

# Select Committee on Pension Policy

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

## Regular Executive Committee Meeting

June 19, 2007

9:00 a.m. - 10:00 a.m.

12:30 p.m. - 2:30 p.m.

Senate Conference Rooms A,B,C  
Olympia

### AGENDA

#### 9:00 a.m. - 10:00 a.m.

- 9:00 a.m.      **(A) Approval of Minutes**
- 9:05 a.m.      **(B) Proposed Rules of Procedure**
- 9:30 a.m.      **(C) 2007-08 Actuarial Work**
- 9:45 a.m.      **(D) Today's Full Committee Agenda**
- 10:00 a.m.     **(E) Adjourn**

#### 12:30 p.m. - 2:30 p.m.

- 12:30 p.m.     **(F) Constituent Correspondence**
- 12:45 p.m.     **(G) State Actuary Appointment Committee**
- 1:00 p.m.      **(H) 2007 Interim Issues**
- 2:00 p.m.      **(I) July Meeting Agenda**
- 2:30 p.m.      **(J) Adjourn**

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.

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

**Representative Barbara Bailey**

**Lois Clement**  
*PERS Retirees*

**\*Representative Steve Conway,**  
**Chair**

**Representative Larry Crouse**

**Charles E. Cuzzetto**  
*TRS and SERS Employers*

**\*Randy Davis**  
*TRS Actives*

**Senator Karen Fraser**

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**Senator Janea Holmquist**

**Robert Keller**  
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**\*Sandra J. Matheson, Director**  
*Department of Retirement Systems*

**Corky Mattingly**  
*PERS Employers*

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**Vice Chair**

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**David Westberg**  
*SERS Actives*

**\* Executive Committee**

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# Select Committee on Pension Policy

## REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

May 22, 2007

The Select Committee on Pension Policy met in Senate Conference Rooms A, B, C, Olympia, Washington on May 22, 2007.

### Committee members attending:

Elaine Banks  
Representative Conway  
Randy Davis  
Glenn Olson  
Senator Schoesler

### Other members attending:

Representative Bailey  
Representative Crouse  
Charles Cuzzetto  
Robert Keller  
Victor Moore

Representative Conway, Chair, called the meeting to order at 12:30 p.m.

### (A) State Actuary Appointment Committee

The State Actuary Appointment Committee issue will be placed on the June 19, 2007 Executive Committee agenda.

### (B) Proposed Rules of Procedure

Members discussed the Proposed Rules of Procedure.

Rule 2: allowing meetings to be cancelled by the Chair or Executive Committee. *Discussion followed.*

Rule 5: allowing official action of the Full Committee to be taken by a majority vote of the members present (at least 6 members). *Discussion followed.* The Executive Committee asked staff to provide clarifying language for the June 19, 2007 Executive Committee meeting.

Rule 7: allowing a member to designate an alternate to attend an Executive Committee meeting in their absence. *Discussion followed.* The Executive Committee asked staff to provide clarifying language for the June 19, 2007 Executive Committee meeting.

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Rule 10: requiring OSA employee appeals of personnel actions to be made to the Executive Committee within 30 days. *Discussion followed.* The Executive Committee asked staff to review appeal procedures within the House and the Senate, and then provide clarifying language for the June 19, 2007 Executive Committee meeting.

**(C) Constituent Correspondence**

Members reviewed the Constituent Correspondence Log and requested that the Log be updated monthly. Copies of the new correspondence received will be included in the Full Committee members packet.

Chair Conway asked staff to respond to constituents/stakeholders informing them that their requests have been submitted to the SCPP members.

**(D) 2007 Interim Issues**

Matt Smith, State Actuary, reported on "2007 Interim Issues." *Discussion followed.*

Shawn Merchant, Deputy Director, LEOFF Plan 2 Retirement Board, reported on potential issues that may be forwarded to the SCPP for possible coordination with the LEOFF Plan 2 Retirement Board.

Dave Nelsen, Deputy Director, Department of Retirement Systems, reported on member concerns forwarded to the Department of Retirement Systems.

**(E) June 19, 2007 Regular Committee Meeting Agenda**

- Proposed Rules of Procedure
- Washington State Investment Board Update
- Contribution Rates
- Disability Retirement
- 2007 Interim Issues - Public Testimony

The meeting adjourned at 2:10p.m.



WASHINGTON STATE LEGISLATURE  
**Office of the State Actuary**

June 6, 2007

TO: Executive Committee Members, SCPP

FROM: Matthew M. Smith, FCA, EA, MAAA  
State Actuary

A handwritten signature in black ink, appearing to read "MMS", positioned to the right of the typed name.

**RE: FOLLOW-UP ON PROPOSED RULES OF PROCEDURE**

You asked me to research employee appeal practices in the House and Senate in response to the proposed change to Rule 10 of the SCPP's current rules of procedure. The proposed change in question would establish a thirty-day time limit for employee appeals of personnel actions at the Office of the State Actuary. Currently, there is no time limit.

Employee appeal practices vary between the House and Senate and vary based on the personnel action.

***Grievances***

Neither the House nor the Senate imposes a time limit for seeking an appeal concerning a personnel grievance.

***Terminations***

An employee of the Senate may appeal a decision by the Secretary of the Senate to terminate or demote an employee. The appeal must be filed in writing with the Facilities and Operations Committee within thirty days of the decision and the employee must state the basis for the appeal. There is no such appeal process for terminations in the House.

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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 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. ((Examples of official actions of the SCPP include: recommendations, endorsements, statements, or requests made by the SCPP to the Legislature, the Pension Funding Council, or any other body; election of officers; approval of minutes; adopting rules of procedure; and adopting goals. Examples of procedural matters include: convening or adjourning meetings; referring issues to the Executive Committee or subcommittees; and providing

direction to staff.)) A majority of the members 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: Clarifies what is meant by "official" and "procedural" action. Does not change requirements for voting. 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 from the same house.
- 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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## 2007-08 Actuarial Work

- ❖ **2008 Gain-Sharing Distributions** – Calculate required distribution amounts and notify plan administrator.  
*Estimated completion date:* October/November of 2007; distribution paid on January 1, 2008.
  
- ❖ **LEOFF 1 Medical Study** – (Required in OSA budget) Identify local government employer liability for LEOFF 1 medical benefits.  
*Estimated completion date:* November/December of 2007.
  
- ❖ **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.  
*Estimated completion date:* July/August of 2007.
  
- ❖ **Review of Economic Assumptions** – Make recommendations to Pension Funding Council regarding long-term economic assumptions.  
*Estimated completion date:* OSA is required to make recommendations to the PFC by September 1, 2007. PFC may adopt changes to the assumptions by October 31, 2007.
  
- ❖ **2001-2006 Experience Study** – Much of the work for the 2008 Experience Study will be done in 2007. OSA can provide the SPCP 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).

*Estimated completion date:* Data collection and the selection of methods are underway. Preliminary analysis will begin in the summer of 2007. A preview of preliminary results for certain assumptions could be available in September/October of 2007. The experience study will conclude in 2008 (following session).

❖ **2006 Actuarial Valuation**

*Estimated completion date:* August/September of 2007.

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## Regular Committee Meeting

**June 19, 2007**  
10:00 a.m. - 12:00 p.m.  
Senate Hearing Room 4  
Olympia

### AGENDA

- |            |            |   |
|------------|------------|---|
| 10:00 a.m. | <b>(1)</b> | <b>Approval of Minutes</b>  |
| 10:05 a.m. | <b>(2)</b> | <b>Proposed Rules of Procedure</b> , Darren Painter,<br>Research Analyst                      |
| 10:15 a.m. | <b>(3)</b> | <b>Washington State Investment Board Update</b> ,<br>Gary Bruebaker, Chief Investment Officer |
| 10:45 a.m. | <b>(4)</b> | <b>Contribution Rates</b> , Matthew M. Smith, State<br>Actuary                                |
| 11:00 a.m. | <b>(5)</b> | <b>Disability Retirement</b> , Robert Wm. Baker,<br>Senior Research Analyst                   |
| 11:30 a.m. | <b>(6)</b> | <b>2007 Interim Issues</b> <ul style="list-style-type: none"><li>• Public Testimony</li></ul> |
| 12:00 p.m. | <b>(7)</b> | <b>Adjourn</b>  |

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**Vice Chair**

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SELECT COMMITTEE ON PENSION POLICY

EXECUTIVE COMMITTEE

Constituent Correspondence as of June 6, 2007

June 19, 2007

Received by OSA	From	To	Subject
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

<b>5/21/2007</b>	Dave Nelsen (LEOFF 2)	Matt Smith	Expanding Plan 1 Post-30-year contribution program Death while retirement eligible Veteran's benefits Endorsement of inactive, non-vested members
<b>5/22/2007</b>	Wendy Rader-Konofalski (for WEA)	SCPP, SCPP Staff	TRS Out-of-State Service Credit PERS, SERS, & TRS 3 Vesting Rule of 85 Salary bonuses included in pension calculations Pre-tax health care benefits for retirees
<b>5/22/2007</b>	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 Out-of-state service credit Plan 2 Access to PEBB
<b>5/22/2007</b>	Larry Scholl  Leslie Main (for WSSRA)	SCPP, SCPP Staff	TRS/PERS 1 uniform COLA adjustments TRS/SERS/PERS 2/3 Early retirement, Gain-sharing, and Vesting eligibility
<b>5/24/2007</b>	Dennis Eagle (for WFSE)	Senator Pridemore	Military Service Credit F&W Officers service credit transfer
<b>5/29/2007</b>	Ted Danielson	OSA	Military Service Credit
<b>6/5/2007</b>	Kelly Fox (LEOFF 2)	SCPP, SCPP Staff	Deferred Compensation Purchase of Annuity \$150,000 Death Benefit Military Service Death Benefit F&W Officers service credit transfer
<b>6/6/2007</b>	Sen. Derek Kilmer	SCPP, SCPP Staff	TRS half-time service-credit requirement
<b>6/6/2007</b>	Various Constituents	OSA	Gain-sharing



## 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

## Winner, Charlene

---

**From:** Harper, Laura  
**Sent:** Monday, May 21, 2007 4:36 PM  
**To:** Winner, Charlene  
**Subject:** FW: Interim Issues list

For scanning, adding to log and including in the interim issues file. Thanks.

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

**From:** Smith, Matt  
**Sent:** Monday, May 21, 2007 4:11 PM  
**To:** Harper, Laura  
**Subject:** FW: Interim Issues list

---- Original Message ----

**From:** "Nelsen, Dave (DRS)" <DaveN@DRS.WA.GOV>  
**Date:** 5/21/07 3:10 pm  
**To:** "Smith, Matt" <Smith.Matt@leg.wa.gov>  
**Cc:** "Wickman, Jeff (DRS)" <JeffW@DRS.WA.GOV>  
**Subj:** Interim Issues list  
Matt,

Per our discussion on Friday and based upon our meeting with Laura, the following is a list of issues that has come to our attention that may be of interest to the Select Committee. We are not pursuing these as initiatives for DRS through the executive request legislation process, but we have learned about them through our administrative role and are providing them to the Select committee for consideration.

- \* Expanding the Plan 1 Post 30 year contribution program to include an annual window for opting in prospectively, rather than just the one time chance upon reaching 30 years. This has been requested by Plan 1 members. Often, circumstances change after 30 years of service, and what may not have made sense at that time may become an attractive option, even an incentive to retain valuable Plan 1 employees. With the rising cost of healthcare, many Plan 1 members find they cannot afford to retire at an early age, but have missed their deadline to participate in this program.
  
- \* Death while retirement eligible. In PERS Plan 1, if an active member with more than 10 years of service dies, their surviving spouse can choose either to receive a monthly benefit at the option 2 level, or a refund of contributions and interest. However, if a Plan 1 member who is inactive, regardless of years of service or even eligibility to retire, passes away, their survivor only can receive the contributions and interest. This doesn't occur often, but when it does, it can be devastating for survivors. Some individuals may separate when retirement eligible, but don't want to begin drawing their monthly benefits right away. Some are inactive for a time and have forgotten to retire when they first became eligible. In these situations, if the member were to die before applying for their benefit, the spouse would not be eligible for an on going monthly payment.
  
- \* Veterans Benefits. The amendment to the \$150k bill to allow twice the contributions to surviving spouses of members killed while on military duty affects PERS Plan 2 only. This creates a benefit inequity with the other systems.
  
- \* Additionally, the Department would like to bring a proposal to the committee for endorsement that deals with inactive, non-vested members. Currently, a member who separates is not required to withdraw, whether they are vested or not. However, the IRS requires the Department to pay the members when they turn age 70 ½, or pay their beneficiaries when they die. Often, funds can sit in an account for many years, even decades, after employment before reaching these milestones. The Department is then required to locate individuals at significant administrative expense, if it is even

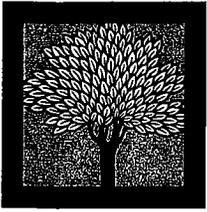
possible. There are currently approximately 50,000 inactive, non-vested members. We are consulting with peers in other systems and evaluating proposals to address this situation and would like to bring a recommendation to the committee.

Thank you for your consideration and let me know if you have any questions about these items.

Sincerely,

Dave Nelsen

DRS



**WEA**  
WASHINGTON  
EDUCATION  
ASSOCIATION

724 Columbia St. N.W., #220  
Olympia, WA 98501

telephone: 360-943-3150  
fax: 360-352-3986

**RECEIVED**

**MAY 22 2007**

Office of  
The State Actuary

[www.washingtonea.org](http://www.washingtonea.org)

Charles Hasse, President  
David Scott, Vice President  
Armand L. Tiberio, Executive Director  
Miebeth Bustillo-Booth, Director of Public Policy

May 22, 2007

Select Committee on Pension Policy  
Executive Committee Members  
P.O. Box 40914  
Olympia, WA 98504-0914

Dear Executive Committee Members:

On behalf of the Washington Education Association, I would like to submit requests for your consideration as you plan your interim issues in preparation for the 2008 Legislative Session.

There are several important items which we pursued this year in the Legislature which we would like to see the Committee take up in the interim for follow through in the 2008 session.

**Old Business:**

- 1.) **HB 1200: TRS Out of State Service Credit**—simple, no-cost-to-the-state amendment to policy bill requested by SCPP which passed the Legislature in 2006.
- 2.) **HB 1941: Vesting after five years of service in the defined benefit portion of PERS, SERS AND TRS Plan 3.**
- 3.) **HB 1199: Rule of 85**

There are also several new items which we would like the Executive Committee to consider.

- 1.) Allow the additional salary bonuses that were awarded this session to the National Board Certified Teachers to be included in their pension calculations.
- 2.) Allow retirees in all plans to continue paying health care benefits on a pre-tax basis. Currently, active state employees get their health care contributions taken out of their salary and sent to the HCA on a pre-tax basis. But when employees retire, the health care cost, rising as it does well in excess of any increases in retirement benefits, is subject to taxes. We would like to request the SCPP to look into some form of tax deferral for health care premiums for retirees of SERS, PERS, TRS Plans 1, 2, and 3. This was of particular interest to our Plan 1 members concerned about a meaningful improvement for retirees who do not receive a COLA until age 66.

*(Continued...)*

- 3.) Amend RCW 41.32.010 to allow TRS and SERS Plan 2 and 3 employees who work half-time for at least five months of the year, to receive a full .5 or half credit per month of employment. Currently, such employees receive less than half a service credit per month if they do not work at least 9 months of the year, thus, arguably, getting "shortchanged" because the law doesn't recognize half-year contracts, even with requisite hours of employment. We think this will have little to no cost to the state or increase on contribution rates.
- 4.) Resolve a new issue that has emerged for certain categories of education employees such as speech language pathologists and other educational staff associates. Those who had careers in their fields in other state employment who come to work in school districts have been mandated into TRS Plan 3 for many years now. Many of them would prefer to return to the PERS plan they were in as employees of a different state system. We would like to see this option opened up for the 25 – 50 people whom this concerns.

We will be happy to discuss these and other issues with you in more detail and to help in determining the best way to achieve these ends. Thanks for your consideration.

Sincerely,



Wendy Rader-Konofalski  
WEA Lobbyist  
(360) 943-3150 X7152  
(206) 300-1682 (cell)

## 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.
- **Out of State Service:** Allow TRS Plan 2 and 3 members to purchase out-of-state service credit after serving two years in this state instead of five as proposed in SHB 1200 from the 2007 legislative session. We recommend that the SCPP make recommendation regarding this issue.
- **Plan 2 Access to PEBB:** Allow Plan 2 members access to the Public Employee Benefit Board (PEBB) health plans upon separation (not just retirement) from service at age 55 with at least 10 years of service. HB 1284/SB 5427 from the 2007 legislative session would accomplish this issue.

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MAY 22 2007

Office of  
The State Actuary



**Washington State  
School Retirees Association**

4726 Pacific Ave. SE

Lacey, WA 98503-1216

PHONE (360) 413-5496

**MEMORANDUM**

TO: Select Committee on Pension Policy (SCPP)

FROM: Larry Scholl, WSSRA Legislative Vice Committee Chair  
Leslie Main, WSSRA Legislative Coordinator

DATE: May 21, 2007

SUBJECT: WSSRA's Legislative Priorities for 2007-08

**RECEIVED**

**MAY 22 2007**

Office of  
The State Actuary

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The Washington State School Retirees' Association (WSSRA) requests that the following legislative objectives be placed on the SCPP's agenda for the 2007 Interim:

**GOAL: Recovery of lost purchasing power for all TRS/PERS 1 retirees.**

**Objective:**

- ◆ *Preservation and protection of the full value of the TRS/PERS 1 defined benefit from inflation:*
  - ◇ *Short-term – Improvement of the Uniform Plan 1 COLA (i.e. eligibility one year after retirement).*
  - ◇ *Long-term – Establishment of a Plan 1 Cost-of-Living Adjustment (COLA) based on the Consumer Price Index.*

The measure of a defined pension plan's worth is how it retains its value over the retirement years of plan members. The value of TRS/PERS Plan 1 pension benefits need to be protected from substantial losses in purchasing power.

The Plan 1 post-retirement adjustment known as the Uniform COLA is not a true Cost-of-Living Adjustment. Instead of being based on a member's base salary or an economic indicator such as the Consumer Price Index (CPI), the Uniform COLA is based on a dollars per month per year of service formula. Due to the age 66 eligibility criteria for the Uniform COLA, the value of the TRS/PERS 1 pension begins to decline from the date of retirement and continues to decline during those years prior to the member becoming eligible for the post-retirement adjustment. Even with the Uniform COLA, TRS/PERS 1 members who retired in the mid-1970s have lost approximately 50% of their purchasing power.

Over the short-term, major improvements to the Uniform Plan 1 COLA would help to retain the value of TRS/PERS 1 pension benefits. Over the long-term, establishment of a CPI based COLA which begins a year after retirement is needed to ensure that the full value of the TRS/PERS 1 pensions are retained.

**GOAL: Pension plan improvements for members of TRS/SERS/PERS 2/3.**

**Objectives:**

- ◆ *A full retirement benefit for TRS/SERS/PERS Plan 2/3 members below the current eligibility requirement of age of 62.*
- ◆ *Improvement of pension benefits for classified school employees which address concerns unique to SERS 2/3 and current Plan 3 retirees from TRS/SERS/PERS.*
- ◆ *Unencumbered 5 year vesting eligibility criteria for members of TRS/SERS/PERS Plan 3.*

The improved Early Retirement Reduction Factor (ERRF) criteria established in EHB 2391 (2007) is a major step forward in addressing Plan 2/3 retirement eligibility issues. However, a strong concern remains among many employer and employee interests regarding the negative impact the Plan 2/3 retirement eligibility criteria is having on the recruitment of new employees and retention of current members of TRS/SERS/PERS. WSSRA seeks legislation to provide eligibility for a full, unreduced, defined benefit in the TRS/SERS/PERS Plan 2/3 retirement programs below age 62.

The "Gain Sharing replacement" benefits enacted in 2007 (EHB 2391) which pertained to Plan 3 provided no benefit beyond the 2008 Gain Sharing distribution to current Plan 3 retirees. Additionally, due to members' demographics, members of SERS 3 do not benefit as much from the "Gain Sharing replacement" benefits as do members of other systems and plans. WSSRA looks forward to working with the Select Committee on Pension Policy during the 2007 Interim and full Legislature during the 2008 Session to achieve the enactment of legislation which improves the pension benefits of SERS 2/3 members and current TRS/PERS/SERS Plan 3 retirees.

Finally, in order to bring true equity to the vesting criteria between all PERS/TRS/SERS plans, WSSRA requests the SCPP's consideration and support of legislation which repeals the age requirement contained in the 5-year vesting criteria for Plan 3 members.

We appreciate the dedication of Committee members to pension issues. WSSRA looks forward to working with you to improve the pensions of Washington State's current and future school retirees. If you have any questions regarding WSSRA's legislative objectives for 2007-08, please contact the WSSRA office by calling 1-800-544-5219 / 360-413-5496. Thank you.

cc: Matt Smith, Office of the State Actuary



**STATE HEADQUARTERS OFFICE**

1212 JEFFERSON ST. S.E., SUITE 300 • OLYMPIA, WA 98501-2332  
(360) 352-7603 • 1-800-562-6002 • FAX: (360) 352-7608

May 9, 2007

**RECEIVED**

**MAY 24 2007**

Office of  
The State Actuary

Senator Craig Pridemore, Chair  
Select Committee on Pension Policy  
PO Box 40449  
Olympia, WA 98504-0449

Dear Senator *Craig* Pridemore:

On behalf of the 40,000 members of the Washington Federation of State Employees, we respectfully request that the Select Committee on Pension Policy review two very important pension proposals during the 2007 interim. These proposals are as follows:

1. Crediting military service to certain employees (SB 5521/HB 1522 in 2005-2006):

This bill allows military credit to be obtained, after completing military service, if the employee applies for re-employment with the leave-of-absence employer within one year (or is reemployed within 10 years under certain conditions) instead of within 90 days of receiving an honorable discharge under current law. It also allows any member with 25 years creditable service to take up to five years of military service regardless of whether the member took a leave-of-absence during the 25 years. The previous bill exempts the member from paying his or her portion of the plan contribution for the military service credit.

This proposal allows state employees who have served in the military some recognition of their time and commitment. Many state employees have served or are currently serving our country. Allowing them to be compensated instead of penalized would go a long way towards recognizing their dedication.

2. Allowing Department of Fish and Wildlife Enforcement Officers to transfer service credit (SB 5588/HB 1687 in 2007):

The bill permits Department of Fish and Wildlife Enforcement Officers to transfer service credit earned from PERS Plan 2 to LEOFF Plan 2. A member electing to transfer service credit must pay the difference between the member contributions paid into PERS Plan 2 for the service, and the member contributions that would have been paid into LEOFF Plan 2, plus interest.

**OLYMPIA FIELD OFFICE**  
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1-800-924-5753  
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**VANCOUVER FIELD OFFICE**  
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37 S. Wenatchee Ave., Suite A-1  
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**YAKIMA FIELD OFFICE**  
601-A W. Lincoln Ave.  
Yakima, WA 98902-2610  
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Senator Craig Pridemore  
Page 2  
May 9, 2007

Enforcement Officers were not provided with an option in 2003 to transfer any past PERS service to LEOFF Plan 2. All other groups of employees whose membership was changed from PERS to LEOFF Plan 2 in the past, such as port police and fire fighters, higher education police and fire fighters, and emergency medical technicians were provided with an option to transfer their past LEOFF Plan 2 eligible service from PERS to LEOFF Plan 2.

This proposal will bring parity to a group of state employees that have been excluded from the credit transfer eligibility. It will provide pension plan equity among those classifications of employees that were transferred from PERS into PSERS.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Eagle", is written over a circular stamp or mark.

Dennis Eagle, Director  
Legislative and Political Action

AL:dg

c: Bob Keller, SCPP Member

RECEIVED

MAY 29 2007

Office of  
The State Actuary

**From:** Ted Danielson [mailto:[tedldanielson@msn.com](mailto:tedldanielson@msn.com)]  
**Sent:** Friday, May 25, 2007 9:14 PM  
**To:** Office State Actuary, WA  
**Subject:** fairness amongst the systems

I am a Vietnam veteran and feel like my service to my country and my state has totally been minimized. I am angry about the fact that I served just like my fellow state employees and yet I've been treated differently. Those who are in Pers 1 and WSP retirement and leoff systems are getting their service time credited to them in their retirement but yet just because I served my time in the teaching field I get no credit. I believe its morally wrong for one system to benefit and another not from their service to their country.

Because I served in the Military armed forces I entered my education 4 years later and subsequently entered the work force later. This caused me to be put in a lesser retirement program. If my service time was counted I would at least be able to retire as those who didn't serve their country and would some how make it seem a little less unjust. A lot of the beaucratic rhetoric leaves it to be my feeling that You really don't care about Veterans and its only the looks good on paper that is important.

Right now I'm attempting to get back into the teaching field as I was forced to leave my teaching position due to a medical problem, related to the stress I was under in my life and my job. I wanted to retire but can't due to the systems rules. I can only say please address this issue and make a meaningful approach righting the wrong in the retirement systems.

Ted L. Danielson

400 Jasmine St.

Omak, Washington

98841

email - [tedldanielson@msn.com](mailto:tedldanielson@msn.com)



STATE OF WASHINGTON  
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329 • [www.leoff.wa.gov](http://www.leoff.wa.gov)

June 5, 2007

RECEIVED

JUN 5 - 2007

Office of  
The State Actuary

Select Committee on Pension Policy  
C/O The Office of the State Actuary  
Post Office Box 40914  
Olympia, Washington 98504-0914

Dear Honorable Members of the Select Committee on Pension Policy:

On behalf of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board (Board), I would like to thank you for all of your help during 2006.

I want to bring several topics to your attention as you begin preparations for the 2007 interim. It is my hope that the Select Committee on Pension Policy (SCPP) and the Board can work cooperatively on these issues to develop legislation. I have provided a brief summary of each topic for your reference:

**Deferred Compensation**

The Board studied the need for a clear definition of what is included in "basic salary" in regard to employer contributions to 457 Deferred Compensation Plans.

Under current law, member contributions to 401(a) defined benefit plan such as LEOFF Plan 2 are includable in basic salary and are mandatory. Employer contributions are also mandatory, but are not included in basic salary. Member contributions to a 457 Deferred Compensation Plan are included in basic salary, however, employer contributions to a 457 Deferred Compensation Plan are not always treated the same. The Board will be further studying under what circumstances employer contributions to deferred compensation plans should be considered "basic salary".

**Purchase of Annuity**

The Board studied whether to permit LEOFF Plan 2 retirees to purchase an actuarially equivalent life annuity from the LEOFF Plan 2 retirement fund. Currently, Federal law provides that defined contribution assets can be used to purchase increased defined benefits. The following questions will need to be explored further:

- Can defined contribution assets be used to purchase additional defined benefits that would exceed the equivalent value of purchasing five years of service credit?
- Should all other Washington State pension plans be provided a similar enhancement?



**Inflationary Adjustment for \$150,000 Death Benefit**

As you may be aware, the Board endorsed legislation recommended by the SCPP on this topic (SHB 1266 - Addressing death benefits for public employees), which was passed with an amendment removing the annual inflation increase. The Board is interested in working with the SCPP to further study the effect of adding this inflationary adjustment to all the state retirement plans which provide the \$150,000 death benefit.

**Military Service Death Benefit**

The Legislature passed a bill in the 2007 session (SHB 1266 - Addressing death benefits for public employees), which included an amendment providing the survivor of a Public Employees' Retirement System Plan 2 member that left public employment and died while serving in the uniformed services in Operation Enduring Freedom (Afghanistan) or Persian Gulf, Operation Iraqi Freedom after January 1, 2007, a withdrawal benefit of 200 percent of accumulated member's contributions. The Board would like to study extending a military service death benefit to the other pension plans, including LEOFF Plan 2.

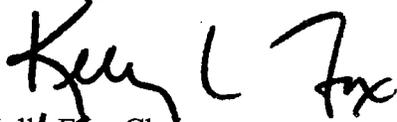
**Fish and Wildlife Enforcement Officer Service Credit Transfer**

The Board has studied permitting Department of Fish and Wildlife Enforcement Officers to transfer service credit earned in the Public Employees' Retirement System (PERS) Plan 2 as enforcement officers prior to July 2003 into the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2. Prior groups that have been allowed membership to LEOFF Plan 2 have had the option of transferring their previous service credit. Other systems have also had the opportunity to make similar transfers when changing systems.

Please feel free to contact me or Steve Nelsen, LEOFF 2 Board Executive Director, should you have any questions or like any additional information. Steve can be reached at (360) 586-2320 or [steve.nelsen@leoff.wa.gov](mailto:steve.nelsen@leoff.wa.gov), and I can be contacted at (360) 943-3030 or [pres@wscff.org](mailto:pres@wscff.org).

We would be happy to meet with you to discuss these topics at an upcoming SCPP or LEOFF Plan 2 Retirement Board meeting. Thank you for your consideration and we look forward to working with you.

Sincerely,



Kelly Fox, Chair

cc: Matt Smith, State Actuary

**Burkhart, Kelly**

**From:** Kilmer, Sen. Derek  
**Sent:** Tuesday, June 05, 2007 9:20 AM  
**To:** Office State Actuary, WA  
**Subject:** Select Committee on Pension Policies - Interim Planning  
**Attachments:** S-3642.1.doc; S-3125.1.pdf

**RECEIVED**

JUN 6 - 2007

Office of  
The State Actuary

Select Committee on Pension Policy  
Executive Committee  
P.O. Box 40914  
Olympia, WA 989504-0914

Dear Members of the Executive Committee:

Attached is a bill which I am requesting that the Select Committee on Pension Policies take up in their interim planning. I am hoping that your committee will accept it as request legislation in the 2008 legislative session.

A teacher at one of the schools in my district contacted me with a problem which other education employees may share. There is a provision in law that says a person who is working a certain minimum number of hours half-time must work nine months out of the year in order to receive one-half of retirement service credit per month. But if someone works the requisite hours but in half a year period, he/she receives only a quarter-service credit per month.

So, in the case of the constituent who brought the issue to me, she works a total of well over the required 630 hours which would qualify her for a one-half service credit per month, but because she does a job share with another employee and works only five or six months out of the year, she is "shortchanged" you might say by the technicality of the law that sets nine months as a criterion.

This bill would change the requirement from nine months to five months, all other criteria being met. Since education employees often have a ten month contract, five months is a half-year increment. It does not appear that this change would harm anyone else, but it might allow some of our hardworking education employees the kind of flexibility that working half time allows without penalizing them for it.

I had the bill drafted up at the very end of session and did not drop it. But attached is the bill and a fiscal note. The fiscal note was done on language that referred to "five consecutive months". In the meantime, we have removed the word consecutive and in talking with the Actuary's office, it is felt that the note would not be significantly, if at all, different with that change. I'm hoping the actuary's office can confirm that through your exploration process.

I hope that the committee will look favorably on this bill and recommend it to you.

Best,

Derek Kilmer

Olympia Office:  
Derek Kilmer  
State Senator - 26th District  
P.O. Box 40426  
Olympia, WA 98504  
(360) 786 - 7650

District Office:  
5246 Olympic Dr. NW Suite 201  
Gig Harbor, WA 98335  
(253) 858 - 6716

<http://www.sdc.wa.gov/kilmer.htm>

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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: S-3642.1/08

ATTY/TYPIST: BLP:seg

BRIEF DESCRIPTION: Concerning service credits under the teachers' and school employees' retirement systems.

AN ACT Relating to service credits under the teachers' and school employees' retirement systems; amending RCW 41.35.180; and reenacting and amending RCW 41.32.010.

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

**Sec. 1.** RCW 41.32.010 and 2007 c 398 s 3 and 2007 c 50 s 1 are each reenacted and amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1)(a) "Accumulated contributions" for plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality tables and regulations as shall be adopted by the director and regular interest.

(3) "Annuity" means the moneys payable per year during life by reason of accumulated contributions of a member.

(4) "Member reserve" means the fund in which all of the accumulated contributions of members are held.

(5)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(6) "Contract" means any agreement for service and compensation between a member and an employer.

(7) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to plan 1 members.

(8) "Dependent" means receiving one-half or more of support from a member.

(9) "Disability allowance" means monthly payments during disability. This subsection shall apply only to plan 1 members.

(10)(a) "Earnable compensation" for plan 1 members, means:

(i) All salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money.

(ii) For an employee member of the retirement system teaching in an extended school year program, two consecutive extended school years, as defined by the employer school district, may be used as the annual period for determining earnable compensation in lieu of the two fiscal years.

(iii) "Earnable compensation" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be

considered earnable compensation and the individual shall receive the equivalent service credit.

(B) If a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(iv) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, a psychologist, a social worker, a nurse, a physical therapist, an occupational therapist, a speech language pathologist or audiologist, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(v) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041;

(C) Bonuses for certification from the national board for professional teaching standards authorized under RCW 28A.405.--- (section 2, chapter 398, Laws of 2007).

(b) "Earnable compensation" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, bonuses for certification from the national board for professional teaching standards authorized under RCW 28A.405.--- (section 2, chapter 398, Laws of 2007), or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

(11) "Employer" means the state of Washington, the school district, or any agency of the state of Washington by which the member is paid.

(12) "Fiscal year" means a year which begins July 1st and ends June 30th of the following year.

(13) "Former state fund" means the state retirement fund in operation for teachers under chapter 187, Laws of 1923, as amended.

(14) "Local fund" means any of the local retirement funds for teachers operated in any school district in accordance with the provisions of chapter 163, Laws of 1917 as amended.

(15) "Member" means any teacher included in the membership of the retirement system who has not been removed from membership under RCW 41.32.878 or 41.32.768. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the member reserve.

(16) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

(17) "Pension" means the moneys payable per year during life from the pension reserve.

(18) "Pension reserve" is a fund in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

(19) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to plan 1 members.

(20) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to plan 1 members.

(21) "Public school" means any institution or activity operated by the state of Washington or any instrumentality or political subdivision thereof employing teachers, except the University of Washington and Washington State University.

(22) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the member reserve. This subsection shall apply only to plan 1 members.

(23) "Regular interest" means such rate as the director may determine.

(24) (a) "Retirement allowance" for plan 1 members, means monthly

payments based on the sum of annuity and pension, or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for plan 2 and plan 3 members, means monthly payments to a retiree or beneficiary as provided in this chapter.

(25) "Retirement system" means the Washington state teachers' retirement system.

(26)(a) "Service" for plan 1 members means the time during which a member has been employed by an employer for compensation.

(i) If a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered.

(ii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(iii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member for one or more employers for which earnable compensation is earned subject to the following conditions:

(i) A member employed in an eligible position or as a substitute shall receive one service credit month for each month of September through August of the following year if he or she earns earnable compensation for eight hundred ten or more hours during that period and is employed during nine of those months, except that a member may not receive credit for any period prior to the member's employment in an eligible position except as provided in RCW 41.32.812 and 41.50.132;

(ii) If a member is employed either in an eligible position or as a substitute teacher for (~~nine~~) five months of the twelve month period between September through August of the following year but earns earnable compensation for less than eight hundred ten hours but for at least six hundred thirty hours, he or she will receive one-half of a service credit month for each month of the twelve month period;

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months

where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

(vi) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(vii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990, through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

(c) For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position.

(d) The elected position of the superintendent of public instruction is an eligible position.

(38) "Plan 1" means the teachers' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(39) "Plan 2" means the teachers' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and prior to July 1, 1996.

(40) "Plan 3" means the teachers' retirement system, plan 3 providing the benefits and funding provisions covering persons who first become members of the system on and after July 1, 1996, or who transfer under RCW 41.32.817.

(41) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items compiled by the bureau of labor statistics, United States department of labor.

(42) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person

has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this section.

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

**Sec. 2.** RCW 41.35.180 and 1998 c 341 s 19 are each amended to read as follows:

(1) Except for any period prior to the member's employment in an eligible position, a plan 2 or plan 3 member who is employed by a school district or districts or an educational service district:

(a) Shall receive a service credit month for each month of the period from September through August of the following year if he or she is employed in an eligible position, earns compensation earnable for eight hundred ten hours or more during that period, and is employed during nine months of that period;

(b) If a member in an eligible position for each month of the period from September through August of the following year does not meet the hours requirements of (a) of this subsection, the member is entitled to one-half service credit month for each month of the period if he or she earns earnable compensation for at least six hundred thirty hours but less than eight hundred ten hours during that period, and is employed (~~nine~~) five months of that period;

(c) In all other instances, a member in an eligible position is entitled to service credit months as follows:

(i) One service credit month for each month in which compensation is earned for ninety or more hours;

(ii) One-half service credit month for each month in which compensation is earned for at least seventy hours but less than ninety hours; and

(iii) One-quarter service credit month for each month in which

compensation is earned for less than seventy hours.

(2) The department shall adopt rules implementing this section.

# DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
<b>Office of the State Actuary</b>	<b>035</b>	<b>4/12/2007</b>	<b>S-3125.1</b>

## INTENDED USE

This actuarial fiscal note was prepared by the Office of the State Actuary in accordance with RCW 44.44.040(4) and is intended to support the legislative process during the 2007 Legislative Session only.

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

## SUMMARY OF BILL

This bill impacts Plans 2 and 3 of the Teachers' Retirement System (TRS 2/3) and Plans 2 and 3 of the School Employees' Retirement System (SERS 2/3). The bill reduces the number of months certain members must be employed before receiving one-half service credit per month under the "partial service credit method" for calculating service credit. The amendments apply to members who begin working in September and who work 630-809 hours during the school year. The bill changes the number of required months of employment for these members from "nine months" to "five consecutive months."

Effective Date: 90 days after session

## CURRENT SITUATION

Currently, service credit under TRS 2/3 and SERS 2/3 is calculated as summarized in the table found on the following page. The left hand column represents the hours worked by a TRS 2/3 or SERS 2/3 member during the school year. The bolded italicized row in the left hand-column illustrates the current provision that would be amended by S-3125.1. (The bill would change nine months to five consecutive months.)

The right hand column of the table represents the amount of service credit that will be awarded for the hours worked. The Department of Retirement Systems (DRS) refers to the first row of the right hand column as the "month by month" method, row two as the "partial service credit" method, and row three as the "twelve-month method." Members receiving service credit under the partial service credit and twelve month methods must begin working in September.

<b>Hours Worked</b>	<b>Service Credit (S/C) Earned</b>
Work less than 630 hours or less than 9 months of the school year	<u>Month-to-month method</u> : 1 S/C month for each month the member works 90 or more hours; one-half S/C month for each month the member works 70-89 hours; and one-fourth S/C month for each month the member works 1-69 hours
<b>630-809 hours: Begin work in September and work at least 9 months of the school year</b>	<u>Partial service credit method</u> : 6 service credit months per school year (.5 x 12) (September 1 through August 31)
810 hours or more: Begin work in September and work at least 9 months of the school year	<u>Twelve-month method</u> : 12 service credit months per school year (September 1 through August 31)

### SUMMARY OF MEMBERS IMPACTED

We estimate that about 200 TRS Plan 2/3 and 500 SERS Plan 2/3 active and terminated and vested (term vested) members will be impacted by this bill through improved benefits each year. This represents less than one-third of 1 percent of TRS Plan 2/3 members and less than one percent of SERS Plan 2/3 members. The following table shows the current counts of TRS and SERS Plan 2/3 members:

<b>System</b>	<b>Active</b>	<b>Term Vested</b>	<b>Total</b>
TRS 2/3	58,678	5,694	64,372
SERS 2/3	50,350	5,564	55,914

We estimate that a typical member impacted by this bill would receive one additional month of service credit during their career.

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

### METHODS

We calculated the liability increase for this bill by running separate valuations on members impacted by this bill. Impacted members include all active and term vested TRS and SERS Plan 2 and 3 members who worked between 630 and 809 hours during the school year and received less than six months of service credit. We created a database of these members and ran them through our valuation system to obtain a base run. We increased their total service credit by the difference between six months and the service actually received for the current year and ran another valuation to obtain the pricing run. The liability increase for this bill was then calculated as the difference between the pricing and base runs.

We calculated rate increases under the aggregate actuarial cost method to determine the increase in funding expenditures for current members and future new entrants.

Otherwise, costs were developed using the same methods as those disclosed in the September 30, 2005, actuarial valuation report (AVR).

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

## **ASSUMPTIONS**

1. All active and term vested members who work between 630 and 809 hours during the school year will receive at least one-half a year of service credit under this proposal.
2. Members will receive increased service under this proposal only once during their career. This assumption is based on experience showing that only 2 percent of members who worked between 630 and 809 hours during the school year received less than six months of service credit for more than one year in the five-year period between 2002 and 2006.
3. The average experience in future years of members working between 630 and 809 hours during the school year and receiving less than one-half year of service credit will not change significantly from that experienced from 2002-2006.
4. Members will not receive additional service for years prior to the effective date of the bill.
5. The rate increase for new entrants will be equivalent to the rate increase for current members over the next 25 years. This assumption is based on Assumption #3 and data showing that 78 percent of members who worked between 630 and 809 hours during the school year and received less than six months of service credit had fewer than one and one-half years of total service.
6. Any liability increase for part-time employees or substitute teachers reported as terminated nonvested is negligible.

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

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

## DATA

We used valuation data from 2002 through 2006 (preliminary) to develop our assumptions about members impacted. A study of this data showed the following:

1. Average yearly counts of members impacted: (working between 630 and 809 hours and receiving less than six months of service credit)
  - a. Active: 465 SERS and 200 TRS
  - b. Term Vested: 67 SERS and 25 TRS
  - c. Term Nonvested: 214 SERS and 102 TRS
2. Seventy-eight percent of impacted active members have fewer than 1.5 years of total service.
3. Seventy-six percent of impacted members received at least *five* months of service credit under current law, while 93 percent received at least *four* months.
4. Ninety-eight percent of impacted members were only impacted for one year in the five-year period:
  - a. Impacted for one year: 3,224 active, 433 term vested, 1508 term nonvested
  - b. Impacted for two years: 37 active, 16 term vested, and 40 term nonvested
  - c. Impacted for three years: 1 active, 1 term vested, and 3 term nonvested
5. The average impacted active member received at least five months of service credit under current law. SERS members had an average of 1.42 years of total service while TRS members had 2.75.

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

## FISCAL IMPACT

### Description

This bill will increase the liabilities of the affected systems by increasing the amount of service credit granted to certain members. Since the majority of members are expected to qualify for the additional service only once (most likely during the start or end of their career), the majority of the liability will be for new members entering the system in the future. However, the increase in liabilities is negligible and insufficient to impact contribution rates immediately.

### Sensitivity Analysis

We estimate that the actual liabilities could be as much as twenty times higher for TRS and eight times higher for SERS without impacting contribution rates immediately.

## **GLOSSARY OF ACTUARIAL TERMS:**

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

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

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

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

- Normal cost; plus
- Amortization of the unfunded liability

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

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

**Pension Benefit Obligation (PBO):** The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

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

**Unfunded Liability (Unfunded PBO):** The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

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

**Burkhart, Kelly**

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**From:** Rick Kirsch [rick.kirsch@ksd.org]

**Sent:** Tuesday, June 05, 2007 2:22 PM

**To:** Office State Actuary, WA

**Subject:** Loss Of Gain Sharing

Teachers of the state of Washington are not happy with the illegal take-away of gain sharing. You obviously don't understand the sharing part of "gain sharing", but can you grasp the concept of "strike"? If you don't understand this word you soon will.

Rick Kirsch  
Kennewick School District

6/6/2007

## Burkhart, Kelly

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**From:** Clarence Hough [ClarenceHo@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 2:01 PM  
**To:** Office State Actuary, WA  
**Subject:** gain sharing, retirement etc.

the state treats teachers so poorly. I wish I could roll the clock back to college so I could find another profession. It is so discouraging to work for the state of washington and spokane schools. We are asked to do more with less every year. When you give use our required COLA you act like you are really going out of your way, we haven't had a true raise in memory, medical gets more expensive every year which eliminates any real raise, what you have done to retirement is criminal. how about some respect?

Clarence Hough  
teacher since 1980

Clarence Hough  
Ferris H.S. E 3020 37th  
Spokane Wa. 99223  
phone 509 354 6097  
Fax 509 354 6161

**Burkhart, Kelly**

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**From:** Roger Clem [jr.clem@verizon.net]  
**Sent:** Wednesday, June 06, 2007 7:40 AM  
**To:** Office State Actuary, WA  
**Subject:** Loss of Gain Sharing

Good Morning,

I am displeased with the take away of gain sharing that was part of the transfer process from Plan 2 to Plan 3. How can a promise be removed like this? It is not right or fair. Reverse this decision.

Roger Clem  
27556 79th Dr NW  
Stanwood, Wa 98292

**Burkhart, Kelly**

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**From:** gaebe@comcast.net  
**Sent:** Wednesday, June 06, 2007 6:31 AM  
**To:** Office State Actuary, WA  
**Subject:** Totally unfair and wrong

Dear Sir/Madam,

Taking away teachers gainsharing along with non-support of the rule of 85 is not right. You people have made promises and not kept them. Teachers have one of the WORSE retirement systems in the nation. How do you think you'll attract the needed teachers in the years to come? Step up and do what is right.

Tim Gaebe

6/6/2007

## Burkhart, Kelly

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**From:** Dave Gelatt [dgelatt@stanwood.wednet.edu]  
**Sent:** Tuesday, June 05, 2007 9:28 PM  
**To:** Office State Actuary, WA  
**Subject:** Teacher

As a teacher with 14 years invested in the Plan 3 retirement system I I wanted to pass along my displeasure over the loss of gainsharing for educators. Gainsharing was one of the reasons that convinced me to switch from Plan 2 to Plan 3.....now because the state of Washington is going to have to pay too much....the legislature takes this away? Great...Also the lack of passage of a rule of 85 now insures that I will work well into my 60's with over 30 years of teaching... while police officers in my town of Stanwood are retiring after 20 years of service...with a better retirement plan than I will have .....doesn't make much sense to me....could you please explain it?

Sincerely..

David T. Gelatt

## Burkhart, Kelly

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**From:** Dave Whitehead [DWhitehead@mead.k12.wa.us]  
**Sent:** Tuesday, June 05, 2007 9:16 PM  
**To:** Office State Actuary, WA  
**Subject:** Gainsharing reduction

**Attachments:** Fwd: need your help



Fwd: need your  
help

Hello,

My name is Dave Whitehead and I am a teacher in the Mead School District. I have been a teacher for 25 years and I switched my retirement plan when we where offered the new contract. Part of it was the rule of 85 which you just took away. Please explain to me why a promise was broken, and how that will be made up. Thank you for your time.

Sincerely

Dave Whitehead

Scanned by Mead Spam Filter System

## Burkhart, Kelly

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**From:** Larry Poffenroth [LarryPo@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 1:37 PM  
**To:** SD81Serv:cvsd.org.bpoffenroth@SD81Serv; Pamela Stickney; Darren Snyder  
**Subject:** Fwd: need your help  
**Attachments:** Header

>>> "Richard Abrams" <rabrams@stanwood.wednet.edu> 06/05/07 1:30 PM >>>  
Friends,

I need your help--could you please take 3 or 4 minutes and send an e-mail to the following address stating your displeasure over the loss of gainsharing, no rule of 85, promises made and not kept, and whatever other complaints you might have. We need a show of force--evidently, the governor's office was laughing at the lack of a reaction by educators in response to the taking away of gainsharing. Please pass this on to your colleagues, and let's see if we can get a flood of e-mails going to the state actuary office to let them know where we stand. Thanks for your help...Dick

send to: [actuary.state@leg.wa.gov](mailto:actuary.state@leg.wa.gov)

## Burkhart, Kelly

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**From:** Peters, Lance [lance.peters@sno.wednet.edu]  
**Sent:** Tuesday, June 05, 2007 4:33 PM  
**To:** Office State Actuary, WA  
**Subject:** FW: We nneed to act ASAP on a retirement issue

I am a plan 3 member who is not in favor of the Rule of 85. Please do not settle this without considering the original agreements with Plan 3 members . . . unless you are willing to allow me to become a Plan 1 member.

Regards,  
Lance Peters

## Burkhart, Kelly

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**From:** Randy Thies [RandyT@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 3:59 PM  
**To:** Office State Actuary, WA  
**Subject:** gain sharing

Dear Sirs,

I feel strongly that if the lawsuit filed by the SEA/WEA is unsuccessful, that many of my co-workers would be willing to file a class action lawsuit. I am 55 years old and came to teaching at age 35. I switched to plan three only because of gainsharing (as there is no other incentive) and believe it is morally wrong to entice me to plan three promising gainsharing and then take it away after I have switched. As an alternative, I would be more than happy to switch back to plan two, and to give the state whatever would have been deducted from my salary (from my account) had I stayed on Plan 2, and leave the excess in a defined contribution account.

The states new law to take away gainsharing is clearly a broken promise, and the way the rule of 85 is structured, I would be 65 years old before I have thirty years of service.

Sincerely,

Randy D. Thies

## Burkhart, Kelly

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**From:** Vicki Rensink [vrensink@hotmail.com]  
**Sent:** Tuesday, June 05, 2007 3:25 PM  
**To:** Office State Actuary, WA  
**Subject:** Retirement

To Whom it May Concern:

I am very displeased with the action by this years legislative session. As a teacher for over 30 years, it is disheartening to learn that the legislators can't see the burn out in our school system. Even though I have over 30 years in, I can't retire because of the catch 22 of plan 2. I can't believe that the powers in Olympia want teachers that are getting tried and burned out teaching today's children. With the older teachers still in the classroom, there is no room for the younger, fresher, teachers with new ideas ready to come into the field. There is a joke that goes around the schools of teachers in walkers and wheelchairs going up and down the hallways still chasing students around.

As I travel around this country and talk to other teachers, they can't believe how long this state makes our teachers teach before they can retire, other states have more respect for their teachers. I invite each and everyone of you to walk in our shoes for a week, let alone for 40 years, would you survive? Think about what you are doing for the moral of the voters and teachers of this state, yes we are also voters. Think about it.

Vicki Rensink, Librarian  
Cedarhome Elementary  
Stanwood-Camano School District

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## Burkhart, Kelly

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**From:** Shirley Bartelle [SBartelle@othello.wednet.edu]  
**Sent:** Tuesday, June 05, 2007 2:49 PM  
**To:** Office State Actuary, WA  
**Subject:** TRS 3 Retirement

June 5, 2007

To Whom It May Concern:

I have just completed my 28<sup>th</sup> year and will be 61 this summer. Now I find out that the legislature has taken away gain sharing as well as ignored a viable option for retirement. Why?

The legislature and Governor say they want quality schools and yet they show no respect for the people who have been in the trenches and would like to bow out with some respect and life left in them. Very few teachers can retire now and have a respectable life with the huge penalty that the legislature has placed on TRS 3 early retirement. I will never make it to 65. I do want you to know that I have had 28 exemplary evaluations and am considered a valuable educator among my peers, not an ineffective disgruntled teacher. I just know that 61 is time for me to bow out.

Do you want your children or grandchildren taught by teachers who are tired, burned out and want to get out of teaching? I do not and it worries me for my 3 year old granddaughter.

Please look at the Rule of 90 or the Rule of 85 or reinstate gainsharing. I will never encourage anyone to go into teaching in the state of Washington as it stands now.

I know I speak for many. Schools are not a very positive place right now and it is no wonder why. The demands are so great and yet the rewards are little.

Sincerely,  
Shirley A. Bartelle  
1525 Fairway Drive NE  
Moses Lake, Wa 98837

6/6/2007

## Burkhart, Kelly

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**From:** Holly Farnsworth [HollyF@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 2:44 PM  
**To:** Office State Actuary, WA  
**Subject:** As a teacher, I am deeply hurt and shocked that our state legislature shows so little concern for ou

As a teacher, I am deeply hurt and shocked that our state legislature shows so little concern for our students and the people who guide them each and every day, despite what campaigns might claim. We have been robbed of gainsharing, our desperate need for an adequate retirement plan, such as the Rule of 85, has been ignored. If we are to judge Washington's legislature by its actions, it seeks to destroy the integrity of our schools. Why would qualified professionals seek out employment in a career if the profession is flagrantly abused and taken for granted? Why would they settle for such low wages when faced with ever increasing demands resulting in a call for the impossible? While we will not gain the best new teachers because our profession's rewards do not outweigh the burdens, but the teachers who are here will be burned out long before they leave, since with our current retirement plan, we will have to stay here until we're 65. Does the state really want our schools full of 65 year olds trying to prepare young people for the future? When will our government stand by its promises and do what is best for our schools, our students, our future?

## **Burkhart, Kelly**

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**From:** James Johnson [JamesJoh@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 2:43 PM  
**To:** Office State Actuary, WA  
**Subject:** Gain Sharing and Rule of 85

As an educator with well over 20 years in the classroom. I am extremely disappointed in the work of this past Legislative session.

In particular the failure of the Legislature to pass a Rule of 85. How many other professions get penalized for working 30, 35, ...years by being told if they retire before a certain age they will "be docked" a certain percentage of income they have worked hard for.

Are the fine men and women who work hard for us as police or firemen penalized? I think not.

And then, we as educators were further victimized when gain sharing was taken away from us. Many of us switched from Plan 2 to Plan 3 because of gain sharing. How, can something be taken away that we were counting on?

The actions of the legislature and our Governor are extremely disappointing.

Respectfully,

James T. Johnson  
Spokane Public Schools

## Burkhart, Kelly

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**From:** Gayle Robinson [Gayle.Robinson@rsd.edu]  
**Sent:** Tuesday, June 05, 2007 2:32 PM  
**To:** Office State Actuary, WA  
**Subject:** promise made but not kept

Who can we trust??? Not YOU!

## Burkhart, Kelly

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**From:** Conrad Wold [Conrad\_Wold@mssl.k12.wa.us]  
**Sent:** Tuesday, June 05, 2007 2:24 PM  
**To:** Office State Actuary, WA  
**Subject:** TRS PLAN 3

Dear Sir/Ms.

As your office knows better than anyone, with the recent passage of HB 2391 TRS and PERS Plan 3 members had their gain-sharing benefit taken and were given a reduced penalty age ( 62 rather than 65) as well as reduced penalty amounts for those retiring prior to age 62. I'm asking your office to consider the unfairness of this trade off. First, let me say that this bill passed based on an AGO opinion that stated the interpretation that Gain Sharing was not a contractual benefit. The courts will decide this matter, as you know.

The unfairness of the gain share takeaway is grounded in the fundamental imbalance that has now been established between TRS (and PERS) Plans 2 and 3. First, many persons transferred from Plan2 to Plan3 based at least partially on the gain share promise. Second , for the last several years, Plan 2 members have enjoyed the benefit of greatly reduced contribution rates. Little has been coming out of their paychecks while they continue to get 2% toward their defined benefit each year they work. In effect, for many years a Plan 2 member could have been funding an IRA , annuity or other similar tax- advantaged savings program with the money that should have been going to the state to finance his 2% per year defined benefit. Third, and most important, Plan 2 got something for nothing with the passage of 2391. Plan 2 didn't have a gain sharing benefit, yet with the passage of this bill, Plan2's got their penalties reduced. That's something for nothing. Plan 2's rode the coattails of the Plan 3 gain sharing takeaway into yet another benefit.

I urge the state actuary office to acknowledge the fundamental inequity that has now been created, to acknowledge that Plan 3 got the rotten end of this deal and to support improved retirement benefits for Plan 3 members. I ask your office to support a further reduced retirement age FOR PLAN 3 MEMBERS who were baited and switched in this deal.

I submit to you that nobody would have switched from Plan 2 to Plan 3 in the late 90's if we could have seen that the state was going to end up making Plan 2 the far superior deal. I ask for you support. Please respond.

Conrad Wold

## Burkhart, Kelly

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**From:** Kevin Hartse [KevinH@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 2:24 PM  
**To:** Office State Actuary, WA  
**Subject:** As a Veteran teacher of 20 years in Washington state, I am disappointed in the direction the leaders

As a Veteran teacher of 20 years in Washington state, I am disappointed in the direction the leadership of our state has chosen regarding the retirement of teachers. While praising teachers, and telling the public how much we are valued and important to our state's future, you fail to address the inequity of the plan 2 and plan 3 teachers.

Please know that many of us are watching and are aware despite the supposed low number of "complainants" you may hear from directly.

sincerely

Kevin Hartse

**Burkhart, Kelly**

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**From:** Hansen, Ken [Ken.Hansen@sno.wednet.edu]  
**Sent:** Tuesday, June 05, 2007 2:00 PM  
**To:** Office State Actuary, WA  
**Subject:** TRS

Dear Sirs,

When I started teaching I found that I had missed TRS Plan I by one year.

To say the least I was disappointed and angry that the Sate would treat teachers so cruelly.

TRS Plan II was a rip off with the actuarial reduction and the loss of a defined benefit if contributions were taken out, or a person died and his or her beneficiaries needed money. The actuarial reduction was a strike below the belt.

When TRS Plan 3 was made available I went to a couple of State sponsored seminars and carefully read all of the literature provided by the State. Two factors influenced me to switch to from Plan II to Plan III. One was gain sharing, the other was that I could have access to my money without totally losing the defined benefit portion, although there was still the offensive actuarially reduction.

Now years later, I find that the State would like to take away the gain sharing. I am again angry and disappointed. It seems that the State lawmakers only pay lip service to the importance of education and educators so that they can take advantage of us. I doubt that we will take this one laying down.

It's time that teachers be treated with respect and be allowed to retire at a decent age with the full benefit of their retirement plans and that promises made are promises kept.

Sincerely,

Ken Hansen  
Counselor  
Snohomish High School  
(360) 563-4013

6/6/2007

## Burkhart, Kelly

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**From:** Dusty Roberts [DustyR@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 1:52 PM  
**To:** Office State Actuary, WA  
**Subject:** I would like to take this opportunity to state my displeasure over the loss of

I would like to take this opportunity to state my displeasure over the loss of gainsharing and no rule of 85. The state continues to abuse teachers every chance it has. Until things change, professionals such as myself will continue to find new occupations.

## Burkhart, Kelly

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**From:** Tony Anselmo [TonyAn@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 1:52 PM  
**To:** Office State Actuary, WA  
**Subject:** Gainsharing & Rule of 85

Washington State has one of the weakest retirements systems for teachers in the nation. Lets do something about it and make our educational system better by attracting highly qualified teachers.

## Burkhart, Kelly

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**From:** Raymond Schatz [RaymondS@SpokaneSchools.org]  
**Sent:** Tuesday, June 05, 2007 1:48 PM  
**To:** Office State Actuary, WA  
**Subject:** Gainsharing and poor pension

To whom it may concern:

I am disappointed in the fact that gainsharing has been taken from Plan 3 as well as the chance at the rule of 85 proposal. Washington State legislators continue to disrespect teachers and break promises. I hope these actions are reconsidered in the future.

Sincerely,

Ray Schatz-- Teacher Spokane

**Burkhart, Kelly**

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**From:** Cheryl Garvey [cheryl.garvey@ksd.org]

**Sent:** Wednesday, June 06, 2007 8:36 AM

**To:** Office State Actuary, WA

**Subject:** disappointed

Dear Sir/Madame;

I was very upset to learn that the state legislature went back on their promise to provide gain sharing to TERS plan 3 participants. Based on the gain sharing promise, I switched from TERS Plan 2 to Plan 3. Now I have no option to return to Plan 2 and the legislature changed the conditions. It doesn't seem to be fair and causes me to question the ethics of the situation.

I am also disappointed that the legislature did not act on the rule of 85. It looks like I will be practicing my profession well into old age.

Cheryl Garvey  
School Psychologist

6/6/2007

## **Burkhart, Kelly**

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**From:** Steven Roffler [StevenRo@SpokaneSchools.org]  
**Sent:** Wednesday, June 06, 2007 10:30 AM  
**To:** Office State Actuary, WA  
**Subject:** Gainsharing & Rule of 85

To Whom It May Concern:

As a public school teacher I am very disappointed in the legislature taking away our gainsharing and refusing to adopt the Rule of 85 retirement plan. Reducing the retirement age to 62 is not a fair trade for removing gainsharing from our retirement plan. We were promised this money when we switched from Plan 2 to Plan 3. Maybe the legislators should reduce their retirement package (I won't hold my breath on that!). Washington's teacher retirement is dismal compared to most other states. Is this how we repay our teachers?

**Burkhart, Kelly**

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**From:** Shane Doyle [ShaneD@SpokaneSchools.org]  
**Sent:** Wednesday, June 06, 2007 2:26 PM  
**To:** Office State Actuary, WA  
**Subject:** I am shocked to hear this news.....Our staffs older teachershave a hard time with this generation o

I am shocked to hear this news.....Our staffs older teachers have a hard time with this generation of students and are not treated very good by students do to the generation gap!!

# 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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## 2007 Interim Issues

### Inventory as of June 6, 2007

Referred from 2006 SCPP	Status
<p><b>Disability Retirement</b> – 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).</p>	Briefing June 19, 2007
Significant Amendments to SCPP Legislative Proposals	Status
<p><b>Index \$150,000 Death Benefit</b> – 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.</p> <p><b>Washington State Patrol Cost-Sharing</b> – 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.</p>	
SCPP Member Requests	Status
<p><b>Pension Protection Act (Fraser)</b> – Study implications of recent federal legislation for Washington State retirement systems.</p> <p><b>Member Flexibility at Member Cost (Olson)</b> – Continue to explore ways that members can obtain additional benefit flexibility with no cost to employers.</p> <p><b>Benefits History (Olson)</b> – Review cost of Plans 2/3 from creation to present.</p>	Briefing May 22, 2007

SCPP Executive Committee Requests	Status
<b>Contribution Rates</b> – Identify impacts of 2007 legislation on contribution rates.	Briefing June 19, 2007
<b>Rules of Procedure</b> – Update current SCPP rules.	Initial briefing May 22, 2007; proposed changes heard June 19, 2007.
Legislator Requests	Status
<b>Former Judges (Sen. Honeyford)</b> – 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.	
<b>Service Credit (Sen. Kilmer)</b> - Allow TRS and SERS 2/3 members “with half-year contracts” to receive a half-credit per month of employment.	
Co-ordination with LEOFF 2 Board	Status
<b>Deferred compensation</b> – Treat employer contributions to deferred compensation plans as “salary.”	
<b>Annuities</b> – Authorize the purchase of actuarially equivalent annuities (like Plan 3).	
<b>Military Service Death Benefit</b> – Extend application of new (2007) PERS 2 survivor benefit authorizing a refund of 200% of member contributions.	
<b>Fish and Wildlife Officer Service Credit Transfer</b> – Allow eligible members to transfer prior PERS 2 service to LEOFF 2.	
<b>\$150,000 Death Benefit</b> – Index the benefit to changes in the CPI-W for Seattle-Tacoma-Bremerton, with a maximum change of 3% per year.	

Constituent/Stakeholder Requests	Status
<b>Disability Retirement (ATULC)</b> – Eliminate actuarial reductions for disability pensions.	
<b>PERS 1 Benefit Cap (Wagner, Von Moos, Fortune, Madden, Esparza, Webster)</b> – Remove or increase the 60 percent cap on retirement pensions for PERS 1.	
<b>TRS 3 Benefits (Cunningham)</b> – Improve benefits by creating a rule of 85 and/or increasing the benefit multiplier.	
<b>Out-of-State Service Credit (Nardella)</b> – Authorize service credit purchases for all time served as a public employee in another state.	
<b>PERS Benefits (Hudson)</b> – 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.	
<b>LEOFF 1 Surplus (Lindquist)</b> – Use any surplus to improve pension payments to disabled police officers and firefighters (before using for medical benefits).	
<b>Plan 3 Vesting (tentative, WASA &amp; AWSP; WEA; WSRA)</b> – Allow vesting after five years regardless of age.	
<b>Survivor Benefits (tentative, WASA &amp; AWSP)</b> – Improve survivor benefits for members of Plans 1, 2, and 3 of TRS, SERS, and PERS.	
<b>Plan 3 Benefits (tentative, WASA &amp; AWSP)</b> – Provide additional benefits to Plan 3 members to improve the gain-sharing trade-off.	
<b>Military Service (tentative, WASA &amp; AWSP)</b> – Review 2007 legislative proposals to improve Plan 1 military service credit provisions and make a recommendation for 2008.	
<b>“Plans 2/3 Final Year Contract” (tentative, WASA &amp; AWSP)</b> - 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.	
<b>Gain-Sharing (numerous requests on file with OSA)</b> – Restore gain-sharing or improve trade-off options.	

Constituent/Stakeholder Requests <i>(Continued)</i>	Status
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**Public Safety Subcommittee (WSP Troopers' Association)** – Convene a subcommittee to address WSPRS demographics, benefit changes paralleling LEOFF Plan 2, death benefit changes for troopers killed while serving on active military duty, and formation of a WSPRS board.

**Out-of-State Service (WASA, AWSP, WEA)** – Allow TRS 2/3 members to purchase out-of-state service credit after serving two years instead of five.

**Plan 2 Access to PEBB (WASA, AWSP)** - Allow Plan 2 members to access PEBB health care plans upon separation from service at age 55 with at least 10 years of service.

**Rule of 85 (WEA)**

**Salary Bonuses (WEA)** – Include certain salary bonuses in pension calculations.

**Health Care Premiums (WEA)** – Seek authority for retirees to pay for health care benefits on a pre-tax basis.

**Service Credit (WEA)** – Allow TRS and SERS 2/3 members with “half-year contracts” to receive a half credit per month of employment.

**ESA's Back to Plan 2 (WEA)** – Allow TRS 3 Educational Staff Associates to return to PERS.

**Plan 1 Purchasing Power (WSRA)** – Change COLA eligibility to one-year after retirement and establish a COLA based on the Consumer Price Index.

**Plan 2/3 Benefits (WSRA)** – Provide for normal retirement eligibility below age 62; improve Plan 3 retiree and SERS 3 member benefits to compensate for loss of gain-sharing.

**Service Credit (WFSE)** – Improve provisions granting military service credit and allow Department of Fish & Wildlife Enforcement Officers to transfer service credit.

**Military Service Credit (Danielson)** – Allow members of other plans to have the same service credit provisions as in PERS 1 and WSPRS 1.

Requests from Members to DRS	Status
<p><b>SERS Auto-Transfer of Prior Plan Service Credit</b> – Adapt plan provisions to current conditions.</p>	
<p><b>Expand Plan 1 Post-30 Year Contribution Program</b> – Include an annual window for opting in prospectively.</p>	
<p><b>PERS 1 Death While Retirement Eligible</b> – Allow survivors to get a monthly benefit instead of just member contributions.</p>	
<p><b>Veterans’ Benefits</b> – Allow twice the contributions to surviving spouses of members killed while on military duty in other Plans besides PERS 2.</p>	

DRS Request for Endorsement	Status
<p><b>DRS plans to bring a proposal to the SCPP regarding how to address contributions for approximately 50,000 inactive non-vested members.</b></p>	

SCPP Statutory Obligations	Status
<p>None for 2007.</p>	

Actuarial Work	Status
<p><b>2008 Gain-Sharing Distributions</b> – Calculate required distribution amounts and notify plan administrator.</p>	
<p><b>LEOFF 1 Medical Study</b> – (Required in OSA budget) Identify local government employer liability for LEOFF 1 medical benefits.</p>	
<p><b>OPEB Actuarial Valuation</b> – 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.</p>	<p>Initial briefing May 22, 2007</p>
<p><b>Review of Economic Assumptions</b> – Make recommendations to Pension Funding Council regarding long-term economic assumptions.</p>	

**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	Status
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**State Actuary** – Annual Evaluation.

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# 2007 Interim Issues Inventory

## Fiscal Impact Summary

2007 - 09

<i>(Cost in Millions)</i>	2007-09 GF-S	2007-09 Local	2007-09 Total ER
Disability Retirement*			
<b>\$150,000 Death Benefit - Indexed at 3% per year**</b>			
<b>WSPRS Contribution Rates (1/3 member, 2/3 state)</b>			
WSP	\$0.4	\$0.0	\$3.6
Pension Protection Act*			
Member Flexibility at Member Cost*			
Benefits History*			
<b>Former Judges (member pays actuarially equivalent value)**</b>			
Disability Retirement (ATULC)*			
<b>PERS 1 Benefit Cap (prospectively raised to 35 years)</b>			
PERS	\$2.7	\$11.1	\$18.3
TRS	13.5	8.2	21.7
SERS	1.5	2.2	3.7
PSERS	<u>0.4</u>	<u>0.5</u>	<u>0.9</u>
Total	\$18.1	\$22.0	\$44.6
<b>Rule of 85 (includes all service)</b>			
PERS	\$54.2	\$218.6	\$361.3
TRS	140.9	86.5	227.4
SERS	<u>22.8</u>	<u>34.4</u>	<u>57.2</u>
Total	\$217.9	\$339.5	\$645.9
Increasing the Benefit Multiplier*			
Out-of-State Service Credit*			
Service Credit for Two Jobs*			
Conversion of Service Credit from Plan 2 to Plan 1*			
LEOFF 1 Surplus*			
<b>Plan 3 5-Year Vesting</b>			
PERS	\$0.0	\$0.0	\$0.0
TRS	1.1	0.7	1.8
SERS	<u>0.2</u>	<u>0.4</u>	<u>0.6</u>
Total	\$1.3	\$1.1	\$2.4
Survivor Benefits*			
Plan 3 Benefits (additional gain-sharing trade-off)*			
Review Military Service Credit*			

\*Pricing not available and/or project not yet defined.

\*\*Costs are insufficient to impact contribution rates.

*(2007 – 09 Continued)*

<i>(Cost in Millions)</i>	<b>2007-09 GF-S</b>	<b>2007-09 Local</b>	<b>2007-09 Total ER</b>
Plans 2/3 Final Year Contract*			
<b>Restore Gain-Sharing</b>			
PERS	\$15.3	\$62.2	\$102.8
TRS	104.7	64.4	169.1
SERS	25.6	38.7	64.3
PSERS	<u>1.5</u>	<u>1.9</u>	<u>3.4</u>
Total	\$147.1	\$167.2	\$339.6
Allow Plan 3 Members to Transfer to Plan 2*			
Public Safety Subcommittee*			
<b>TRS 2/3 Out-of-State Service Credit (reduces service requirement)**</b>			
<b>Plan 2 Access to PEBB (allows inactive members access prior to retirement)**</b>			
Salary Bonuses*			
Retiree Health Care Premiums*			
TRS 2/3, SERS 2/3 Partial Year Service Credit*			
ESA's Back to PERS*			
Plan 1 Purchasing Power*			
Reduce Plan 2/3 Normal Retirement Age Below 62*			
<b>Fish &amp; Wildlife Enforcement Officers Service Credit Transfer**</b>			
<b>Non-Interruptive Military Service Credit (up to 5 years)</b>			
<b>PERS 2, TRS 2, SERS 2</b>			
PERS	\$2.5	\$10.2	\$16.8
TRS	1.1	0.7	1.8
SERS	<u>0.5</u>	<u>0.8</u>	<u>1.3</u>
Total	\$4.1	\$11.7	\$19.9
<b>TRS 1</b>			
TRS	\$2.1	\$1.3	\$3.4
SERS Automatic Transfer of Prior Service Credit*			
Expand Plan 1 30-Year Cap Election*			
PERS 1 Death Benefit while Retirement-Eligible*			
Allow Double Contribution Refunds for Military Service Death*			
<b>Grand Total - All Proposals**</b>			
All Systems	\$391.0	\$542.8	\$1,059.4

\*Pricing not available and/or project not yet defined.

\*\*Costs are insufficient to impact contribution rates.

## 2009 - 11

(Cost in Millions)	2009-11 GF-S	2009-11 Local	2009-11 Total ER
Disability Retirement*			
<b>\$150,000 Death Benefit - Indexed at 3% per year**</b>			
<b>WSPRS Contribution Rates (1/3 member, 2/3 state)</b>			
WSP	\$0.4	\$0.0	\$4.5
Pension Protection Act*			
Member Flexibility at Member Cost*			
Benefits History*			
<b>Former Judges (member pays actuarially equivalent value)**</b>			
Disability Retirement (ATULC)*			
<b>PERS 1 Benefit Cap (prospectively raised to 35 years)</b>			
PERS	\$3.3	\$13.5	\$22.3
TRS	16.4	7.9	24.3
SERS	1.7	2.5	4.2
PSERS	<u>0.6</u>	<u>0.6</u>	<u>1.2</u>
Total	\$22.0	\$24.5	\$52.0
<b>Rule of 85 (includes all service)</b>			
PERS	\$51.6	\$208.2	\$344.1
TRS	145.8	70.2	216.0
SERS	<u>20.7</u>	<u>30.3</u>	<u>51.0</u>
Total	\$218.1	\$308.7	\$611.1
Increasing the Benefit Multiplier*			
Out-of-State Service Credit*			
Service Credit for Two Jobs*			
Conversion of Service Credit from Plan 2 to Plan 1*			
LEOFF 1 Surplus*			
<b>Plan 3 5-Year Vesting</b>			
PERS	\$0.2	\$0.7	\$1.2
TRS	1.5	0.7	2.2
SERS	<u>0.2</u>	<u>0.4</u>	<u>0.6</u>
Total	\$1.9	\$1.8	\$4.0
Survivor Benefits*			
Plan 3 Benefits (additional gain-sharing trade-off)*			
Review Military Service Credit*			

\*Pricing not available and/or project not yet defined.

\*\*Costs are insufficient to impact contribution rates.

*(2009 – 11 Continued)*

<i>(Cost in Millions)</i>	2009-11 GF-S	2009-11 Local	2009-11 Total ER
Plans 2/3 Final Year Contract*			
<b>Restore Gain-Sharing</b>			
PERS	\$17.6	\$71.0	\$117.4
TRS	122.3	58.9	181.2
SERS	31.6	46.3	77.9
PSERS	<u>1.7</u>	<u>2.1</u>	<u>3.8</u>
Total	\$173.2	\$178.3	\$380.3
Allow Plan 3 Members to Transfer to Plan 2*			
Public Safety Subcommittee*			
<b>TRS 2/3 Out-of-State Service Credit (reduces service requirement)**</b>			
<b>Plan 2 Access to PEBB (allows inactive members access prior to retirement)**</b>			
Salary Bonuses*			
Retiree Health Care Premiums*			
TRS 2/3, SERS 2/3 Partial Year Service Credit*			
ESA's Back to PERS*			
Plan 1 Purchasing Power*			
Reduce Plan 2/3 Normal Retirement Age Below 62*			
<b>Fish &amp; Wildlife Enforcement Officers Service Credit Transfer**</b>			
<b>Non-Interruptive Military Service Credit (up to 5 years)</b>			
<b>PERS 2, TRS 2, SERS 2</b>			
PERS	\$2.4	\$9.4	\$15.6
TRS	1.0	0.4	1.4
SERS	<u>0.4</u>	<u>0.6</u>	<u>1.0</u>
Total	\$3.8	\$10.4	\$18.0
<b>TRS 1</b>			
TRS	\$2.6	\$1.2	\$3.8
SERS Automatic Transfer of Prior Service Credit*			
Expand Plan 1 30-Year Cap Election*			
PERS 1 Death Benefit while Retirement-Eligible*			
Allow Double Contribution Refunds for Military Service Death*			
<b>Grand Total - All Proposals**</b>			
All Systems	\$422.0	\$524.9	\$1,073.7

\*Pricing not available and/or project not yet defined.

\*\*Costs are insufficient to impact contribution rates.

## 2007 - 32

(Cost in Millions)	2007-32 GF-S	2007-32 Local	2007-32 Total ER
Disability Retirement*			
<b>\$150,000 Death Benefit - Indexed at 3% per year**</b>			
<b>WSPRS Contribution Rates (1/3 member, 2/3 state)</b>			
WSP	\$10.1	\$0.0	\$104.0
Pension Protection Act*			
Member Flexibility at Member Cost*			
Benefits History*			
<b>Former Judges (member pays actuarially equivalent value)**</b>			
Disability Retirement (ATULC)*			
<b>PERS 1 Benefit Cap (prospectively raised to 35 years)</b>			
PERS	\$40.0	\$161.3	\$266.5
TRS	191.8	94.0	285.8
SERS	20.7	30.3	51.0
PSERS	<u>6.3</u>	<u>7.5</u>	<u>13.8</u>
Total	\$258.8	\$293.1	\$617.1
<b>Rule of 85 (includes all service)</b>			
PERS	\$715.1	\$2,884.7	\$4,768.1
TRS	2,190.6	1,073.4	3,264.0
SERS	<u>271.9</u>	<u>398.5</u>	<u>670.4</u>
Total	\$3,177.6	\$4,356.6	\$8,702.5
Increasing the Benefit Multiplier*			
Out-of-State Service Credit*			
Service Credit for Two Jobs*			
Conversion of Service Credit from Plan 2 to Plan 1*			
LEOFF 1 Surplus*			
<b>Plan 3 5-Year Vesting</b>			
PERS	\$9.4	\$38.2	\$62.9
TRS	38.3	18.7	57.0
SERS	<u>6.6</u>	<u>9.8</u>	<u>16.4</u>
Total	\$54.3	\$66.7	\$136.3
Survivor Benefits*			
Plan 3 Benefits (additional gain-sharing trade-off)*			
Review Military Service Credit*			

\*Pricing not available and/or project not yet defined.

\*\*Costs are insufficient to impact contribution rates.

*(2007 – 32 Continued)*

<i>(Cost in Millions)</i>	<b>2007-32 GF-S</b>	<b>2007-32 Local</b>	<b>2007-32 Total ER</b>
Plans 2/3 Final Year Contract*			
<b>Restore Gain-Sharing</b>			
PERS	\$295.0	\$1,189.9	\$1,966.7
TRS	1,974.8	964.6	2,939.4
SERS	712.5	1,043.4	1,755.9
PSERS	<u>20.5</u>	<u>25.1</u>	<u>45.6</u>
Total	\$3,002.8	\$3,223.0	\$6,707.6
Allow Plan 3 Members to Transfer to Plan 2*			
Public Safety Subcommittee*			
<b>TRS 2/3 Out-of-State Service Credit (reduces service requirement)**</b>			
<b>Plan 2 Access to PEBB (allows inactive members access prior to retirement)**</b>			
Salary Bonuses*			
Retiree Health Care Premiums*			
TRS 2/3, SERS 2/3 Partial Year Service Credit*			
ESA's Back to PERS*			
Plan 1 Purchasing Power*			
Reduce Plan 2/3 Normal Retirement Age Below 62*			
<b>Fish &amp; Wildlife Enforcement Officers Service Credit Transfer**</b>			
<b>Non-Interruptive Military Service Credit (up to 5 years)</b>			
<b>PERS 2, TRS 2, SERS 2</b>			
PERS	\$28.3	\$114.5	\$189.3
TRS	10.6	5.0	15.6
SERS	<u>5.3</u>	<u>8.0</u>	<u>13.3</u>
Total	\$44.2	\$127.5	\$218.2
<b>TRS 1</b>			
TRS	\$30.7	\$14.9	\$45.6
SERS Automatic Transfer of Prior Service Credit*			
Expand Plan 1 30-Year Cap Election*			
PERS 1 Death Benefit while Retirement-Eligible*			
Allow Double Contribution Refunds for Military Service Death*			
<b>Grand Total - All Proposals**</b>			
All Systems	\$6,578.5	\$8,081.8	\$16,531.3

\*Pricing not available and/or project not yet defined.

\*\*Costs are insufficient to impact contribution rates.

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# July 17, 2007 Meeting

## FULL COMMITTEE AGENDA

(1)

(2)

(3)

(4)

(5)

## EXECUTIVE COMMITTEE AGENDA

(A)

(B)

(C)

(D)

(E)

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