

Benefit Eligibility

Retirement Age

Governance

Member Mortality

Benefit Guarantee

Plan 3 Vesting

System Membership

Military Service Credit



## SCPP Request Legislation That Passed

- Age 66 COLA
- Post-retirement employment
- WSP contribution rates
- Technical corrections



## SCPP/LEOFF 2 Board Joint Request Legislation That Passed

- \$150,000 death benefit
- Service credit purchase due to injury
- Dual membership



## LEOFF 2 Board Request Legislation That Passed

- LEOFF 2 Board membership
- EMT service credit transfer waiting period



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## SCPP/LEOFF 2 Board Endorsed Legislation That Passed

- Contribution rate adoption process (OSA)



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## Other Pension Bills That Passed

- DNR as a PSERS employer
- WSP retirement age
- WSP survivor medical reimbursement
- Vol. Fire board membership
- Judges benefit multiplier
- Occupational diseases affecting fire fighters
- Judicial retirement accounts
- Voc rehab for Vol. Fire members
- DRS authority to determine interest
- Gain-sharing



## Themes

- SCPP
  - Propose legislation related to SCPP goals
  - Coordinate with LEOFF 2 Board
- Legislature
  - Narrowly focused benefit improvements
  - Public safety and judges
  - Gain-sharing



## Estimated 2008 Gain-sharing Event\*

- 26¢ boost in “Annual Increase Amount” for Plan 1 Uniform COLA
- About \$200 per year of service for qualified Plan 3 members

\* May change with investment experience



## EHB 2391

- Members eligible for '08 event if hired prior to 7/1/2007
- Gain-sharing repealed after the '08 event
- Plan 2/3 choice in SERS and TRS
- UCOLA increase: 2008 event + 2009 adjustment of up to 20¢
- Plan 2/3 members with 30 YOS eligible for unreduced benefit at age 62
  - Improved ERFs from ages 55-61
  - Ineligible for post-retirement employment prior to age 65



## Benefit Provisions

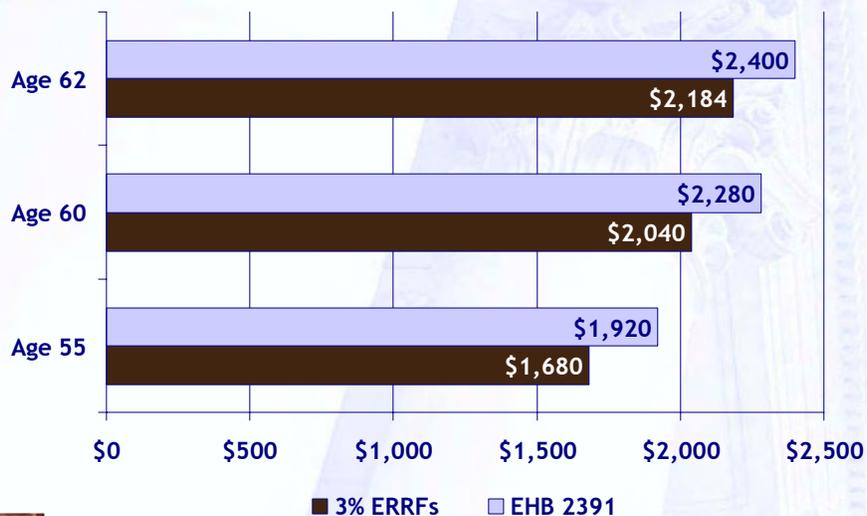
- Plan 2/3 early retirement reduction factors
- Plan 1 Uniform COLA

## Plan 2/3 Early Retirement Reduction Factors At 30 Years Of Service By Age

Age	3% ERRFs	EHB 2391
55	70%	80%
56	73%	83%
57	76%	86%
58	79%	89%
59	82%	92%
60	85%	95%
61	88%	98%
62	91%	100%
63	94%	100%
64	97%	100%

## Plan 2 Monthly Retirement Benefit

For A Member With 30 Years Of Service And \$4,000 AFC At Select Ages



## Estimated Plan 1 Annual Increase Amount 2008 Gain-Sharing Event, and 2009 Adjustment

2007 Annual Increase Amount	7/1/2007	\$1.33
2008 Gain-sharing Amount *	1/1/2008	\$0.26
2008 Annual Increase Amount	7/1/2008	\$1.63
2009 Annual Increase Amount	7/1/2009	\$1.68
2009 EHB 2391 Adjustment	7/1/2009	\$0.13
2009 Total	7/1/2009	\$1.81

\* May change with investment experience

# Estimated Plan 1 Annual UCOLA Amount

For A Member With 30 Years Of Service Retiring At Age 65 In June 2007

$(\text{Months of Service}) \times (\text{Annual Increase Amount}) = \text{Annual UCOLA}$

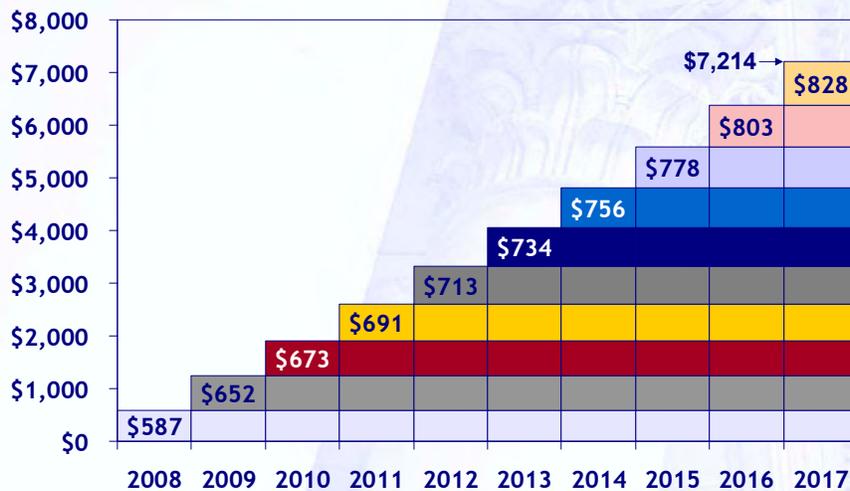
July 1, 2008:  $360 \times \$1.63 = \$ 586.80$

July 1, 2009:  $360 \times \$1.81 = \$ 651.60$



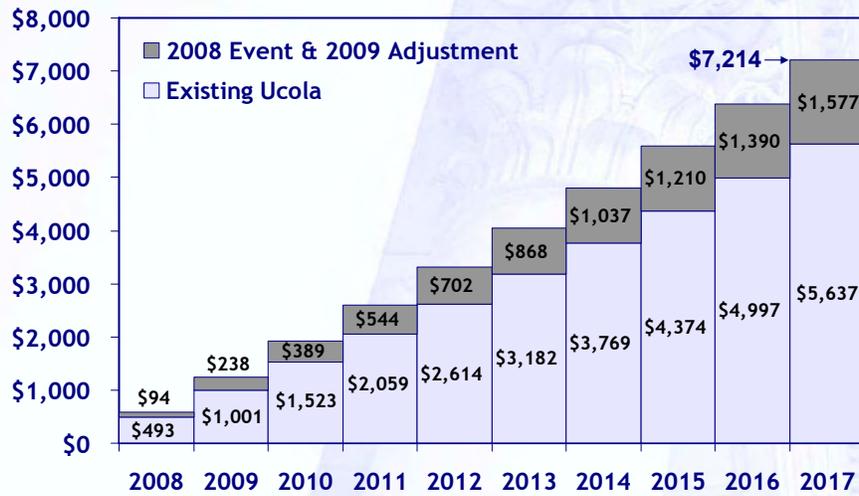
# Estimated Plan 1 Annual Cumulative UCOLA

For A Member With 30 Years Of Service Retiring At Age 65 In 2007



## Estimated Plan 1 Annual Cumulative UCOLA

For A Member With 30 Years Of Service Retiring At Age 65 In 2007



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## Final Tally

Session	Pension Bills that Passed	SCPP Bills that Passed
2007	20	7
2006	15	8
2005	18	8
2004	8	6



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## Resources for Further Information

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- 2007 legislative session update
- Tracking sheet
- Contribution rates
- Fiscal notes
  - OSA website <http://osa.Leg.Wa.Gov>
  - OFM website <https://fortress.Wa.Gov/ofm/fnspublic/>
- SCPP staff



## Pension Protection Act Of 2006

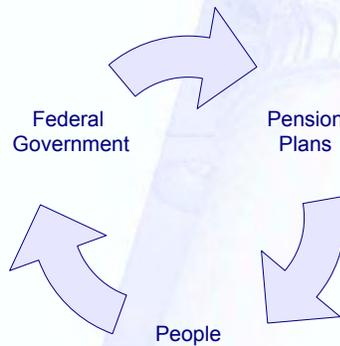
Laura Harper, Senior Research Analyst/Manager  
May 22, 2007



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## Pension Protection Act Of 2006 (PPA)

- "The most sweeping pension legislation in over 30 years"
- Large in scope, widely publicized
- Driven mostly by private sector developments



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## Private Sector / Public Sector

- Private sector has more money
  - About \$16.4 trillion in US retirement assets
  - Of that total, about \$2.8 trillion held by state and local government
- Private sector has history of more federal “attention”
  - Employee Retirement Income Security Act (ERISA)
  - Pension Benefit Guarantee Corporation (PBGC)

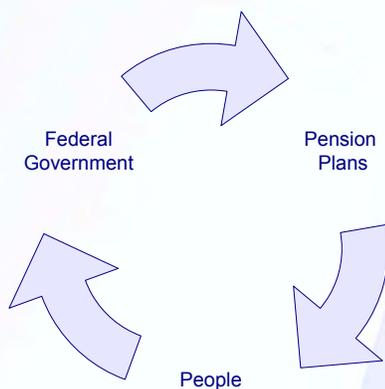


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## Dynamics Leading To PPA



- Large corporate bankruptcies
- Large private pension plans terminated
- People demanded accountability
- PBGC took on more private pension obligations
- Pressure on Congress
- PPA of 2006 passed
- Pension plans affected
- People affected



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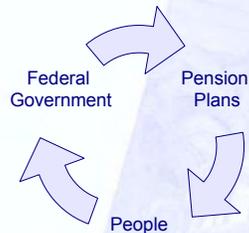
3

## Effects Of PPA

- Sweeping changes to private sector plans: most are “regulatory”
  - Funding rules
  - Disclosure requirements
- Act includes some changes affecting governmental plans: most are “authorizing”
  - Benefit options (more flexibility)
  - Some relate to issues recently considered by SCPP



## Effects On Washington Plans



- Most aspects optional for public plans (“authorizing”)
- Some aspects mandatory (“regulatory”)
- Implement by law (plan change), rule or administrative practice
- Varying effective dates



## Provisions Of Interest To Public Plans

- Clarifications on service credit purchases
- More flexibility for “rollovers”
- Public safety officers
- Military
- “In-service distributions”
- 2001 laws made permanent



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## Clarifications On Service Credit Purchases

- Members can purchase “air time” (*available*)
  - Service for periods during which there was no performance
  - Five-year maximum
- Members can purchase enhanced benefits for service already credited (*available for judges*)
- Purchases can be made by transfer from 403(b) or 457 deferred compensation plan (*available*)



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## More Flexibility For “Rollovers”

- Roll money in
  - Allowed from 403(b) tax-sheltered annuities (*available for optional purchases like service credit*)
  - Allowed from Roth IRAs (*not available*)
- Roll money out
  - Ability to roll plan money into Roth IRAs (*available 1/1/2008*)
  - Ability for non-spouse beneficiaries to rollover distributions into IRAs (*available*)



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## Public Safety Officers

- Waiver of 10% early distribution penalty (*available*)
  - At or after age 50
  - Lump sums or partial lump sums
- Tax-free distribution of up to \$3,000 per year (*in process*)
  - Use to purchase health or long-term care insurance
  - Member must be separated due to disability or normal retirement
  - Premiums must be paid directly from plan to insurer
  - DRS is providing information to prospective and current retirees



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## Military

- Early access to funds
- N/A to defined benefit plans; 457 deferred compensation plans have no 10% penalty
- Could help individuals with other defined contribution (DC) plan assets
  - Waives 10% penalty on early account withdrawals
  - Applies to military, National Guard reservists called to active duty for at least 180 days
  - Allows withdrawal while on active duty
  - Must repay within two years of return to employment



## "In-Service Distributions"

- Work and receive both a salary and a pension
  - No waiting period or separation requirement
  - Stay in the same job or move to another covered employer
- Applies to members age 62 and older
- Significant departure from existing law
  - Inconsistent with IRS proposed regulations on phased retirement
  - Inconsistent with WA's retire-rehire program



## 2001 Laws Made Permanent

- Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)
  - Increased annual contribution limits
  - Catch-up contributions, age 50 and older
  - Increased portability/expanded rollover rules
  - Ability to purchase service credit with trustee-to-trustee transfers
  - Minimum distribution rules
- Provisions would have expired at end of 2010



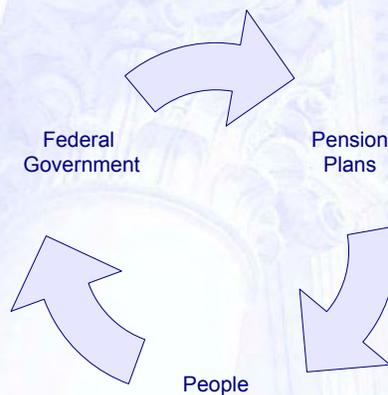
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## Pension Plan Responses To PPA

- Study
- Coordinate
  - Plan Administrator
  - Policy Makers
- Change
  - Benefits
  - Plan design
- Implement
- Clarify
- Educate



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## Resources

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- Plan Administrator (DRS) [www.drs.wa.gov](http://www.drs.wa.gov)
- Legal Counsel (AG's office, Ice Miller)
- Internet sources (Search "Pension Protection Act of 2006")
  - News articles
  - Opinion pieces
  - Analysis
  - Summaries by private consultants
  - Website summaries by governmental agencies and associations
  - [www.irs.gov](http://www.irs.gov) is a starting point





## Accounting For OPEB

Troy Dempsey, Actuarial Assistant  
May 22, 2007



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## OPEB

- What is an OPEB?
  - OPEB = Other Post-Employment Benefits
    - Non pension benefits, includes
      - Medical insurance
      - Life insurance
      - Dental insurance
      - Long-term care insurance
      - Disability insurance
    - Washington State provides subsidies for OPEB
      - Most subsidization for medical insurance



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## Subsidies

- **Explicit**
  - Provided to retirees in Medicare
  - Direct payment to help with Medicare premium
  - Currently \$149.67 per month
- **Implicit**
  - Provided to retirees not in Medicare
  - Exists because retirees are in same pool as actives
    - Pay lower premium than if in pool of retirees only
  - Currently about \$375 per month



## New Accounting Rules

- **Governmental Accounting Standards Board (GASB)**
  - Creates accounting rules for governmental entities
    - State
    - Local
  - Recently created statements 43/45
    - 43 - Measures the state's OPEB liability (6/30/07)
    - 45 - Measures each employer's share of the OPEB liability

## Accounting For Subsidies

- Currently “pay-as-you-go”
  - Benefits paid as they occur, actives pay for retirees
  - Conflicts with intergenerational equity principle
- Now need to account for accrued OPEB costs
  - Account for projected benefits as they are earned, rather than paid
  - Similar to pensions
- No funding mandate
  - Only accounting recognition
  - No cash contributions required
  - If pay-as-you-go continues, Unfunded Actuarial Accrued Liability will emerge



## Next Steps For OSA

- Summer 2007 - Deliver report to OST/OFM/HCA
  - Discuss possible assumption/method changes
- Summer 2007 - Create website help for local employers
  - Employers will use tool for year-end reporting
- Fall 2007 - LEOFF 1 retiree medical study
  - Create online tools for local employers



## Effects

- Are you, a member of the SCPP, affected? (Yes)
- Operating budget
  - Funds both pension and retiree medical
  - Could see increased competition for budget dollars
- Pension bills
  - Some pension bills affect retirement behavior
  - Retirement behavior affects the cost of retiree medical

## Others Affected

- OST
  - Need to include in any bond prospectus
  - May impact bond ratings
- OFM
  - Disclose various measures in CAFR
  - Decide if benefits are sustainable (with legislature)
- HCA
  - Determine health care assumptions
  - May have to look at benefit structure
- Employers
  - Disclose various measures in reports

## Recent Estimates

- Credit Suisse March 22, 2007, research paper
  - \$1.5 trillion under-funded for nation
  - Put WA in the “over 10 billion” category
    - We have not estimated the liability yet
  - Estimated states based on current estimates and simple calculations
    - Some complete estimates by Credit Suisse (WA)
  - Used high range of each estimate
- Hard to estimate based on other states
  - Very different benefit packages

■ Source: <http://www.credit-suisse.com>



## Other States

- From Credit Suisse Research Paper
  - California - \$70.0 billion
  - New Jersey - \$60.0 billion
  - New York - \$54.0 billion
  - Texas - \$26.8 billion
  - North Carolina - \$23.8 billion
- Is per capita a better measurement?
  - Alaska - \$7,047
  - New Jersey - \$6,877
  - Connecticut - \$6,020
  - Hawaii - \$4,398
  - Alabama - \$4,349



## Other States\* (Continued)

- Wyoming - Lawmakers question constitutionality of health benefits
- Texas - Legislation proposed to reject GASB 45 accounting rule
- New Jersey - Governor mentions leasing state toll roads to address liabilities
- California - Sets up trust fund to pre-fund benefits
- Massachusetts - Cities and towns cite rising health costs for program and job cuts
- Maryland - AG says state has no “contractual” retiree health obligation

\*Source: [www.lao.ca.gov/retireehealth](http://www.lao.ca.gov/retireehealth)

## Possible Outcomes

- Financial transparency
- Alignment between public and private sector accounting; alignment between retiree medical and pensions
- Knowledge of costs over time among bargaining groups, employees, employers, and investors
- After first release, possible
  - Change of benefit structure
  - Revenue increase
  - Funding policy change
  - Cost-sharing policy change



## LEOFF 1 Medical

- LEOFF 1 employers pay retirees necessary medical services
  - Funding is provided for OSA to study liability
- 2007/2008 study will identify the total GASB liability for local government
  - Not state's liability, only compiled for informational purposes
  - Provide tool for local government employers to estimate their individual liability

## Questions/Comments

- Timing?
  - Other states?
  - How is it valued?
  - Cost sharing policy?
  - Interest rates?
  - OSA's role?
- 
- Report?
  - Members impacted?
  - Subsidies?
  - Healthcare assumptions?
  - Bond ratings?
  - Assets?