

Select Committee on Pension Policy

Regular Executive Committee Meeting

August 14, 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**
- 9:15 a.m. **(C) Constituent Correspondence**
- 9:20 a.m. **(D) Assistant Attorney General's Report**
- 10:00 a.m. **(E) Adjourn**

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

- 12:30 p.m. **(F) Direction on Today's Issues**
- 1:30 p.m. **(G) Fish and Wildlife Service Credit Transfer**
- 1:45 p.m. **(H) TRS and SERS 2/3 "Half-Year Contracts"**
- 2:00 p.m. **(I) September Meeting Agenda**
- 2:30 p.m. **(J) 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**

Select Committee on Pension Policy

REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

July 17, 2007

The Select Committee on Pension Policy met in Senate Conference Rooms A/B/C, Olympia, Washington on July 17, 2007.

Committee members attending:

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

Other members attending:

Charles Cuzzetto
Doug Miller

Morning Session

Representative Conway, Chair, called the meeting to order at 9:05 a.m.

(A) Approval of Minutes

It was moved to approve the June 19, 2007 Executive Committee Draft Minutes. Seconded.

MOTION CARRIED

(B) Today's Full Committee Agenda

Agenda approved as proposed.

(C) Constituent Correspondence

Committee members reviewed the "Constituent Correspondence."

(D) State Actuary Appointment Committee

Matt Smith, State Actuary, reported on the "State Actuary Appointment Committee" issue. *Discussion followed.*

Chair Conway asked employers to caucus and submit suggested members to serve as the employers and actives representatives on the State Actuary Appointment Committee.

The meeting adjourned at 9:30 a.m. to attend the Full Committee meeting.

*Elaine M. Banks
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

*Representative Steve Conway,
Chair

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*Senator Mark Schoesler,
Vice Chair

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

* Executive Committee

(360) 786-6140

Fax: (360) 586-8135

TDD: 1-800-635-9993

Afternoon Session

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

Committee Members Attending:

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

Other Members Attending:

Representative Crouse
Charles Cuzzetto
Representative Fromhold
Robert Keller
Corky Mattingly

(F) Direction on Today's Issues

Committee members discussed the Full Committee Meeting Agenda issues:

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

(G) 2007 Interim Issues

Committee members discussed the "2007 Interim Issues."

Matt Smith, State Actuary, reviewed the "2007 Interim Planning" handout.

(H) August Meeting Agenda

The following issues will be placed on the August 14, 2007 Full Committee Agenda:

- OSA Review of Economic Assumptions
- OPEB Actuarial Valuation Report
- Disability Retirement
- Indexed \$150,000 Death Benefit
- Public Education Experience Program - Waiting Period

The meeting adjourned at 2:25 p.m.

Select Committee on Pension Policy

Regular Committee Meeting

August 14, 2007
10:00 a.m. - 12:00 p.m.
Senate Hearing Room 4
Olympia

AGENDA

- 10:00 a.m. **(1) Approval of Minutes**
- 10:05 a.m. **(2) OSA Review of Economic Assumptions,**
Matthew M. Smith, State Actuary
- 10:30 a.m. **(3) OPEB Actuarial Valuation Report,** Troy Dempsey,
Actuarial Assistant
- 11:00 a.m. **(4) Disability Retirement,** Darren Painter, Research
Analyst

PUBLIC HEARING/POSSIBLE EXECUTIVE SESSION

- 11:30 a.m. **(5) Indexed \$150,000 Death Benefit,** Darren Painter,
Research Analyst
- 11:45 a.m. **(6) Public Education Experience Program - Waiting**
Period, Laura Harper, Senior Research Analyst/
Manager
- 12:00 p.m. **(7) 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

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Senator Ed Murray

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Senator Craig Pridemore

***Senator Mark Schoesler,**
Vice Chair

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

SELECT COMMITTEE ON PENSION POLICY

EXECUTIVE COMMITTEE

Constituent Correspondence as of July 30, 2007

August 14, 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
6/29/2007	Ed Junblom	SCPP	Questions regarding the legal status of the trust funds
7/16/2007	Don Bennett	SCPP	HECB staff option to participate in Higher Ed Retirement Plan
7/20/2007	Mike Paul	OSA	PERS 2 early retirement factors
7/25/2007	Tom Pillow (for WSPTA)	Rep. Conway	WSP survivorship benefits

**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?

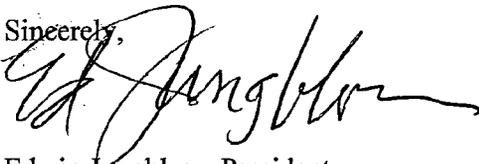
360-734-0159

edjungblom@msn.com

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
Washington Pension Reform, Inc
1218 W. Racine St.
Bellingham, WA 98229
360-734-0159
edjungblom@msn.com

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
PO Box 40600
Olympia, WA 98504-0600

Representative Richard DeBolt,
House Minority Leader
335C Legislative Building
PO Box 40600
Olympia, WA 98504-0600

Sandy Matheson, Director
Department of Retirement Systems
PO Box 48380
Olympia, Washington 98504-8380

Joe Dear, Executive Director
Washington State Investment Board
P.O. Box 40916
Olympia, Washington 98504-0916

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,

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 ---

Burkhart, Kelly

From: Mike Paul [MPAUL@REDMOND.GOV]
Sent: Friday, July 20, 2007 10:54 AM
To: Office State Actuary, WA
Subject: PERS 2 early retirement factors

Greetings,

House Bill 2391 revised the early retirement factors for PERS 2 members with 30 years of service. This is the second significant beneficial change in the reduction factors for those with 30 years of service. However, no change has been made to the factors for those with 20 – 30 years of service. As it now stands, a 60 year old worker who elects to receive early retirement would get either 95% of their full benefit (30 years), or 61% of their earned benefit (20 – 30 years). What is the rationale for heavily penalizing someone with 25 or 29 years of service so heavily, while their colleagues with a few more years of service (and higher benefit) receive most of their benefits?

I request that the commission review the early retirement reduction factors for those with 20 – 30 years of service, and bring it in line with the factors adopted for 30 years of service. In my opinion, the discrepancy doesn't make sense. Please let me know if there is anything else I can do to help put this issue in front of the legislators.

Mike Paul
425-556-2721



WASHINGTON STATE PATROL TROOPERS ASSOCIATION

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

July 25, 2007

Matt Smith
Office of the State Actuary
2100 Evergreen Park Drive SW, Suite 150
P.O. Box 40914
Olympia, WA 98504-0914

RECEIVED

JUL 30 2007

Office of
The State Actuary

Re: Economic Assumptions

Dear Mr. Smith:

I am writing to comment on your review of the economic assumptions listed in RCW 41.45.035. These assumptions play a big role in the contribution rates paid by Troopers. I hope you will consider the following issues in working on your recommendations.

History of Assumptions

The assumptions experienced a turbulent period of change during the 1990s:

Washington Public Pension Actuarial Assumption History			
Effective Date	Assumptions		
	Investment Earnings	Salary	Inflation
6/30/1990	7.50%	5.50%	4.25%
12/31/1990	7.50%	5.50%	4.25%
12/31/1991	7.50%	5.50%	4.25%
12/31/1992	7.50%	5.50%	4.25%
12/31/1993	7.50%	5.50%	4.25%
12/31/1994	7.50%	5.00%	4.25%
12/31/1995	7.50%	5.00%	4.25%
12/31/1996	7.50%	5.00%	4.25%
12/31/1997	7.50%	4.00%	3.50%
12/31/1998	7.50%	4.00%	3.50%
12/31/1999	7.50%	4.00%	3.50%
12/31/2000	8.00%	4.50%	3.50%
9/30/2001	8.00%	4.50%	3.50%
9/30/2002	8.00%	4.50%	3.50%
Assumptions stable since 2002 - RCW 41.45.035			

The salary assumption was particularly volatile, starting at a high of 5.5%, dropping to 4% and then back up to 4.5%¹. Was the volatility in the salary assumption based upon the experience of the plan?

I'm also curious about the net effect of the changes. I note that the investment return and the salary assumption both increased by .5% in 2000. Did those increases offset each other? To a layman it looks there was no net change between the 1999 and the 2000 assumptions.

Salary Assumption Appears Inconsistent with Salary History

The salary assumption is higher than actual Trooper salary experience. By my calculations, Trooper salary increases have averaged a little over 3% since 1989. I would be interested in your actual historical data on average salary increases over time.

While the Troopers are a relatively small group of employees, our experience is consistent with forecast council projections over time. Forecast council salary projections are short-term and much more volatile than long-term actuarial assumptions. However, I think a review of long-term averages is useful. In 2005, we hired EFI actuary Bob McCrory to evaluate and average quarterly public employee salary projections of the forecast council from 1959 through 2005. While the projections varied considerably from quarter to quarter, the 45-year average was, again, a little over 3%. It appears that the State's estimate of public employee salary growth it actually expects to see over the long term is considerably less than 4.5%.

I understand that the 4.5% salary assumption has two components: 3.5% for COLA increases, and 1% for productivity increases. I don't ever remember Troopers receiving a salary increase based on productivity. Does your experience data support an assumption of across-the-board salary increases for productivity?

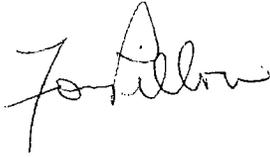
Prospective Changes in Salary Assumptions

The Troopers share the SCPP's goal of adopting actuarially sound assumptions based on the experience of the member population that ensure the continued full funding of WSPRS. While I am not an actuary, a review of the volatile history of the current salary assumption and its inconsistency with salary history indicates the assumption may be too high. Given the absence of any actual productivity increases, you could reduce the assumption to 3.5% without sacrificing fiscal prudence. I understand you may also be considering recommending a .25% reduction in the long term investment return rate. Perhaps reducing both of the increases enacted in 2000 would be prudent.

¹ The salary assumption reflects the assumed rate of across-the-board salary increases. Step and promotional increases are accounted for separately.

Thank you for the opportunity to express these concerns. I hope you will bear them in mind as you work through the assumption recommendation process.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Pillow". The signature is written in a cursive style with a large initial "T" and "P".

Tom Pillow, President
Washington State Patrol Troopers Association

cc: SCPP members
Pension Funding Council Members
LEOFF 2 board members

Direction on Today's Issues

Issue

- (2) OSA Review of Economic Assumptions
- (3) OPEB Actuarial Valuation Report
- (4) Disability Retirement
- (5) Indexed \$150,000 Death Benefit
- (6) Public Education Experience Program – Waiting Period

Appendix D

Public Employees Benefits Board

Long Term Disability Insurance

(Underwritten by Standard Insurance Company)

The PEBB-sponsored LTD plan has two parts—Basic and Optional.

Basic Plan: This plan is included in the full PEBB package at no additional cost for employees. The Basic Plan provides a benefit of 60 percent of the first \$400 of pre-disability earnings, reduced by any deductible income. The maximum benefit payable is \$240 per month. The minimum benefit is \$50 per month. Benefits begin after 90 days of total disability or after the period of accumulated sick leave, whichever is longer, and continue during disability up to the Maximum Benefit Period. The Maximum Benefit Period is determined by the type of disability and the age of the enrollee when he or she becomes disabled.

Optional Plan: This plan allows most employees eligible for the Basic Plan to apply for additional benefits. If the coverage is applied for within 31 days of the eligibility date, the member doesn't need to provide evidence of insurability. When combined with the Basic Plan benefits, the Optional Plan will pay 60 percent of the first \$10,000 of your pre-disability monthly earnings, reduced by any deductible income. The minimum combined benefit is \$100 per month. The Optional Plan benefit will increase in accordance with the Cost of Living Adjustment (COLA) provision. Optional Plan benefits begin after the end of the Benefit Waiting Period and continue during disability up to the Maximum Benefit Period -- in most cases up to the age of 65.

Payroll Deductions as a Percent of Pre-disability Earnings		
Waiting Period	Higher Education Employees	TRS, PERS, and Other Employees
30 days	2.67%	2.11%
60 days	1.35%	1.12%
90 days	0.74%	0.61%
120 days	0.43%	0.37%
180 days	0.32%	0.29%
240 days	0.31%	0.28%
300 days	0.29%	0.26%
360 days	0.28%	0.25%

To calculate an Optional Plan LTD premium, multiply the monthly base pay (up to \$10,000) by the percentage shown for the desired Benefit Waiting Period.

Examples:

A Higher Education Retirement Plan (TIAA-CREF) employee purchasing the LTD benefit with the 60-day waiting period would pay \$13.50 per month for each \$1,000 of pay ($1.35\% \times \$1,000 = \13.50).

A TRS, PERS, or other retirement plan employee purchasing the LTD benefit with the 60-day waiting period would pay \$11.20 per month for each \$1,000 of pay ($1.12\% \times \$1,000 = \11.20).

In Brief

ISSUE

The LEOFF 2 Board Chair is requesting that the SCPP work together with the Board to propose legislation to allow Department of Fish and Wildlife Enforcement Officers in LEOFF 2 to transfer their prior PERS 2 service credit to LEOFF 2.

Fish and Wildlife Service Credit Transfer

Current Situation

Currently, a Department of Fish and Wildlife Enforcement Officer in LEOFF 2 with prior service credit in PERS 2 may utilize the dual membership or “portability” statute to combine service from the two plans for retirement purposes.

Legislative History

This proposal was brought before the legislature in 2007 (HB 1687/SB 5588) but it did not receive a hearing. The proposal was also brought before the Legislature in 2006 (HB 2890/SB 6585). It received a hearing in both fiscal committees but was not forwarded from either. (This was not SCPP request legislation in 2006 or 2007.)

Background

Generally, law enforcement officers and firefighters who have moved from PERS to LEOFF 2 (such as police officers at ports and institutions of higher education and port fire fighters) have been given the opportunity to transfer their PERS service credit into LEOFF 2. In 2005, emergency medical technicians (EMTs) employed by PERS employers were given the opportunity to transfer to LEOFF Plan 2. They were also allowed to transfer their PERS service credit into LEOFF 2.

In 2002 the legislature broadened the authority of the Department of Fish and Wildlife law enforcement officers and changed the department from a limited authority law enforcement agency to a general authority law enforcement agency (ESB 6076). In 2003, Department of Fish and Wildlife officers were included in LEOFF Plan 2 for the purpose of future service only. (See Chapter 388, Section 3, Laws of 2003). The Executive Committee of the JCPP had recommended in the 2002 interim that no past PERS service credit be transferred to LEOFF 2.

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

Policy Questions

Was the PERS service rendered by Department of Fish and Wildlife officers prior to the department becoming a general law enforcement agency enough like LEOFF 2 service to warrant transfers of prior PERS service to LEOFF 2 as previously done for police officers at ports and institutions of higher education, port fire fighters, and EMTs?

Should the SCPP change the position previously taken by the JCPP? It is unclear whether Department of Fish and Wildlife enforcement officers are doing the same job they did before entering LEOFF 2, as these officers changed from limited authority enforcement officers to general authority enforcement officers just prior to being allowed to enter LEOFF 2.

Bill

A copy of HB 1687/SB 5588 (2007) is attached.

Fiscal Note

A copy of the 2007 fiscal note is attached. Moving service credit from PERS 2 to LEOFF 2 creates liability in LEOFF 2. The 2007 legislation provided that the liability would be covered by a transfer of member and employer contributions (with interest), a member payment (i.e. what would have been paid had the member been in LEOFF 2, plus interest), and a payment from the Department of Fish and Wildlife.

Stakeholder Input

Copies of correspondence from the LEOFF 2 Board and the Washington Federation of State Employees are attached.

Next Steps

The Executive Committee is scheduled to consider whether this matter will be placed on the SCPP full committee agenda for future consideration.

HOUSE BILL 1687

State of Washington 60th Legislature 2007 Regular Session

By Representatives Simpson, Hurst, Williams, Curtis and Ericks

Read first time 01/25/2007. Referred to Committee on Appropriations.

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

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

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

7 (1) A member of plan 2 who was a member of the public employees'
8 retirement system plan 2 while employed as an enforcement officer for
9 the department of fish and wildlife has the option to make an election
10 no later than June 30, 2012, filed in writing with the department of
11 retirement systems, to transfer service credit previously earned as an
12 enforcement officer in the public employees' retirement system plan 2
13 to the law enforcement officers' and firefighters' retirement system
14 plan 2. Service credit that a member elects to transfer from the
15 public employees' retirement system to the law enforcement officers'
16 and firefighters' retirement system under this section shall be
17 transferred no earlier than June 30, 2012, and only after the member
18 completes payment as provided in subsection (2) of this section.

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

7 (b) A member who elects to transfer service credit under this
8 subsection shall pay, for the applicable period of service, the
9 difference between the contributions the employee paid to the public
10 employees' retirement system plan 2 and the contributions that would
11 have been paid by the employee had the employee been a member of the
12 law enforcement officers' and firefighters' retirement system plan 2,
13 plus interest on this difference as determined by the director. This
14 payment must be made no later than June 30, 2012, and must be made
15 prior to retirement.

16 (c) No later than June 30, 2013, the department of fish and
17 wildlife shall pay an amount sufficient to ensure that the contribution
18 level to the law enforcement officers' and firefighters' retirement
19 system will not increase due to this transfer.

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

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

--- END ---

Multiple Agency Fiscal Note Summary

Bill Number: 1687 HB	Title: Fish & wildlife officers
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Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Total \$						

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.2	0	70,676	.0	0	0	.0	0	0
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board	.0	0	0	.0	0	0	.0	0	0
Department of Fish and Wildlife	.0	0	0	.0	0	0	.0	2,000,000	2,000,000
Total	0.2	\$0	\$70,676	0.0	\$0	\$0	0.0	\$2,000,000	\$2,000,000

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Jane Sakson, OFM	Phone: 360-902-0549	Date Published: Final 2/ 6/2007
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 1687 HB	Title: Fish & wildlife officers	Agency: 035-Office of State Actuary
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/24/2007
Agency Preparation: Robert Baker	Phone: 360-786-6144	Date: 01/29/2007
Agency Approval: Matthew M. Smith	Phone: 360-786-6140	Date: 01/29/2007
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 01/29/2007

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	1/29/07	HB 1687/SB 5588

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 the Plans 2 of the Law Enforcement Officers' and Fire Fighters' (LEOFF 2) Retirement System and the Public Employees' Retirement System (PERS 2) by allowing LEOFF 2 members to transfer into LEOFF 2 their prior PERS 2 service credit for periods of employment as enforcement officers for the Department of Fish and Wildlife (DFW). There is a waiting period for transferring the service credit, as the bill provides that it shall be transferred no earlier than June 30, 2012, and only after the member completes payment, which must be made no later than June 30, 2012.

The member cost for the service credit is the difference between the PERS 2 contributions paid by the member, and the contributions that the member would have paid had the employee been a member of LEOFF 2, plus interest on this difference as determined by the director. The assets associated with PERS 2 member and employer contributions will be transferred from the PERS 2 assets to LEOFF 2 and will be used to further offset the cost to DFW.

The bill also provides that no later than June 30, 2013, DFW would be required to pay an amount sufficient to ensure that the contribution rate in LEOFF 2 will not increase due to "this" transfer. The bill does not specify who would calculate this amount, who the amount would be paid to, nor who would determine the adequacy of the payment. We assume that one total amount would be determined by the Department of Retirement Systems (DRS) in consultation with the Office of the State Actuary, and that it would cover all service credit transfers under this provision. We also assume that DRS would collect the payment from DFW.

Finally, the bill provides that members who elect to transfer their service credit must transfer all their service as an Enforcement Officer with DFW under PERS 2 and are thereafter permanently excluded from membership in PERS for all service related to time served as an enforcement officer with DFW in PERS 2. Effective Date: 90 days after session

CURRENT SITUATION

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

SUMMARY OF MEMBERS IMPACTED

We estimate that 68 members out of the total 101 active DFW enforcement officers have eligible prior service credit in PERS 2 and could be affected by this bill. We believe that 66 of those members will receive improved benefits from this bill. This bill would not affect inactive members.

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

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

METHODS

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

The liability increase to LEOFF 2 resulting from this bill is equal to the present value of the additional benefit at the member's retirement resulting from the transferred service credit.

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

We assume for this pricing exercise that all past PERS 2 service is eligible for transfer to LEOFF 2. We also assume that only members of PERS 2 are eligible to transfer. We assume that this service transfer is only available to active DFW enforcement officers. We assumed that all PERS 2 members who are eligible to transfer service credit would elect to transfer that service if the value of the additional benefit is greater than the sum of double their PERS 2 member account plus the contributions required from the member (that is true for approximately 66 out of the 68 members with eligible service to transfer). It is assumed that

members who transfer service will not receive additional benefits as a result of the transfer until after June 30, 2012. We assume that the purchase price will be administered using annuity factors that assume no pre-retirement decrements other than mortality.

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

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

DATA

Of the 101 DFW enforcement officers active as of September 30, 2005, we were provided information for 68 who had eligible prior service credit in PERS 2. Among the DFW active records were a handful of members with more than the approximately 2.2 years of service they could have earned in their current positions since joining LEOFF 2. These members most likely have past service with other LEOFF agencies. There are also a few active members with no past service in PERS because they entered after July 2003. Of the 68 PERS records, we found that 54 members were vested in their respective plans under the provisions of portability. The remaining 14 Plan 2 members were not vested. A demographic summary of the affected members is shown below:

Demographic Summary of the Affected Members				
	Count	Average Service (Years)	Average Savings Fund	Average Current Salary*
LEOFF actives	101	2.7	\$9,578	\$57,550
LEOFF actives with PERS service	68	10.3	\$25,984	\$59,015
PERS 2 Service Range (Rounded, in years)				
0 - 2	15	1.2	\$521	\$52,594
3 - 5	14	3.4	\$2,382	\$56,771
6 - 10	8	7.8	\$11,726	\$58,974
11 - 15	11	13.7	\$32,600	\$63,170
16 - 20	9	17.9	\$50,845	\$63,782
21+	11	23.6	\$74,161	\$62,603

**LEOFF 2 salary, effective September 30, 2005, is used for all records, including PERS inactive records.*

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

FISCAL IMPACT

Description

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

The liability reduction in PERS 2 due to the proposed transfer is about \$3 million. This amount is offset by the estimated transfer of assets from PERS 2 to LEOFF 2 of about \$3 million, which consists of the member and employer contributions, with interest. The PERS 2 contribution rates will not be affected by this service credit transfer. The members eligible to transfer service credit are currently, dual members eligible for portability and the transfer could result in additional experience gains for PERS 2.

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

Summary of Costs/(Savings) for All Parties			
<i>(Dollars are in millions)</i>	PERS 2	LEOFF 2	Total
Change in present value of fully projected benefits (The value of the total commitment to all current members)	(\$3)	\$7	\$4
Assets transferred from PERS to LEOFF 2	\$3	(\$3)	\$0
Additional member contributions	\$0	(\$2)	(\$2)
Payment from Department of Fish and Wildlife	\$0	(\$2)	(\$2)
Net change in present value of unfunded fully projected benefits	\$0	\$0	\$0

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

Actuarial Determinations:

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

<i>(Dollars in Millions)</i>		Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	PERS 2/3	\$16,997	(\$3)	\$16,994
	LEOFF 2	\$5,462	\$7	\$5,469
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	PERS 1	NA	NA	NA
	LEOFF 1	NA	NA	NA
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	PERS 2/3	(\$2,611)	\$0	(\$2,611)
	LEOFF 2	(\$397)	\$0	(\$397)

Increase/(Decrease) in Contribution Rates:

(Effective 09/01/2007 unless indicated otherwise)

	<u>PERS</u>	<u>LEOFF</u>
Current Members		
Employee (Plan 2)	0.00%	0.00%
Employer/State (Plan 1 UAAL)	NA	NA
Employer/State (Plan 2/3 normal cost)	0.00%	0.00%

New Entrants*

Employee (Plan 2)	0.00%	0.00%
Employer/State (Plan 1 UAAL)	NA	NA
Employer/State (Plan 2/3 normal cost)	0.00%	0.00%

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

Fiscal Budget Determinations:

There is no fiscal impact to members or employers in the affected systems with the exception of members electing to transfer service and the estimated \$2 million payment required from DFW.

Sensitivity Analysis

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

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

GLOSSARY OF ACTUARIAL TERMS:

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

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

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

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

- Normal cost; plus
- Amortization of the unfunded liability

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

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

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.

Individual State Agency Fiscal Note

Bill Number: 1687 HB	Title: Fish & wildlife officers	Agency: 124-Department of Retirement Systems
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.4	0.0	0.2	0.0	0.0
Fund					
Department of Retirement Systems Expense Account-State 600-1	70,676	0	70,676	0	0
Total \$	70,676	0	70,676	0	0

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/24/2007
Agency Preparation: Dave Nelsen	Phone: (360) 664-7304	Date: 01/25/2007
Agency Approval: Sandra J. Matheson	Phone: (360) 664-7312	Date: 01/26/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 01/26/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill allows service credit earned as a Department of Fish and Wildlife (F&W) Enforcement Officer in the Public Employees' Retirement System (PERS) Plan 2 to be transferred to the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement System. It provides that:

- Eligible F&W Enforcement Officers must elect to transfer their PERS service credit before June 30, 2012.
- The employer must pay an amount sufficient to ensure that the contribution level of the LEOFF Retirement System will not increase as a result of the transfer of service.
- The employer payment must be made no later than June 30, 2013, but can be made periodically prior to this date based upon transfers paid in full at the time of billing.
- Service credit will be transferred no earlier than June 30, 2012.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Administrative Assumptions

- This bill affects approximately 70 current LEOFF Plan 2 members.
- The Department of Fish and Wildlife will provide DRS with the applicable time served as an Enforcement Officer.
- If there are adjustments after the transfer invoice is created, and the adjustment would change the cost of the transfer, the original invoice will be canceled and a new invoice will be created for the correct amount.
- Payment cannot be made through an actuarial reduction of a retirement benefit.
- If the invoice is not paid in full by the deadline, all payments made by the member will be refunded.
- If the member does not meet the transfer requirements before retirement or death, all payments will be refunded.
- The transfer of service credit costs will not change in the event that the member is divorced and the ex-spouse is entitled to a portion of the member's retirement benefit.
- An ex-spouse's benefit is not impacted by the member's decision to transfer service credit.
- The Office of the State Actuary will determine the amount of the employer contribution required to ensure that the contribution level to the LEOFF plan will not increase as a result of this transfer.
- Partial service transfers are not allowed.

The assumptions above were used in developing the following workload impacts and cost estimates.

Benefits/Customer Service

DRS will send a letter to affected members notifying them when the transfer election is available. A second mailing, sent via certified mail to the member's home address, will include personalized information. DRS will also mail a sample of these materials to the affected employer. Additionally, a Retirement Services Analyst (RSA) will work with the programmers to identify system-related business requirements and participate in user acceptance testing of the required system changes. In order to implement the legislation, the following tasks will be accomplished:

- Modify the Election to Transfer Membership form
- Prepare estimated member billings
- Create content material for the personalized informational packet provided to each eligible member (e.g., Service Credit Worksheet, Benefit Comparison, Estimate of Benefits)
- Update policies and procedures
- Update the Retirement Services Division (RSD) Online Operations Manual
- Participate in the business requirements definition for the agency's automated systems
- Conduct user acceptance testing of automated system modifications
- Conduct staff training
- Process the transfer of service credit

Retirement Services Analyst 3 – 762 hours (salaries/benefits) = \$23,376

Total Estimated Benefits/Customer Service Costs = \$23,376

Automated Systems

DRS' Member Information System will require modifications.

- Development of a new optional bill type to account for new deadline dates
- Modification to the Member Information System (MIS)
- Testing of modifications

Programmer time of 440 hours @ \$95 per hour = \$41,800

DIS cost* of \$500 per week for 11 weeks = \$5,500

Total Estimated Automated Systems Costs = \$47,300

*cost for mainframe computer processing time and resources at the Department of Information Services

ESTIMATED TOTAL COST TO IMPLEMENT THIS BILL:

2007-09 BIENNIUM

BENEFITS/CUSTOMER SERVICE = \$23,376

AUTOMATED SYSTEMS = \$47,300

ESTIMATED TOTAL COSTS = \$70,676

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.4		0.2		
A-Salaries and Wages	17,636		17,636		
B-Employee Benefits	5,740		5,740		
C-Personal Service Contracts					
E-Goods and Services	47,300		47,300		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$70,676	\$0	\$70,676	\$0	\$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
Retirement Svcs Analyst 3	48,326	0.4		0.2		
Total FTE's		0.4		0.2		0.0

Part IV: Capital Budget Impact

No impact.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New WACs will be needed to clarify any election or service credit transfer issues.

Individual State Agency Fiscal Note

Bill Number: 1687 HB	Title: Fish & wildlife officers	Agency: 341-LEOFF 2 Retirement Board
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Part I: Estimates

No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/24/2007
Agency Preparation: Diann Lewallen	Phone: (360) 664-7666	Date: 01/24/2007
Agency Approval: Steve Nelsen	Phone: 360-586-2323	Date: 01/24/2007
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 01/24/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No cash receipts impact is anticipated.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

No expenditure impact is anticipated.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

No capital budget impact is anticipated.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Revised

Bill Number: 1687 HB	Title: Fish & wildlife officers	Agency: 477-Department of Fish and Wildlife
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
General Fund-State 001-1	0	0	0	0	2,000,000
Total \$	0	0	0	0	2,000,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/24/2007
Agency Preparation: Sean Carrell	Phone: 360-902-2926	Date: 02/02/2007
Agency Approval: Ron McQueen	Phone: 360-902-2204	Date: 02/05/2007
OFM Review: Jim Cahill	Phone: 360-902-0569	Date: 02/05/2007

Request # 07-FN039-3

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The bill allows Fish and Wildlife Officers who are members of the Law Enforcement Officers and Fire Fighters (LEOFF) 2 retirement system to transfer service credits from the Public Employees Retirement System (PERS) 2. The transfers will be made after June 30, 2012. WDFW must pay its share no later than June 30, 2013.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

NA

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This bill allows Fish and Wildlife Officers who are members of the Law Enforcement Officers and Fire Fighters (LEOFF) 2 retirement system to transfer credits from the Public Employees Retirement System (PERS) 2.

The Department agrees with the assumptions and figures provided by the Office of the State Actuary. The major fiscal impact of \$2,000,000 to the Department will occur in the 2011-13 Biennium. The appropriation would need to be approved in the 2010 Legislative Session. In bills of this type in the past, not all eligible members elected to transfer their service credits. More than likely, the number of members who transfer will be between 23 and 66 because they have more than 10 years of PERS service credit.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					2,000,000
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$0	\$0	\$0	\$0	\$2,000,000

Part IV: Capital Budget Impact

NA

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

NA



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

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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 Pridemore: *Craig*

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
1210 Eastside St. S.E.
Olympia, WA 98501-2443
(360) 786-1303
1-800-624-0256
Fax: (360) 786-1338

SEATTLE FIELD OFFICE
444 N.E. Ravenna Blvd., Suite 108
Seattle, WA 98115-6467
(206) 525-5363
1-800-924-5754
Fax: (206) 525-5366

SMOKEY POINT FIELD OFFICE
16710 Smokey Point Blvd., Suite 308
Arlington, WA 98223-8435
(360) 659-4333
1-800-967-3816
Fax: (360) 657-3336

SPOKANE FIELD OFFICE
316 W. Boone Ave., Suite 353
Spokane, WA 99201-2346
(509) 326-4422
1-800-442-8618
Fax: (509) 326-4424

TACOMA FIELD OFFICE
3516 S. 47th St., Suite 102
Tacoma, WA 98409-4437
(253) 581-4402
1-800-924-5753
Fax: (253) 581-4404

VANCOUVER FIELD OFFICE
3305 Main St., Suite 109
Vancouver, WA 98663-2234
(360) 735-1115
1-800-967-9356
Fax: (360) 735-1121

WENATCHEE FIELD OFFICE
37 S. Wenatchee Ave., Suite A-1
Wenatchee, WA 98801-2243
(509) 667-2547
1-800-966-7863
Fax: (509) 665-8296

YAKIMA FIELD OFFICE
601-A W. Lincoln Ave.
Yakima, WA 98902-2610
(509) 452-9855
1-800-439-9855
Fax: (509) 457-1939

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



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

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, and I can be contacted at (360) 943-3030 or 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

In Brief

ISSUE

Senator Kilmer is requesting a change to service credit statutes for TRS and SERS to better accommodate a constituent who works full time in a job-sharing arrangement for five months out of ten. Should the service credit provisions for TRS and SERS jobs be changed?

TRS and SERS 2/3 “Half-Year Contracts”

Current Situation

Currently service credit for TRS and SERS members is handled with more flexibility than for most PERS members due to the differences in scheduling for employees working in public education. In TRS and SERS, service credit is awarded as follows:

810 hours and 9 months = 12 months of service

630 hours and 9 months = 6 months of service

Less than 9 months = month by month

Thus, the current system bases service credit on both the number of hours and the number of months worked.

(Note: There are about 3,000 active PERS 1 employees who work in school districts. These same rules apply to them, although they were not the subject of Senator Kilmer's proposal.)

Background

Senator Kilmer's constituent works for five months in a full time “job-share.” During the five-month period this constituent works more than 630 hours, but because she only works for five months, the constituent does not fit the criteria for receiving six months of service credit. This constituent therefore receives five months of service credit.

Policy Questions

1. Is this occurrence common enough to warrant a change in state law?
2. Would such a change trigger requests for changes in the requirements for awarding twelve months of service credit?
3. How would the change interface with the month-by-month rule for those who work less than nine

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

months in a school year? Would any members be in a worse position?

4. Does the plan administrator have concerns about changing the service credit provisions in the manner proposed?
5. If there is a need or desire to address this in statute, would it make more sense to create a special provision to accommodate full-time job sharing during the school year rather than to amend the basic service credit provisions in statute that were designed to fit most situations?
6. Should it apply to all retirement systems with employees who may have this concern?
7. Does the proposed bill draft carry out the intent of the proponents?

Stakeholder Input

A copy of Senator Kilmer's letter to the SCPP on behalf of his constituent is attached.

Bill Draft

Senator Kilmer's proposed bill draft is attached.

Fiscal Note

A fiscal note for a proposal that is very similar to Senator Kilmer's proposal is also attached. The fiscal impact would be substantially similar.

Next Steps

The Executive Committee is scheduled to consider whether this matter will be placed on the SCPP full committee agenda for future consideration.

O:\SCPP\2007\8-14-07 Exec\H.TRS-SERS_half_year_contracts.doc

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>

BILL REQUEST - CODE REVISER'S OFFICE

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:
Office of the State Actuary	035	4/12/2007	S-3125.1

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.

Hours Worked	Service Credit (S/C) Earned
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
630-809 hours: Begin work in September and work at least 9 months of the school year	<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:

System	Active	Term Vested	Total
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.

September 18, 2007 Meeting

FULL COMMITTEE AGENDA

- (1) Experience Study Overview

- (2) Retiree Access to PEBB – Stakeholder Report

- (3) Survivors of PERS 1 Inactive Members

- (4) PERS to SERS Auto-Transfer

EXECUTIVE COMMITTEE AGENDA

- (A)

- (B)

- (C)

- (D)

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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
Indexed \$150,000 Death Benefit
Public Education Experience Program

September 18, 2007

Experience Study Overview
Retiree Access to PEBB – Stakeholder Report
Survivors of PERS 1 Inactive Members
PERS to SERS Auto-Transfer

October 16, 2007

2006 Actuarial Valuation Report
Experience Study Preview

- Termination
- Disability

Out-of-State Service Credit
Disability Retirement

November 13, 2007

LEOFF 1 Medical Study
Experience Study Preview

- Mortality
- Retirement

December 18, 2007

2008 Legislative Proposals

Other issues pending further Executive Committee direction:

FRP Survivor Benefits (awaiting report from Glenn Olson)

Inactive Members' Contributions (awaiting DRS proposal)

TRS and SERS 2/3 "Half-Year Contracts" (Aug. Executive Committee meeting)

F&W Service Credit Transfer (Aug. Executive Committee meeting)

TRS and SERS 2/3 "Final-Year Contracts" (Sept. Executive Committee meeting)

Military Death Benefits (Oct. Executive Committee meeting)

Interruptive Military Service Credit (Oct. Executive Committee meeting)

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2007 Interim Issues

Inventory as of August 1, 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; options/pricing Aug. 14, 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; hearing Aug. 14, 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>	Exec. Briefing on out-of-state service, Aug. 14, 2007
<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; Exec. Comm. follow-up, Aug. 14, 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; public hearing Aug. 14, 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; public hearing Aug. 14, 2007

Constituent/Stakeholder Requests	Status
Disability Retirement (ATULC) – Eliminate actuarial reductions for disability pensions.	Briefing June 19, 2007; options/pricing Aug. 14, 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 on multiple jobs, 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
<p>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.</p>	<p>Briefing on death benefits July 17, 2007</p>
<p>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.</p>	<p>Briefing July 17, 2007</p>
<p>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.</p>	<p>Briefing July 17, 2007; stakeholders to work with HCA and report back to SCPP</p>
<p>Rule of 85 (WEA)</p>	
<p>Salary Bonuses (WEA) – Include certain salary bonuses in pension calculations.</p>	
<p>Health Care Premiums (WEA) – Seek authority for retirees to pay for health care benefits on a pre-tax basis.</p>	<p>Memo to SCPP May 30, 2007; informal Exec. Comm. discussion June 19, 2007</p>
<p>Service Credit (WEA) – Allow TRS and SERS 2/3 members with “half-year contracts” to receive a half credit per month of employment.</p>	<p>Briefing July 17, 2007; update to Exec. Comm. Aug. 14, 2007</p>
<p>ESA’s Back to Plan 2 (WEA) – Allow TRS 3 Educational Staff Associates to return to PERS.</p>	
<p>Plan 1 Purchasing Power (WSRA) – Change COLA eligibility to one-year after retirement and establish a COLA based on the Consumer Price Index.</p>	
<p>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.</p>	

- 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; hearing on F&W transfer Aug. 14, 2007
- Military Service Credit (Danielson)** – Allow members of other plans to have the same military 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 an option for a surviving spouse benefit for retired firefighters who were married less than five years before retirement or who married after retirement. Briefing July 17, 2007
- PEBB Access (WSRA)** – Allow a “2nd chance” PEBB enrollment window for those who missed their one-time enrollment opportunity. Briefing July 17, 2007; stakeholders to work with HCA and report back to SCPP
- TIAA-CREF for HECB (HECB)** - Amend higher education statutes to authorize the Higher Education Board (HECB) to offer its employees a retirement annuity through TIAA-CREF instead of PERS.
- PERS and TRS 1 “Trust” Issues (WPR, Inc.)** – Answer questions regarding history and practices related to Plan 1 governance, fiduciary responsibilities and unfunded liabilities. Exec. Comm. briefing from AAG on “trust” cases, Aug. 14, 2007
- Survivor Benefits for WSPRS** – 1) Provide the “in-service death benefit” for troopers who die while on military leave in Iraq or Afghanistan; and 2) modify retirement Option B to create several changes: a) allow retirees who remarry after retirement to select Option B; b) allow a “pop-up” option in the event of divorce; and c) allow persons who were retired before the effective date of the option an opportunity to select it.
- PERS 2 Early Retirement Reduction Factors (Paul)** – Improve ERRF’s for members with 20-29 years of service.
- Economic Assumptions (WSPTA)** – Consider comments and concerns expressed by the Troopers’ Association regarding economic assumptions for funding the Washington State

Patrol Retirement System.

Requests from Members to DRS	Status
SERS Auto-Transfer of Prior Plan Service Credit – Adapt plan provisions to current conditions.	Briefing July 17, 2007
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
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
DRS Request for Endorsement	Status
DRS plans to bring a proposal to the SCPP regarding how to address contributions for approximately 50,000 inactive non-vested members.	Proposal anticipated “late interim”
SCPP Statutory Obligations	Status
None for 2007.	
Actuarial Work	Status
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
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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