

Select Committee on Pension Policy

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

Regular Executive Committee Meeting

July 17, 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)** **Today's Full Committee Agenda**
- 9:35 a.m. **(C)** **Constituent Correspondence**
- 9:45 a.m. **(D)** **State Actuary Appointment Committee**
- 10:00 a.m. **(E)** **Adjourn**

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

- 12:30 p.m. **(F)** **Direction on Today's Issues**
- 1:15 p.m. **(G)** **2007 Interim Issues**
- 2:15 p.m. **(H)** **August Meeting Agenda**
- 2:30 p.m. **(I)** **Adjourn**

***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

Representative Bill Fromhold

Senator Janea Holmquist

Robert Keller
PERS Actives

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

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Ed Murray

***Glenn Olson**
PERS Employers

Senator Craig Pridemore

***Senator Mark Schoesler,**
Vice Chair

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

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TDD: 1-800-635-9993

Select Committee on Pension Policy

REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

June 19, 2007

The Select Committee on Pension Policy met in Senate Conference Rooms A/B/C, Olympia, Washington on June 19, 2007.

Committee members attending:

Representative Conway, Chair
Senator Schoesler, Vice Chair
Elaine Banks
Randy Davis
Glenn Olson

Other members attending:

Charles Cuzzeto
Representative Fromhold
Robert Keller
Doug Miller
Senator Murray

Morning Session

Representative Conway, Chair, called the meeting to order at 9:00 a.m.

(A) Approval of Minutes

It was moved to approve the May 21, 2007 Executive Committee Draft minutes. Seconded.

MOTION CARRIED

(B) Proposed Rules of Procedure

Darren Painter, Research Analyst, reported on "Proposed Rules of Procedure." *Discussion followed.*

It was moved to approve the Proposed Rules of Procedure and submit the changes to the June 19, 2007 Full Committee.

Seconded.

MOTION CARRIED

(C) 2007-08 Actuarial Work

Matt Smith, State Actuary, reported on the "2007-08 Actuarial Work." *Discussion followed.*

*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

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Senator Craig Pridemore

*Senator Mark Schoesler,
Vice Chair

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

* Executive Committee

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TDD: 1-800-635-9993

(D) Today's Full Committee Agenda

Committee members discussed the Full Committee Agenda.

The meeting adjourned at 9:40 a.m. to attend the Full Committee meeting.

Afternoon Session

Representative Conway, Chair, called the meeting to order at 12:45 p.m.

Committee Members Attending

Representative Conway, Chair
Senator Schoesler, Vice Chair
Elaine Banks
Randy Davis
Glenn Olson

Other Members Attending

Representative Bailey
Representative Crouse
Charles Cuzzetto
Representative Fromhold
Robert Keller

(F) Constituent Correspondence

Matt Smith, State Actuary, reported on "Constituent Correspondence."
Discussion followed.

(G) State Actuary Appointment Committee

Chair Conway suggested this issue be moved to a future meeting.

(H) 2007 Interim Issues

Committee members discussed the 2007 Interim Issues.

(I) July Meeting Planner

The following issues will be placed on the July 17, 2007 Full Committee agenda:

- Survivor Benefits
- Service Credit Issues
- Retiree Access to PEBB

SELECT COMMITTEE ON PENSION POLICY

EXECUTIVE COMMITTEE

Constituent Correspondence as of July 5, 2007

July 17, 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
5/21/2007	Dave Nelsen (DRS)	Matt Smith	Expanding Plan 1 Post-30-year contribution program Death while retirement eligible Veteran's benefits Endorsement of inactive, non-vested members
5/22/2007	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
5/22/2007	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 Out-of-state service credit Plan 2 Access to PEBB
5/22/2007	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
5/24/2007	Dennis Eagle (for WFSE)	Senator Pridemore	Military Service Credit F&W Officers service credit transfer
5/29/2007	Ted Danielson	OSA	Military Service Credit
6/5/2007	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
6/6/2007	Sen. Derek Kilmer	SCPP, SCPP Staff	TRS half-time service-credit requirement
6/6/2007	Various Constituents	OSA	Gain-sharing

6/14/2007	Richard Warbrouck RFFW	Sen. Pridemore, Rep. Fromhold, Matt Smith	Survivor benefits
6/19/2007	WSSRA	At SCPP Meeting	TRS/PERS 1 uniform COLA adjustments
6/27/2007	Leslie Main (for WSSRA)	OSA	Amendment to PEBB enrollment 2nd chance request
7/5/2007	Various Constituents	OSA	Gain-sharing



Retired Firefighters of Washington

15310 163rd Ct. SE
Renton, WA 98058-8122
425-226-3793
rffow@attbi.com

Richard Warbrouck
President

RECEIVED

JUN 14 2007

Office of
The State Actuary

Bob Burch
Secretary

June 13, 2007

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

The Honorable Representative Bill Fromhold
Vice Chair, Select Committee on Pension Policy
PO Box 40600
Olympia, WA 98504-0600

Mr. Matthew Smith, State Actuary
Office of the State Actuary
PO Box 40914
Olympia, WA 98504-0914

Dear Senator Pridemore, Representative Fromhold, and Mr. Smith,

Subject: Chapter 41.18 RCW Firemen's Relief and Pensions---1955 ACT

On behalf of the members of the Retired Firefighters of Washington I respectfully request that the Select Committee on Pension Policy consider an amendment to RCW 41.18.080 and RCW 41.18.100 to remove the remarriage penalty for the surviving spouse. Currently under RCW 41.18 there are three types of retirements. Each of these retirement classifications include a Survivor Benefit.

RCW 41.18.040 Retirement for Service

RCW 41.18.080 Retirement for disability not in the line of duty

RCW 41.18.100 Death in the line of duty or when retired with a service connected disability

Only RCW 41.18.040 Retirement for service allows the surviving spouse, most often a widow to continue to receive her pension if she remarries. RCW

41.18.080 and RCW 41.18.100 specifically state that the pension will be forfeited if and when the surviving spouse remarries.

As you can imagine this puts a surviving spouse in a very awkward situation:

1. Not to ever remarry
2. To remarry and forfeit her pension
3. To face a moral conflict and a choice to enter into a partner relationship which may put them in conflict with their religious faith and with members of their families

RCW 41.26 the LEOFF Law when passed also included a remarriage penalty provision. This statute was first amended to allow a surviving spouse to remarry without forfeiting their pension except for those who had dependent children.

RCW 41.26 was later amended to allow a surviving spouse with a dependent child to remarry without losing their pension, after it was pointed out that a surviving spouse with a disabled child would not be able to remarry for her entire life without losing her pension and in the event of HER death, the disabled child's pension.

We would also like the Committee to consider amending RCW 41.18.040.

We respectfully request the Committee to consider an amendment to RCW 41.18.040 to provide an option for a retired firefighter who was married less than five years before retirement or who married after retirement for a surviving spouse benefit.

The amendment to RCW 41.18.040 would create the same survivor option as was created by the passage of HB 2393 in 2002 for LEOFF I.

HB 2393 amended RCW 41.26 the Law Enforcement Officer and Firefighters Retirement System and created a surviving spouse option for spouses of post-retirement marriages.

HB 2393 established a new supplemental actuarial reduction type of survivor benefit for post retirement marriages. The member who exercises this option will have his/her current pension actuarially reduced based on the selected survivor option, full, half or one third and based on the age of the member and the age of the spouse.

A retiree who is married prior to the effective date of the bill has one year to designate their spouse as a survivor beneficiary following the adoption of this law. Currently, a post-retirement spouse is not eligible as a survivor beneficiary. This law does not affect benefits paid to eligible children. If the eligible surviving

spouse predeceases the retiree, the retiree's benefit will increase to the Standard Option (1) 100% benefit.

I realize that the Committee has a very busy schedule and several issues on the agenda, but I believe these issues are important and would create increased parity between systems.

I want to thank you in advance for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "R.C. Warbrouck".

Richard C. Warbrouck



Washington State School Retirees Association

4726 Pacific Ave. SE

Lacey, WA 98503-1216

PHONE (360) 413-5496

Testimony before the Select Committee on Pension Policy

June 19, 2007

Re: Legislative Priorities for 2007-08

Honorable Chair and Committee members, the Washington State School Retirees' Association (WSSRA) thank you for the opportunity to offer testimony regarding our legislative objectives for 2007-08. 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.

A relatively small, yet important objective is to bring true equity to the vesting criteria between all PERS/TRS/SERS plans. WSSRA requests the SPCP's consideration and support of legislation which repeals the age requirement contained in the 5-year vesting criteria for Plan 3 members.

To conclude, WSSRA brings one of its "non-pension" retiree benefit objectives to your attention:

GOAL: Improved health insurance benefits and lower premiums for school retirees.

Objective:

A "2nd chance" Public Employees Benefits Board (PEBB) enrollment window for those who missed their one-time enrollment opportunity.

K-12 retirees gained access to PEBB sponsored health insurance plans in 1993. During the fall of '93, K-12 retirees received PEBB enrollment materials via the Department of Retirement System regarding PEBB health plans available. However, a significant number of K-12 retirees failed to realize the opportunity to enroll in PEBB plans within established enrollment periods and have thus been excluded from joining the PEBB system.

For a number of years WSSRA has sought enactment of legislation which would have provided an additional enrollment window for all previously eligible (state and K-12) retirees currently locked out of the PEBB program because they missed their one-time enrollment option. WSSRA proposes that those retiring on or after 10/1/93, which can provide proof of continuous health insurance coverage, would be granted a "2nd chance" opportunity to join PEBB plans. WSSRA requests the support of the SPCP in addressing this issue related to retiree benefit.

We appreciate the dedication of Committee members and look 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

Hyde, Elizabeth

From: LESLIE MAIN [LESLIE@WSSRA.ORG]
Sent: Wednesday, June 27, 2007 3:43 PM
To: Office State Actuary, WA
Subject: Amendment of WSSRA's Request Regarding a PEBB 2nd Chance Window



Washington State School Retirees' Association



MEMORANDUM

TO: Select Committee on Pension Policy (SCPP)

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

DATE: June 27, 2007

SUBJECT: Amendment of WSSRA's Request Regarding a PEBB 2nd Chance Window

During the full meeting of the Select Committee on Pension Policy (SCPP), held on June 19th, the Washington State School Retirees' Association (WSSRA) offered testimony regarding its legislative objectives for 2007-08. One objective that WSSRA requested the SCPP address this Interim is: **"A "2nd chance" Public Employees Benefits Board (PEBB) enrollment window for those who missed their one-time enrollment opportunity."** Subsequent to the meeting of the full Committee, the SCPP's Executive Committee took action to place this issue among those to be addressed under the category of retiree health insurance access.

REMINDER: K-12 retirees gained access to PEBB sponsored health insurance plans in 1993. K-12 and state retirees received PEBB health plan enrollment materials via the Department of Retirement Systems. However, for various reasons, a significant number of retirees failed to take advantage of the opportunity to enroll in PEBB plans within established enrollment periods. Two frequently cited examples include retirees who received misinformation from their school districts regarding the "one-time" nature of PEBB access, and retirees who had access to other health insurance coverage upon retirement, but now want to enroll in PEBB plans. In January of 2001 the PEBB amended the Washington Administrative Code (WAC) to allow retirees to defer PEBB coverage. Those who retired prior to establishment of the PEBB deferral policy (1/1/01), and missed their one-time enrollment opportunity, continue to be forever excluded from access to PEBB health insurance plans.

WSSRA's intentions through the years has been, and continues to be, to capture a PEBB 2nd chance window for those who failed to enroll during their initial enrollment period. However, by specifying "those who retire on or after 10/1/93," WSSRA's 6/19/07 proposal unintentionally omitted reference to those retired on or prior to 9/30/93 from participating in the 2nd chance window as well as the ability of post 1/1/01 retirees to defer their enrollment in PEBB health plans. Therefore, **WSSRA requests that parameters of the PEBB 2nd chance window being considered by the SCPP be amended as follows: WSSRA proposes that those retired on or before 1/1/01, who can provide proof of continuous health insurance coverage, be granted a "2nd chance" opportunity to join PEBB plans.** This amended proposal would include all state and K-12 retirees who retired prior to 1/1/01 (when the PEBB enrollment deferral was established) and

6/27/2007

missed their initial enrollment period.

WSSRA appreciates your attention to this issue and looks forward to working with you on retiree health insurance access and other pension issues this Interim. 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, State Actuary, Office of the State Actuary (via e-mail)

Robert Baker, Senior Research Analyst, Office of the State Actuary (via e-mail)

Burkhart, Kelly

From: Richard Abrams [rabrams@stanwood.wednet.edu]
Sent: Thursday, June 07, 2007 12:11 PM
To: Office State Actuary, WA
Subject: Rule of 85

Very disappointed in the governor's office for their lack of support in changing our poor (worst in the nation) pension program (TRS 3). Also, nice of you to rip off the gainsharing benefit with little to no compensation. We will do what we can to get our 70,000 members to go on strike and not support Governor Gregoire in the future.

Richard Abrams

Burkhart, Kelly

From: Daniel Close [DanielCl@SpokaneSchools.org]
Sent: Friday, June 08, 2007 1:54 PM
To: Office State Actuary, WA
Subject: Teacher retirement

I am displeased over the loss of gainsharing, no rule of 85 and other promises made and not kept by the recent session. I have concerns for the welfare of students as they are being taught by educators forced to stay on too long since they can not retire. Picturing a 62-65 year old teacher with a first or second grade class sends chills up my spine. I urge the legislature to put educators into a system that would prevent that and thank them for their years of service to the children of our State.

Burkhart, Kelly

From: Rodland, Barry [Barry.Rodland@sno.wednet.edu]
Sent: Wednesday, June 13, 2007 9:26 AM
To: Office State Actuary, WA
Cc: governor.state@leg.wa.gov
Subject: Angry

To Whom It May Concern:

I was very disappointed that those of us educators in TRS Plan 3 did not gain any hope of having a better retirement program from the 2007 legislature. We actually are losing ground with the gain sharing \$\$ being taken from us. I cannot believe that you would allow this to happen to us. I am not very proud to be called a state of Washington citizen right now with the state saying that I would receive gain sharing if I moved from Plan 2 to Plan 3 and then taking it away. It feels like I have been lied to and stolen from. As an educator for some 31 years, I have tried to teach students in this state to honor our government authorities and to act with integrity (honesty is the best policy, etc) and now I feel like passing my bitterness on to everyone I teach. I feel like I felt when the Vietnam War was happening and I hated Nixon and all the misleading reports that were coming across the newscasts to support the war. Anything you can do to assist in making TRS Plan 3 (ranked 46th worst in the nation) a better retirement program would be appreciated. I would love to genuinely respect our flag and what I have been taught it stands for again.

Barry Rodland

7/6/2007

Burkhart, Kelly

From: Dragavon, John [John.Dragavon@sno.wednet.edu]
Sent: Monday, June 18, 2007 9:57 AM
To: Office State Actuary, WA
Subject: Rule of 85

Count me in as another teacher in favor of a "rule of 85". I am really upset at the lack of the gain sharing inducement that we were promised in writing, during presentations, and on film in order to get us to shift into Plan 3. While other states around us have a "rule of 80", we are effectively forced to work until age 65 in order to both afford to retire and to reap the maximum benefits to which we are entitled. In lieu of gain sharing (or anything else, for that matter), a "rule of 85" is at least a start, and will save me almost two years of working time. Thank you for your consideration. John A. Dragavon Work: john.dragavon@sno.wednet.edu) Home: joanadragavon@aol.com

Burkhart, Kelly

From: gaebe@comcast.net
Sent: Thursday, June 21, 2007 6:03 AM
To: Office State Actuary, WA
Subject: promise?

Dear Sir/Madam,

Keep your promise regarding gainsharing!?! Do not take it away from teachers.

Tim Gaebe

7/6/2007

Burkhart, Kelly

From: jbmixes@comcast.net
Sent: Thursday, July 05, 2007 7:18 AM
To: Office State Actuary, WA
Subject: pensions

My name is Jason Brown. I'm a 4th grade teacher from Washington State. I'm only in my 8th year of teaching and am very concerned about the quality of life I can hope to expect when I reach my retirement years. Washington continues to drop in class size, teacher salaries and now pensions. I urge you to repeal your decision and bring back gain sharing, a promise that was made to Washington teachers many years ago. I urge you to make revisions to plan 3 so that I can retire before I'm 65 years of age. If you have children, I can assure you, you don't want a bitter, burnt out 65 year old me teaching your child! Please do the right thing and help fix our pension system here in Washington State so that we can attract and retain quality educators, rather than forcing them to go elsewhere.

Sincerely,
Jason Brown
Meredith Hill Elementary School
Federal Way School District
Federal Way, WA

Bill Grinstein
Chair



Ann Daley
Executive Director

STATE OF WASHINGTON

HIGHER EDUCATION COORDINATING BOARD

917 Lakeridge Way • PO Box 43430 • Olympia, WA 98504-3430 • (360) 753-7800 • FAX (360) 753-7808 • www.hecb.wa.gov

July 16, 2007

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

Dear Honorable Members of the Select Committee on Pension Policy:

The Higher Education Coordinating Board (HECB) is the only higher education agency/institution in Washington state that does not have the authority to offer its employees a purchased annuity and retirement income plan such as the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). We respectfully request that the SCPP support a statutory change allowing the HECB to offer such a plan to its employees.

The HECB competes with colleges, universities, and the State Board for Community and Technical Colleges (SBCTC) for mid-career staff. In addition, the HECB attempts to recruit qualified employees from colleges and universities throughout the nation and from other State Higher Education Executive Offices (SHEEOs). The SBCTC, state universities, and colleges have the statutory authority to assist faculty members and other (generally exempt) employees in the purchase of an annuity or retirement income plan. The HECB is at a competitive disadvantage in attracting and retaining individuals from a higher education background because it cannot offer portability of retirement systems.

RCW 28B.10.400 et seq., relating to annuities and retirement income plans, would need to be amended to include the Higher Education Coordinating Board in the list of employers authorized to offer such a plan. We have enclosed a draft bill amending RCW 28B.10.400 to grant the HECB this authority.

Please feel free to contact me if you have any questions or concerns regarding this request. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Don Bennett".

Don Bennett
Deputy Director

AN ACT Relating to annuities and retirement income plans; amending RCW 28B.10.400; and providing an effective date.

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

The boards of regents of the state universities, the boards of trustees of the regional universities and of The Evergreen State College, ~~((and))~~ the ~~*state board for community ((college education))~~ and technical colleges and the higher education coordinating board are authorized and empowered:

(1) To assist the faculties and such other employees as any such board may designate in the purchase of old age annuities or retirement income plans under such rules and regulations as any such board may prescribe. County agricultural agents, home demonstration agents, 4-H club agents, and assistant county agricultural agents paid jointly by the Washington State University and the several counties shall be deemed to be full time employees of the Washington State University for the purposes hereof;

(2) To provide, under such rules and regulations as any such board may prescribe for the faculty members or other employees under its supervision, for the retirement of any such faculty member or other employee on account of age or condition of health, retirement on account of age to be not earlier than the sixty-fifth birthday: PROVIDED, That such faculty member or such other employee may elect to retire at the earliest age specified for retirement by federal social security law: PROVIDED FURTHER, That any supplemental payment authorized by subsection (3) of this section and paid as a result of retirement earlier than age sixty-five shall be at an actuarially reduced rate;

(3) To pay to any such retired person or to his designated beneficiary(s), each year after his retirement, a supplemental amount which, when added to the amount of such annuity or retirement income plan, or retirement income benefit pursuant to RCW 28B.10.415, received by him or his designated beneficiary(s) in such year, will not exceed fifty percent of the average annual salary paid to such retired person for his highest two consecutive years of full time service under an annuity or retirement income plan established pursuant to subsection (1) of this section at an institution of higher education: PROVIDED, HOWEVER, That if such retired person prior to his retirement elected a supplemental payment survivors option, any such supplemental payments to such retired person or his designated beneficiary(s) shall be at actuarially reduced rates: PROVIDED FURTHER, That if a faculty member or other employee of an institution of higher education who is a participant in a retirement plan authorized by this section dies, or has died before retirement but after becoming eligible for retirement on account of age, the designated beneficiary(s) shall be entitled to receive the supplemental payment authorized by this subsection (3) of this section to which such designated beneficiary(s) would have been entitled had said deceased faculty member or other employee retired on the date of death after electing a supplemental payment survivors option: PROVIDED FURTHER, That for the purpose of this subsection, the designated beneficiary(s) shall be (a) the surviving spouse of the retiree; or, (b) with the written consent of such spouse, if any, such other person or persons as

shall have an insurable interest in the retiree's life and shall have been nominated by written designation duly executed and filed with the retiree's institution of higher education.

--- END ---

**Washington Pension Reform, Inc.
Ed Jungblom, Pres.
1218 W. Racine St.
Bellingham WA 98229**

June 29, 2007

Representative Steve Conway, Chair
Select Committee on Pension Policy
307 John L. O'Brien Building
PO Box 40600
Olympia, WA 98504-40600

Re: Public Employees Retirement System 1 and Teachers Retirement System 1

Dear Representative Conway,

The members of Washington Pension Reform, Inc. have been examining TRS Plan 1 and PERS Plan 1 for quite some time. We believe that the State of Washington is not administering these systems in conformance with the laws that established them, and as a result, they are not performing in a manner designed to achieve the best results from the perspective of economy, efficiency, and effectiveness for the beneficiaries of these systems for whom they were created.

Following are questions related to our belief.

1. Are we correct in our belief that the original Trusts establishing these retirement systems were never officially or legally disavowed?
2. The Legislature has identified these systems as "Defined Benefit" programs. Obviously, by definition, trusts require a higher level of fiduciary responsibility than "Defined Benefit" programs. If the established trusts were not legally dissolved, how can the State operate them as "Defined Benefit" programs?
3. Under what legal authority did the Legislature begin taking away the duties and responsibilities of the Boards of Trustees of these systems in the early 1970's, ultimately abolishing said Boards in 1976?
4. Was this taking of these duties and responsibilities a violation of the State Constitution, re: Contract law?
5. Did the Legislature, in making these changes, violate the fiduciary responsibility of the former Boards of Trustees?

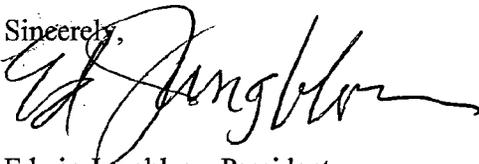
360-734-0159

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6. Who assumed fiduciary responsibility over TRS 1 and PERS 1 after their respective Boards of Trustees were abolished?
7. How has whatever body(s) that assumed fiduciary responsibility over these retirement systems evidenced such authority?
8. What was the total dollar amount of the "unfunded liability" of each of these systems respectively as of Dec. 31, 2006?
9. Has the Legislature fully complied with the settlement plan ordered by the Washington State Supreme Court to pay off these "unfunded liabilities"?
10. How is the fiduciary responsibility for a large unfunded liability to be maintained by these retirement systems when the money that, by law, should have been paid into the Systems is not there earning interest to pay for and improve benefits for the beneficiaries of the systems?
11. On what legal basis does the Legislature claim that all the monies in the "Co-mingled Trust Fund" assigned to PERS 1 and TRS 2, monies originally paid by the beneficiaries of these Systems from their salary, and the monies paid into the fund by their state employers as "deferred compensation" to those same beneficiaries, now belong to the State of Washington instead of the beneficiaries themselves?

We thank you for your consideration, and would appreciate an in-depth response in reply to our questions.

Sincerely,



Edwin Jungblom, President
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CC:

Governor Chris Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Senator Lisa Brown,
Senate Majority Leader
307 Legislative Building
Olympia, WA 98504-0403

Senator Helen Sommers, Chairman
Senate Appropriations Committee
204 John L. O'Brien Building
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Representative Richard DeBolt,
House Minority Leader
335C Legislative Building
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PO Box 48380
Olympia, Washington 98504-8380

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Washington State Investment Board
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Olympia, Washington 98504-0916

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 Planning

May 22, 2007

Election of Officers
Rules of Procedure
2007 Legislative Update
Pension Protection Act
Accounting for OPEB

June 19, 2007

Proposed Rules of Procedure
State Investment Board Update
Contribution Rates
Disability Retirement
2007 Interim Issues

July 17, 2007

Survivor Benefits
Service Credit Issues
Retiree Access to PEBB

August 14, 2007

OSA Review of Economic Assumptions
OPEB Actuarial Valuation Report
Disability Retirement

September 18, 2007

2006 Actuarial Valuation Report
Experience Study Overview
Retiree Access to PEBB
Survivor Benefits

October 16, 2007

Experience Study Preview

- Termination
- Disability

Service Credit Issues
Disability Retirement

November 13, 2007

LEOFF 1 Medical Study
Experience Study Preview

- Mortality
- Retirement

December 18, 2007

2008 Legislative Proposals

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2007 Interim Issues

Inventory as of June 21, 2007

Referred from 2006 SCPP	Status
<p>Disability Retirement – Continue review of disability benefits and policies under the Washington State retirement systems, including reduction of actuarial penalties associated with early retirement for medical reasons (Sen. Eide).</p>	Briefing June 19, 2007
Significant Amendments to SCPP Legislative Proposals	Status
<p>Index \$150,000 Death Benefit – The SCPP’s 2007 recommendation concerning the \$150,000 death benefit included indexing for this benefit, and the indexing provision was removed by the legislature.</p>	Briefing July 17, 2007
<p>Washington State Patrol Cost-Sharing – The SCPP recommended that members pay one-third of the difference between the total cost of the system and the “Truman liability” or 7 percent, whichever is less. The bill was amended to specify that members would pay the lesser of one-half of the adjusted total contribution rate or 7 percent, plus one-half of any benefit improvements effective on or after July 1, 2007.</p>	
SCPP Member Requests	Status
<p>Pension Protection Act (Fraser) – Study implications of recent federal legislation for Washington State retirement systems.</p>	Briefing May 22, 2007
<p>Member Flexibility at Member Cost (Olson) – Continue to explore ways that members can obtain additional benefit flexibility with no cost to employers.</p>	
<p>Benefits History (Olson) – Review cost of Plans 2/3 from creation to present.</p>	

SCPP Executive Committee Requests	Status
Contribution Rates – Identify impacts of 2007 legislation on contribution rates.	Briefing June 19, 2007
Rules of Procedure – Update current SCPP rules.	Initial briefing May 22, 2007; changes approved June 19, 2007
Legislator Requests	Status
Former Judges (Sen. Honeyford) – Allow inactive vested judges, or judges who have separated from service but not yet retired, to apply to increase their benefit multiplier and pay the full actuarial cost.	
Service Credit (Sen. Kilmer) - Allow TRS and SERS 2/3 members “with half-year contracts” to receive a half-credit per month of employment.	Briefing July 17, 2007
Co-ordination with LEOFF 2 Board	Status
Deferred compensation – Treat employer contributions to deferred compensation plans as “salary.”	
Annuities – Authorize the purchase of actuarially equivalent annuities (like Plan 3).	
Military Service Death Benefit – Extend application of new (2007) PERS 2 survivor benefit authorizing a refund of 200 percent of member contributions.	Briefing July 17, 2007
Fish and Wildlife Officer Service Credit Transfer – Allow eligible members to transfer prior PERS 2 service to LEOFF 2.	Briefing July 17, 2007
\$150,000 Death Benefit – Index the benefit to changes in the CPI-W for Seattle-Tacoma-Bremerton, with a maximum change of 3 percent per year.	Briefing July 17, 2007

Constituent/Stakeholder Requests	Status
Disability Retirement (ATULC) – Eliminate actuarial reductions for disability pensions.	Briefing June 19, 2007
PERS 1 Benefit Cap (Wagner, Von Moos, Fortune, Madden, Esparza, Webster) – Remove or increase the 60 percent cap on retirement pensions for PERS 1.	
TRS 3 Benefits (Cunningham) – Improve benefits by creating a rule of 85 and/or increasing the benefit multiplier.	
Out-of-State Service Credit (Nardella) – Authorize service credit purchases for all time served as a public employee in another state.	Briefing July 17, 2007
PERS Benefits (Hudson) – Create a rule of 85, allow service credit for two jobs, authorize service credit for prior employment in an ineligible position, and authorize the conversion of service credit from Plan 2 to Plan 1.	Briefing July 17, 2007
LEOFF 1 Surplus (Lindquist) – Use any surplus to improve pension payments to disabled police officers and firefighters (before using for medical benefits).	
Plan 3 Vesting (tentative, WASA & AWSP; WEA; WSRA) – Allow vesting after five years regardless of age.	
Survivor Benefits (tentative, WASA & AWSP) – Improve survivor benefits for members of Plans 1, 2, and 3 of TRS, SERS, and PERS.	Briefing July 17, 2007
Plan 3 Benefits (tentative, WASA & AWSP) – Provide additional benefits to Plan 3 members to improve the gain-sharing trade-off.	
Military Service (tentative, WASA & AWSP) – Review 2007 legislative proposals to improve Plan 1 military service credit provisions and make a recommendation for 2008.	Briefing July 17, 2007
“Plans 2/3 Final Year Contract” (tentative, WASA & AWSP) - Allow TRS 2/3 members to receive a full year (12 months) of service credit for their final year’s work when retiring on July 1.	Briefing July 17, 2007
Gain-Sharing (numerous requests on file with OSA) – Restore gain-sharing or improve trade-off options.	

Constituent/Stakeholder Requests <i>(Continued)</i>	Status
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.	Briefing on death benefits July 17, 2007
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.	Briefing July 17, 2007
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 ten years of service.	Briefing July 17, 2007
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.	Memo to SCPP May 30, 2007
Service Credit (WEA) – Allow TRS and SERS 2/3 members with “half-year contracts” to receive a half credit per month of employment.	Briefing July 17, 2007
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.	Briefing July 17, 2007
Military Service Credit (Danielson) – Allow members of other plans to have the same service credit provisions as in PERS 1 and WSPRS 1.	Briefing July 17, 2007
Surviving Spouses (RFW) – Amend “pre-LEOFF 1” law to remove remarriage penalty for surviving spouses and create	Briefing July 17, 2007

an option for a surviving spouse benefit for retired firefighters who were married less than five years before retirement or who married after retirement.

PEBB Access (WSRA) – Allow a “2nd chance” PEBB enrollment window for those who missed their one-time enrollment opportunity. Briefing July 17, 2007

Requests from Members to DRS	Status
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SERS Auto-Transfer of Prior Plan Service Credit – Adapt plan provisions to current conditions.	Briefing July 17, 2007
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Expand Plan 1 Post-30 Year Contribution Program – Include an annual window for opting in prospectively.

PERS 1 Death While Retirement Eligible – Allow survivors to get a monthly benefit instead of just member contributions.	Briefing July 17, 2007
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Veterans’ Benefits – Allow twice the contributions to surviving spouses of members killed while on military duty in other Plans besides PERS 2.	Briefing July 17, 2007
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DRS Request for Endorsement	Status
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DRS plans to bring a proposal to the SCPP regarding how to address contributions for approximately 50,000 inactive non-vested members.

SCPP Statutory Obligations	Status
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None for 2007.

Actuarial Work	Status
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2008 Gain-Sharing Distributions – Calculate required distribution amounts and notify plan administrator.

LEOFF 1 Medical Study – (Required in OSA budget) Identify local government employer liability for LEOFF 1 medical benefits.

OPEB Actuarial Valuation – Using new governmental accounting standards, identify (and facilitate others in identifying) public employer obligations for “other post-employment benefits” (OPEB), the most significant of which is health care.	Initial briefing May 22, 2007
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Review of Economic Assumptions – Make recommendations to Pension Funding Council regarding long-term economic assumptions.

Experience Study Preparation – Much of the work for the 2008 Experience Study will be done in 2007. OSA can provide the SCPP with “previews” of the data that will be reviewed, the study methodology, the standards of practice involved, and the assumptions that will be examined (e.g. retirement rates, mortality, etc).

2006 Actuarial Valuation

SCPP Staff	Status
State Actuary – Annual Evaluation.	

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