# Select Committee on Pension Policy

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

# Regular Committee Meeting

**September 18, 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)** | **Survivors of PERS 1 Inactive Members**, Darren Painter, Policy Analyst |
| 10:25 a.m. | **(3)** | **PERS to SERS Auto-Transfer**, Darren Painter, Policy Analyst |
| 10:45 a.m. | **(4)** | **Experience Study Overview**, Matthew M. Smith, State Actuary |
| 11:30 a.m. | **(5)** | **Retiree Access to PEBB - Stakeholder Report** |

**EXECUTIVE SESSION**

| | | |
|---|---|---|
| 11:45 a.m. | **(6)** | **Public Education Experience Program - Waiting Period**, Laura Harper, Policy and Research Services Manager |
| 12:00 p.m. | **(7)** | **Adjourn** |

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Select Committee on Pension Policy

# 2007 Meeting Dates

***Full - 10:00am-12:00pm***
***Exec. - 9:00-10:00am/12:30-2:30pm***
SHR4/ABC, Olympia, WA
*SHR 1

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

***Reserved Subgroup Dates***
SHR4
* SHR 1, *Wednesday*
2:00-4:00pm - Mondays

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

## JANUARY

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# Goals for Washington State Public Pensions

*Revised and Adopted September 27, 2005*

1. Contribution Rate Setting: To establish and maintain adequate, predictable and stable contribution rates, with equal cost-sharing by employers and employees in the Plans 2, so as to assure the long-term financial soundness of the retirement systems.

2. Balanced Long-Term Management: To manage the state retirement systems in such a way as to create stability, competitiveness, and adaptability in Washington's public pension plans, with responsiveness to human resource policies for recruiting and retaining a quality public workforce.

3. Retirement Eligibility: To establish a normal retirement age for members currently in the Plans 2/3 of PERS, SERS, and TRS that balances employer and employee needs, affordability, flexibility, and the value of the retirement benefit over time.

4. Purchasing Power: To increase and maintain the purchasing power of retiree benefits in the Plans 1 of PERS and TRS, to the extent feasible, while providing long-term benefit security to retirees.

5. Consistency with the Statutory Goals within the Actuarial Funding Chapter: To be consistent with the goals outlined in the RCW 41.45.010:

   a. to provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State Retirement Systems;
   b. to continue to fully fund the retirement system plans 2 and 3, and the Washington State Patrol Retirement System, as provided by law;
   c. to fully amortize the total costs of PERS 1, TRS 1 and LEOFF 1, not later than June 30, 2024;
   d. to establish predictable long-term employer contribution rates which will remain a relatively predictable portion of future state budgets; and
   e. to fund, to the extent feasible, benefit increases over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

# 1. Approval of Minutes

# Select Committee on Pension Policy

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REGULAR COMMITTEE MEETING
DRAFT MINUTES

August 14, 2007

The Select Committee on Pension Policy met in Senate Hearing Room 4, Olympia, Washington on August 14, 2007.

**Committee members attending**:

Representative Conway, Chair
Senator Schoesler, Vice-Chair
Representative Bailey
Elaine Banks
Representative Crouse
Charles Cuzzetto
Randy Davis
Representative Fromhold
Senator Holmquist
Robert Keller
Sandra Matheson
Corky Mattingly
Doug Miller
Victor Moore
Glenn Olson

Representative Conway, Chair, called the meeting to order at 10:00 a.m.

**(1) Approval of Minutes**

*It was moved to approve the July 17, 2007 Full Committee Draft Minutes.* Seconded.

**MOTION CARRIED**

**(2) OSA Review of Economic Assumptions**

Matthew M. Smith, State Actuary, reported on "OSA Review of Economic Assumptions." *Discussion followed.*

**(3) OPEB Actuarial Valuation Report**

Troy Dempsey, Actuarial Assistant, reported on "OPEB Actuarial Valuation Report." *Discussion followed.*

**(4) Disability Retirement**

Darren Painter, Research Analyst, reported on "Disability Retirement." *Discussion followed.*

## PUBLIC HEARING/POSSIBLE EXECUTIVE SESSION

**(5) Indexed $150,000 Death Benefit**

Darren Painter, Research Analyst, reported on "Indexed $150,000 Death Benefit." *Discussion followed.*

**(6) Public Education Experience Program - Waiting Period**

Laura Harper, Senior Research Analyst/Manager, reported on "Public Education Experience Program - Waiting Period." *Discussion followed.*

The following people testified:
*Wendy Radar-Konofalski,* Washington Education Association
*John Kvamme,* Washington Association of School Administrators/ Association of Washington School Principals

The meeting adjourned at 12:30 p.m.

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# 2. Survivors of PERS 1 Inactive Members

# Survivors of PERS 1 Inactive Members

## In Brief

### ISSUE

*PERS 1 provides different pre-retirement death benefits for inactive members than for active members. PERS 1 is the only Washington State plan with service-based survivor benefits that makes such a distinction.*

*Survivor annuities are provided for PERS 1 members who die prior to retirement while in active service. Once a member leaves active service, however, the only benefit available to the survivor is a refund of accumulated contributions - even if the member was eligible to collect a retirement pension at the time of death.*

### MEMBER IMPACT

*There are 2,675 PERS 1 terminated vested members. Of these, at least 200 are eligible for immediate retirement.*

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## Current Situation

The pre-retirement death benefits provided for Public Employee's Retirement System Plan 1 (PERS 1) members differ depending on whether the member was active or inactive at the time of death.

Survivors of active PERS 1 members who die prior to retirement may generally choose between a refund of the member's accumulated contributions or a survivor annuity. To qualify for the survivor annuity, the member must have been eligible for retirement or had ten or more years of service at the time of death. The survivor annuity is calculated as if the member chose to retire and elected a joint and 100 percent survivorship option. The annuity is actuarially reduced for the difference between the age when the member would have qualified for a service retirement and the age of death.

In contrast, survivors of PERS 1 members who die after leaving service but prior to retirement only receive a refund of the member's accumulated contributions*. The survivor is not allowed to receive a continuing survivor benefit – even if the member was eligible for retirement at the time of death.

**Accumulated contributions include interest.*

## Example

Example 1: Short career, long absence

> A PERS 1 member leaves service after ten years. The member does not withdraw their contributions and becomes a terminated vested member. Twenty years later the member dies.

Example 2: Full career, short absence

> A PERS 1 member leaves service after thirty years. The member is eligible to retire, but chooses to defer retirement for tax purposes. Three months

after separating from service, and before applying for retirement, the member dies.

*A survivor annuity is often more valuable than a return of contributions.*

In both cases, the survivor only receives a refund of the member's accumulated contributions. Had the member been in active service at the time of death, the survivor would have been allowed to receive a survivor annuity based on the member's earned pension. In the case of the member who was retirement eligible at the time of death, the survivor annuity would be worth far more than the refund of the member's contributions.

## Policy Analysis

The current policy for pre-retirement death benefits in PERS 1 takes different views of death prior to retirement based on the employment status of the member. Members who die while in service are viewed as early retirements while members who die after leaving service are viewed as withdrawals from membership. Being treated as a withdrawn member means the employer-funded portion of the member's retirement benefit is forfeited. Such a policy runs counter to the basic earned benefit design of the PERS system. Under an earned benefit design, a member receives the value of the benefit they have accrued or "earned" based on the service rendered. Under current policy, members who leave employment and become vested after long careers lose much of the value of the service they have rendered if they die prior to retirement.

*Active members who die are viewed as early retirements while inactive members are viewed as withdrawals.*

Providing lesser benefits for members who leave active service may be seen as a way to encourage members to remain active in the system until retirement. This is more of a "golden-handcuffs" approach to pension plan design that places less emphasis on member flexibility in changing careers.

The practice of providing different pre-retirement death benefits to members who die in active service as opposed to members who die after leaving service is inconsistent with the practice in other Washington plans that provide service-based survivor benefits.

***Reasons for Differences***

The PERS 1 differences in pre-retirement death benefits for active and inactive members may be the result of an oversight or a deliberate policy decision.

*Differences may be an oversight or a deliberate policy decision.*

When PERS 1 was first created, it did not provide a vested retirement benefit to members who separated from service prior to retirement. When the vested benefit was later added, the survivor benefit for vested members may have been overlooked.

Policy reasons for providing different and less generous benefits for members who leave active service include:

- Encouraging members to stay active in the plan until retirement;
- Reducing costs; and,
- Lack of a perceived need to provide survivor benefits on behalf of members who left the system.

***Other Washington State Plans***

*Other plans provide the same benefits for both active and inactive members.*

PERS 1 is unique among Washington plans providing service-based survivor benefits in that it differentiates between active and inactive members for purposes of pre-retirement death benefits. In contrast, the Plans 2/3 and the Teachers' Retirement System Plan 1 (TRS 1) do not differentiate between active and inactive members. These plans provide the same pre-retirement death benefits for active and inactive members: Survivors of eligible members in these plans, whether active or inactive at time of death, may choose between a survivor annuity or a refund of the member's accumulated contributions.

***Comparative Systems***

*The comparative systems are split on the policy of differentiating between active and inactive members.*

Washington's comparative systems are split on the policy of differentiating between active and inactive members for pre-retirement death benefits. Among the systems covering general government employees, six distinguish between active and inactive members for the purpose of providing pre-retirement death benefits and four do not. Oregon, Wisconsin, Ohio, Florida, Colorado, and California provide different pre-retirement death benefits for inactive members than for active members. Generally, these systems provide a refund of member contributions for inactive members while providing a survivor annuity or an additional employer match of member contributions for active members. Seattle, Minnesota, Missouri, Idaho, and Iowa provide the same pre-retirement death benefits for both active and inactive members. California and Ohio treat members who have separated within a specified timeframe as active for purposes of receiving the pre-retirement death benefits: four months in California, and thirty months in Ohio.

### *Policy Questions*

Policy-makers may wish to consider the following questions when deliberating on this issue:

- Should the same pre-retirement death benefits be provided for inactive PERS 1 members that are provided for active PERS 1 members (choice of annuity or refund of contributions)?
- Should the same eligibility criteria for a survivor annuity apply to both inactive members and active members (retirement eligible or ten or more years of service at time of death)?

### *Implications of Changes to Current Policy*

*Providing the same pre-retirement death benefits for active and inactive members is consistent with the approach in other Washington plans.*

Providing the same pre-retirement death benefits and eligibility for inactive members as for active members is consistent with the earned benefit design and with the approach taken in the Plans 2/3 and TRS 1.

Providing different eligibility criteria for inactive members may lower costs and could be used to target the improvement to those survivors most adversely affected by the current policy. For example, the survivor annuity could be limited to inactive members who were retirement eligible at the time of death or who had worked substantial careers before leaving service. These members generally lose the most by not having an annuity option available. However, any time a line is drawn, some members will fall outside of it. This may lead to calls for additional expansions later (i.e., an inactive member dies one day prior to retirement eligibility).

*Benefit improvements are unlikely to be fully funded over the working lives of members.*

Changing current policy regarding pre-retirement death benefits in PERS 1 may have funding policy implications as well. Since PERS 1 is a closed plan and most members are near the end of their working careers, any benefit improvements are unlikely to be funded over the working lifetime of the current members. This is inconsistent with the current statutory funding policy goal of intergenerational equity. Intergeneration equity calls for benefit improvements to be funded over the working lives of the members receiving the benefits so that the costs of those benefits are paid for by the taxpayers who receive the benefit of the members' services.

Stakeholder Input

*Correspondence from:*

*Dave Nelsen, Assistant Director of Retirement Services, Department of Retirement Systems*

## Next Steps

The Executive Committee will provide further direction to staff on this issue.

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The Select Committee on Pension Policy

# Survivors Of PERS 1 Inactive Members

Darren Painter, Research Analyst
September 18, 2007

Office of the State Actuary

## Overview

- Background
- Current policy
- Other plans/states
- Policy changes

# History

- Identified by DRS
- Initial SCPP briefing in July
- Executive Committee directed staff to prepare full briefing for September



# Issues

- PERS 1 pre-retirement death benefits differ for active and inactive members
  - Larger benefits generally provided for active members
- Other Washington plans do not make this distinction

## PERS 1 Pre-Retirement Death Benefits

- Survivors of active members may choose between
  - Refund of accumulated contributions with interest
  - Actuarially reduced survivor annuity if eligible
    - Retirement eligible or 10+ years of service
- Survivors of inactive members have only one option
  - Refund of accumulated contributions with interest
- Survivor annuity
  - Often more valuable
  - Does not add extra cost to the plan



## Example

- A PERS 1 member leaves service after 30 years
  - The member is eligible for retirement, but chooses to defer for tax purposes
  - Member becomes an inactive vested member
  - Three months later the member dies
  - The survivor's only option is a refund of the member's accumulated contributions with interest
  - Survivor *loses* value of employer-funded benefits
- If the member had died while active the survivor could have chosen a survivor annuity
  - Survivor *receives* value of employer-funded benefits

## Why Different?

- Oversight?
  - Originally PERS 1 did not provide vested benefits to members who separated prior to retirement
  - When vested benefits were later provided to inactive members, survivors of inactive members may have been overlooked
- Deliberate policy decision?
  - Encourage members to stay in the plan
  - Save money by not paying out the benefit
  - Less need to provide benefits to members who leave service



## Members Impacted

- Currently over 2,500 PERS 1 inactive vested members
- At least 200 are eligible for immediate retirement
- Very few are expected to die before retiring

## Implications Of Current Policy

- Current PERS 1 policy for pre-retirement death benefits
  - Views active members who die prior to retirement as early retirements
  - Views inactive members who die prior to retirement as withdrawals from membership
- More “golden-handcuffs” and less member flexibility
- Some inactive members lose “earned” benefit
- Inconsistent with Plans 2/3 and TRS 1



## Other Plans

- Plans 2/3 and TRS 1 do not distinguish between active and inactive members for pre-retirement deaths
- Same benefits provided for both
  - Choice of refund of contributions or survivor annuity (if eligible) for TRS 1 and Plans 2
  - Survivor annuity (if eligible) and balance in DC account for Plans 3

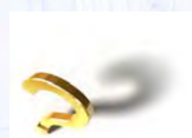
## Other States/Systems

- Six provide different pre-retirement death benefits for active vs. inactive
  - Oregon, Wisconsin, Ohio, Florida, Colorado, California
  - Inactive members generally limited to refund of contributions
  - Active members generally receive survivor annuity or employer match of member contributions
- Five provide same pre-retirement death benefits regardless of status
  - Missouri, Minnesota, Idaho, Iowa, Seattle



## Policy Questions

- Should the same pre-retirement death benefits be provided for inactive PERS 1 members as for active?
  - Choice of refund of accumulated member contributions or survivor annuity for eligible members
- Should the same eligibility criteria apply for inactive members to qualify for a survivor annuity as for active?
  - Retirement eligible or 10+ years of service



## Implications Of Changes In Policy

- Providing same pre-retirement death benefits and eligibility for active and inactive
  - Allows members to receive earned benefit
  - Consistent other plans
- Eligibility for survivor annuity could be targeted to provide relief to those most impacted
  - Retirement eligible or long service
    - What about members who just miss cutoff?
  - May lower costs (foregone savings)
  - Inconsistent with other plans



## Closed Plan Considerations

- PERS 1 is a closed and mature plan
- Declining number of members likely impacted
- Any improvement is unlikely to be funded over working lives of current members

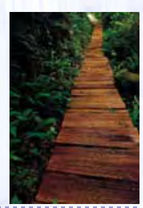
## Conclusion

- PERS 1 policy of not providing a survivor annuity for the pre-retirement death of an inactive member
  - Adversely impacts survivors of retirement eligible members or members with long careers
  - Does not allow some members to collect "earned" benefit
  - Inconsistent with other plans' practices
- Raises questions about what pre-retirement death benefits should be provided for inactive members



## Next Steps

- Executive Committee will provide further direction to staff
  - Possible options
  - Possible pricing



## Winner, Charlene

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

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

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

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

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

* Expanding the Plan 1 Post 30 year contribution program to include an annual window for opting in prospectively, rather than just the one time chance upon reaching 30 years. This has been requested by Plan 1 members. Often, circumstances change after 30 years of service, and what may not have made sense at that time may become an attractive option, even an incentive to retain valuable Plan 1 employees. With the rising cost of healthcare, many Plan 1 members find they cannot afford to retire at an early age, but have missed their deadline to participate in this program.

* Death while retirement eligible. In PERS Plan 1, if an active member with more than 10 years of service dies, their surviving spouse can choose either to receive a monthly benefit at the option 2 level, or a refund of contributions and interest. However, if a Plan 1 member who is inactive, regardless of years of service or even eligibility to retire, passes away, their survivor only can receive the contributions and interest. This doesn't occur often, but when it does, it can be devastating for survivors. Some individuals may separate when retirement eligible, but don't want to begin drawing their monthly benefits right away. Some are inactive for a time and have forgotten to retire when they first became eligible. In these situations, if the member were to die before applying for their benefit, the spouse would not be eligible for an on going monthly payment.

* Veterans Benefits. The amendment to the $150k bill to allow twice the contributions to surviving spouses of members killed while on military duty affects PERS Plan 2 only. This creates a benefit inequity with the other systems.

* Additionally, the Department would like to bring a proposal to the committee for endorsement that deals with inactive, non-vested members. Currently, a member who separates is not required to withdraw, whether they are vested or not. However, the IRS requires the Department to pay the members when they turn age 70 ½, or pay their beneficiaries when they die. Often, funds can sit in an account for many years, even decades, after employment before reaching these milestones. The Department is then required to locate individuals at significant administrative expense, if it is even

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

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

Sincerely,

Dave Nelsen

DRS

# 3. PERS to SERS Auto-Transfer

# PERS to SERS Auto-Transfer

## In Brief

### ISSUE

*The membership and service credit of certain PERS 2 members is being automatically transferred to SERS. This transfer, which was designed to move classified school employees to SERS when the system was first opened, occurs even if the member's primary career is unrelated to school employment.*

*The statutes governing the transfer of PERS membership to SERS may be impacting members that the Legislature did not intend to impact. Further, the open-ended nature of the "auto-transfer" may lead to unintended consequences in future years.*

### MEMBER IMPACT

*On average, nearly 50 PERS 2 members a month have their membership and service credit transferred to SERS.*

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## Current Situation

There are statutory provisions to automatically transfer the membership and service credit of certain Public Employees' Retirement System (PERS) Plan 2 members to the School Employees' Retirement System (SERS) Plan 2. Affected members have their PERS membership and service credit automatically transferred to SERS if they become employed in a SERS eligible position*. If the member has withdrawn any contributions, such contributions and the associated service credit may be restored to SERS. PERS 2 members currently being affected by the SERS "auto-transfer" provisions if they become employed in a SERS eligible position* include:

- Members who first entered PERS employment after SERS was opened.
- Members who were working for non-educational employers when SERS was opened.
- Members who left or retired from PERS employment prior to the opening of SERS.
- Members whose last employment was for a school district or educational district and who retired from PERS 2 prior to the opening of SERS and opt to re-establish membership.

A PERS 2 member's service and membership will only be automatically transferred to SERS one time – even if the member alternates between PERS and SERS positions throughout their career in public service.

**Or establish membership in SERS as a substitute employee*

## History

The SERS system was created in 1998 and opened to membership on September 1, 2000. Initial membership was comprised of PERS 2 members who were employed by school districts and educational service districts on September 1, 2000.

The intent of the legislature in creating SERS was "to achieve similar retirement benefits for all educational employees by transferring the membership of classified school employees in [PERS 2] to [SERS 2]. The transfer of membership to [SERS 2] is not intended to cause a diminution or expansion of benefits for affected members. It is enacted solely to provide public employees working under the same conditions with the same options for retirement planning." See RCW 41.35.005.

*SERS was created to allow classified school employees access to Plan 3 benefits.*

When the SERS system was created, Plan 3 had been established for teachers, but not for public employees. At that time, classified school employees in PERS wanted the same Plan 3 benefits that were available to teachers. SERS was created to provide that option. SERS featured both a Plan 2 and a Plan 3 when it was created. SERS Plan 2 had the same benefit structure as PERS Plan 2, and SERS Plan 3 had the same benefit structure as the Teachers' Retirement System (TRS) Plan 3. PERS 2 members employed in SERS-eligible positions on the day SERS opened were initially transferred to SERS 2 - where they then had the opportunity to transfer to SERS 3. The transfer of all service, and corresponding contributions, from PERS 2 to SERS 2 provided members who were intending to transfer to SERS 3 the largest possible balance in their SERS Plan 3 defined contribution accounts.

*The transfer of PERS 2 members to SERS 2 was extended beyond the initial opening date of SERS.*

The transfer of PERS 2 members to SERS 2 was extended beyond the initial opening date of SERS. PERS 2 members who were not employed in a SERS-eligible position when SERS first opened have their PERS 2 membership and service transferred to SERS 2 if they later become employed in a SERS-eligible position. This transfer is accomplished through means of the "auto-transfer" statutes (see heading entitled "Current Situation" above for a complete description). In addition to returning school employees, the "auto-transfer" is impacting PERS members whose primary careers are unrelated to school employment.

Since the initial transfer of PERS 2 classified school employees to SERS 2, over 5,000 PERS 2 members who became employed in SERS eligible positions have had their PERS membership and service credit automatically transferred to SERS. It is unknown how many of these members' PERS service was related to school employment. The Department of Retirement Systems has received complaints from some members who have had their PERS 2 service automatically transferred to SERS 2 when their primary career was not in SERS.

During the 2004 Legislative session a bill was introduced that would have removed the provisions for the automatic transfer of PERS 2 members into SERS 2 upon employment in a SERS eligible position. This bill (SB 6610) did not go through the SCPP and did not receive a hearing.

## Examples

**Example 1: School employee with break in service**

A PERS 2 member employed by a school district leaves employment after five years of service and prior to the opening of SERS. Two years later the member returns to an eligible position in a school district. The member's five years of prior PERS 2 service are automatically transferred to SERS 2.

**Example 2: County employee taking a part-time SERS job**

*PERS members taking a part-time SERS job for the first time have their PERS membership automatically transferred to SERS.*

A county employee with 15 years of service in PERS 2 takes an additional part-time job with a school district to earn extra money. This is the first time the member has held a SERS-eligible position. Because the member is now employed in a SERS-eligible position, his PERS membership and 15 years of PERS service are automatically transferred to SERS. Any future service rendered for the county remains in PERS.

## Policy Analysis

***Possible Inconsistency with SERS Intent***

The PERS to SERS "auto-transfer" allows classified school employees who experienced a break in service when SERS first opened to transfer their past service into SERS if they become re-employed in a SERS-eligible position. This is in keeping with the Legislature's stated intent to "provide public employees working under the same conditions with

*The Legislature may not have intended the "auto-transfer" statutes to impact PERS members whose primary careers are unrelated to school employment.*

the same options for retirement planning". See RCW 41.35.005. However, the "auto-transfer" also transfers the membership and service credit of PERS members whose primary careers are unrelated to school employment. This appears to be inconsistent with the original intent of the Legislature in creating SERS. It is possible that the "auto-transfer" was designed around career school employees. Little consideration may have been given to PERS members who take part-time SERS positions in addition to their primary PERS career. The Legislature may not have intended the "auto-transfer" statutes to impact PERS members whose primary careers are unrelated to school employment.

Clarifying the language in the existing statutes so the "auto-transfer" only impacts former school employees would be more consistent with the Legislature's original intent. Such a fix would likely eliminate most, if not all, of the member complaints about the "auto-transfer" process. However, even if the "auto-transfer" statutes were amended to only impact this group, there are still policy concerns with having an open-ended "auto-transfer".

*Continuing the PERS to SERS "auto-transfer" may not make as much sense today.*

***Implications of Continuing "Auto-Transfer"***

While it may have made sense when SERS was first opened to transfer members' service over from PERS, it may not make as much sense to continue that policy today. Transferring prior PERS service into SERS would have simplified the initial transfer process from both the member's and plan administrator's perspective. From the member's perspective, having all of one's service in a single plan makes retirement planning less complicated. Transferring the prior PERS service provided SERS members the same opportunity that teachers had to move their Plan 2 service into Plan 3 and maximize their Plan 3 defined contribution accounts. This was consistent with the Legislative intent to achieve similar retirement benefits for all educational employees. See RCW 41.35.005. From the administrator's perspective, a one-time transfer may have been preferable to maintaining over 40,000 new dual-members.

*The advantages of the "auto-transfer" have diminished since the initial creation of SERS.*

The advantages of the "auto-transfer", however, have diminished since the initial creation of SERS. The number of former classified school employees returning to service and being impacted by the "auto-transfer" is relatively small compared to the initial number who transferred to SERS. Some of these members have already experienced a fairly long break in service - nearly seven years – or transitioned to public employment outside of a school district. This raises the question of whether special accommodations should be made for these members if they return to classified school employment. Since PERS now has a Plan 3 and experience has shown that members are generally less interested in transferring from Plan 2 to Plan 3 today, there is likely less need to provide a mechanism for members to transfer prior PERS 2 service into SERS 3. Additionally, it is not guaranteed that benefits will be the same in PERS 2 and SERS 2 in the future, which may result in unintended consequences.

*In the future, there could be increased legal risk.*

When SERS was first created, the benefit provisions of SERS 2 and PERS 2 were identical. Thus, members did not experience either a diminution or expansion of benefits by having their PERS 2 membership and service transferred to SERS 2. However, the more time that passes following the creation of SERS, the greater the likelihood that the benefit provisions of PERS 2 and SERS 2 will start to diverge. Divergent benefits often result from pension legislation that does not go through a policy committee like the SCPP. If the differences in the plans were to become substantial enough, members may actually begin to experience a diminution or expansion of benefits by having their PERS membership automatically transferred to SERS. Such an outcome was likely not envisioned as a possibility at that time and was clearly not part of the Legislature's original intent in transferring members to SERS. See RCW 41.35.005. If benefits were to diverge to the point that some members were being inadvertently harmed by the "auto-transfer," it may create potential legal risk for the state.

Given the diminished benefits of the "auto-transfer" today and the potential legal risk that may arise from a mandatory transfer of membership in the future, it may be preferable from both a policy and administrative perspective to discontinue the "auto-transfer." Policy-makers may wish to consider making the transfer of prior PERS 2 service to SERS optional for returning educational employees, or as an alternative, allowing such employees to become dual-members.

### *Implications for Dual-Membership*

Transferring service credit between systems is counter to the policy of dual-membership which is codified within the "portability" chapter of state law. See RCW 41.54. Dual-membership allows members to combine service from all their systems to qualify for benefits and use the highest salary from any system to determine their benefits. Each system then pays out benefits based on that system's provisions and the service in that system. Dual-membership is designed to ensure that members are neither advantaged nor disadvantaged by changing public careers – even when the underlying benefits of the systems differ.

*Members may still receive full value for past school employment under dual-membership provisions.*

While dual-membership will effectively make "whole" the retirement benefits for classified school employees whose service crosses from PERS to SERS, it is not an exact substitute for transferring service. Members may still receive full value for their past school employment in PERS under the dual-membership provisions; however, they would not be able to transfer their prior Plan 2 service into Plan 3 as they would under the "auto-transfer" provisions*. Currently, very few active members opt to transfer from Plan 2 to Plan 3 under the annual transfer window. Cases where a returning classified school employee would wish to transfer all their past Plan 2 service to Plan 3 will likely be the exception.

The PERS to SERS "auto-transfer" is an exception to the basic policy of dual-membership. Maintaining such an exception may, in rare cases, benefit a few members. However, policy-makers may wish to weigh the potential benefits against the potential legal risk.

**The member's PERS 2 service would be transferred to SERS 2 and the member could later opt to transfer that service to SERS 3.*

### *Implications for Optional Transfer*

*An optional transfer may result in a cost to other plan members or employers.*

Making the "auto-transfer" optional instead of mandatory would reduce the risk of the exposure to one kind of liability while increasing the risk of exposure to another. Making the transfer optional would likely eliminate the potential legal risk of members being harmed by the transfer. However, members may be able to take advantage of an optional transfer to increase their benefits while passing the cost of those benefits on to others. This situation could occur if the benefits in SERS were to become more generous than the benefits in PERS. Members electing to transfer their service would essentially be able to "buy" the more expensive SERS benefits using cheaper PERS service. This would result in a cost to the SERS system which would be subsidized by all plan members and/or employers.

### *Other States*

Due to the narrow focus and technical nature of this issue, the experience of other states, if any, would be of limited value to policy-makers and would be impractical to obtain.

### *Policy Questions*

Policy-makers may wish to consider the following questions when deliberating on this issue:

- Should the "auto-transfer" statutes be amended so that they only impact members whose prior PERS service was rendered for a school or educational service district?
- Should the PERS to SERS "auto-transfer" be made optional? Discontinued? If discontinued, what is the appropriate date to discontinue it?

## Conclusion

The PERS to SERS "auto-transfer" was designed to facilitate the initial creation of the SERS system for classified school employees. The "auto-transfer" was extended beyond the initial opening date of SERS, and is impacting both returning school employees and PERS members whose primary careers are unrelated to school employment. The Legislature may not have intended to impact this latter group of PERS members.

The automatic transfer of PERS 2 membership and service to SERS 2 at the initial opening of SERS was advantageous for both members and the plan administrator. The advantages of the "auto-transfer;" however, have diminished since the initial creation of SERS. Continuing the mandatory "auto-transfer" indefinitely may expose the state to potential legal risk if the benefits in SERS 2 and PERS 2 diverge in the future. Making the "auto-transfer" optional would eliminate one source of potential liability, but it may result in costs being shifted to other SERS members or employers. In the absence of transfer provisions, SERS members may still receive full value for any past school employment in the PERS system under dual-membership provisions.

Policy-makers may wish to weigh the potential benefits against the potential risks of continuing the "auto-transfer" in its present form.

## Next Steps

The Executive Committee will provide further direction on this issue including possible options for pricing.

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# PERS to SERS Auto-Transfer

Dave Nelsen, Senior Policy Analyst
September 18, 2007



## Issues

- Wrong members may be impacted
- May lead to potential legal risk

## Presentation Goals

- Describe the “auto-transfer”
- Discuss implications of current policy
- Analyze alternatives to current policy



## What is the “Auto-Transfer”?

- PERS 2 membership and service credit automatically transferred to SERS 2
- Affects PERS 2 members who take jobs in SERS-eligible positions
  - Transfer occurs only once
  - Is not relevant if member’s PERS service or primary career is school-related employment
- Designed to facilitate creation of SERS

## Example 1: Returning School Employee

- A PERS 2 member who was a school district custodian prior to the creation of SERS leaves employment after 5 years of service
- The member returns to his old school district job in a now SERS-eligible position
- The member's 5 years of prior PERS 2 service is automatically transferred to SERS 2



## Example 2: Career PERS Employee

- A city bus driver with 15 years of PERS 2 service takes a part-time school district bus driving job in a SERS-eligible position
- The member's 15 years of PERS service is automatically transferred to SERS
- The member starts over in PERS with their city employment
- All future service rendered for the city remains in PERS

## Members Impacted

- On average, nearly 50 PERS 2 members a month are transferred to SERS 2 by the "auto-transfer"
- Over 5,000 PERS 2 members have been automatically transferred to SERS 2 after SERS first opened
- The number of members' whose service was school-related employment is unknown



## History

- SERS was created in 2000 for PERS classified school employees
- "Auto-transfer" facilitated the opening of SERS
  - Simplified the process
  - Provided maximum value for members going to Plan 3
- Likely continued beyond initial opening of SERS to cover members who missed initial transfer
- SB 6610 introduced in 2004
  - Would have discontinued "auto-transfer"
  - Did not receive a hearing

## Policy Implications

- Legislative intent
- Ongoing automatic transfer



## Legislative Intent

- "Auto-transfer" impacts PERS members whose primary careers are unrelated to school employment
  - Appears inconsistent with legislative intent
  - Unintended consequence?
- "Auto-transfer" was likely designed around career school employees
  - Member taking part-time SERS jobs may have been overlooked

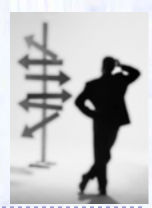
## Ongoing "Auto-Transfer"

- Advantages of "auto-transfer" have diminished since creation of SERS
- Open-ended automatic transfer may lead to potential legal risk in future
  - Members may be inadvertently "harmed" if PERS 2 develops better benefits than SERS 2
  - More likely when pension legislation bypasses the SCPP
- Transferring service between systems is inconsistent with dual-membership (aka portability) policy



## Alternatives To "Auto-Transfer"

- Targeting the transfer
- Discontinuing the transfer



## Targeting "Auto-Transfer"

- Could amend statutes so "auto-transfer" only impacts former school employees
  - More consistent with Legislative intent
  - Eliminates most member complaints
- Policy concerns remain with an open-ended "auto-transfer"



## Discontinuing "Auto-Transfer"

- Need for transfer has diminished
- The longer transfers continue, potential legal risk becomes more likely
- Returning members may still receive full value for prior school employment in PERS under dual-membership

## Summary

- "Auto-transfer" designed for initial creation of SERS
- May be having unintended consequences today
  - Impacting PERS members whose primary careers are unrelated to school employment
  - May lead to potential legal risk in the future
- Policy-makers may wish to consider other options
  - Target transfers
  - Discontinue transfers



## Next Steps

- Executive Committee will provide further direction
  - Possible options for pricing

# 4. Experience Study Overview

# Experience Study Overview

Paper copies of this PowerPoint presentation will be available for SCPP members at the meeting. The public may access the PowerPoint in the meeting materials posted to the SCPP website at http://www1.leg.wa.gov/SCPP/meetings/.

Washington State Legislature

# Experience Study Overview


**Matthew M. Smith, FCA, EA, MAAA**
**State Actuary**


Office of the State Actuary
"Securing tomorrow's pensions today."

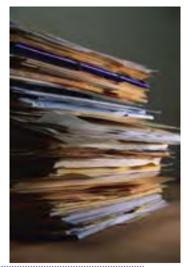
September 18, 2007

## Today's Presentation

- What is an experience study?
- Why do we do them?
- How do we do them?
- What's next?

## What Is An Experience Study?

- Comparing what we assumed would happen with what actually happened
- "Reality check"



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## Why Do We Do Them?

- Ensure actuarial assumptions remain reasonable
- Produce reasonable and adequate contribution rates
  - An SCPP goal
- Maintain appropriate balance of "intergenerational equity" in funding
  - An SCPP goal

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## How Do We Do Them?

- Study the past and look to the future
- Guided by actuarial standards of practice




## Two Types of Assumptions

Economic (Estimate Amount)

- Rate of investment return
- Rate of inflation
- Rate of general salary increases
- Growth in system membership (for amortizing the Plan 1 UAAL)
- All prescribed in statute

Demographic (Estimate Timing)

- Retirement
- Mortality
- Termination from employment
- Disability
- Other non-economic assumptions
- Not prescribed in statute

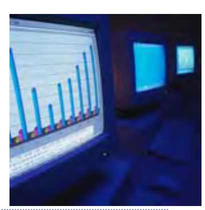
## Economic Assumptions (Estimate Amount)

- Experience study completed
- OSA recommendation presented to PFC
- PFC may adopt changes by October 31



## Demographic Assumptions (Estimate Timing)

- Experience study in progress
- Preview of initial analysis at next two SCPP meetings
- Study and audit concludes next summer



## How Do We Perform Demographic Experience Studies?

- Review past experience data
- Compare actual to expected experience
- Analyze results
- Use professional judgment to refine current assumptions (if necessary)



## Experience Data

- Not starting from scratch
- OSA has over 30 years of plan-specific experience data
- Experience and judgment reflected in our current assumptions

## Comparing Actual To Expected Experience (Example)

| | | Current Assumption | | New Assumption | |
|---|---|---|---|---|---|
| **Age** | **Actual** | **Expected** | **Ratio** | **Expected** | **Ratio** |
| -54 | 3 | 6 | 50% | 4 | 75% |
| 55-59 | 13 | 16 | 81% | 11 | 118% |
| 60-64 | 19 | 31 | 61% | 22 | 86% |
| 65-69 | 28 | 54 | 52% | 41 | 68% |
| 70-74 | 69 | 73 | 95% | 60 | 115% |
| 75-79 | 64 | 68 | 94% | 59 | 108% |
| 80-84 | 51 | 46 | 111% | 42 | 121% |
| 85-89 | 19 | 22 | 86% | 22 | 86% |
| 90-94 | 8 | 6 | 133% | 7 | 114% |
| 95-99 | 1 | 1 | 100% | 1 | 100% |
| 100+ | 0 | 0 | | 0 | |
| **Total** | **275** | **323** | **85%** | **269** | **102%** |



## Analyzing The Results

- What might explain differences?
- Has the plan design changed since last study?
  - Impact on past behavior
  - Impact on future behavior
- Have external forces influenced behavior?
  - Business cycles and economic events
  - Regulatory reform
- Normal short-term variation?
- Do we have enough data for all plans and assumptions?

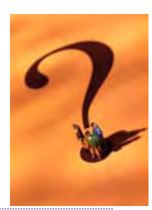
## Specific Considerations For Each Assumption (Examples)

- Retirement
  - Does the availability of other employer-sponsored post-retirement benefits influence retirement behavior (post-retirement employment; access to OPEB, etc.)?
- Mortality
  - Will mortality continue to improve in the future?
- Duty Disability
  - Is the workplace becoming more/less safe?



## Assumption Format

- What demographic data best explain past experience?
- Examples
  - Table or single-point estimate
  - Table based on age only
  - Table based on age and gender (i.e., retirement, mortality)
  - Table based on years of service (i.e., termination from employment, merit increases)



## Other Considerations

- Materiality
- Cost effectiveness



## What Is A Reasonable Assumption?

- Appropriately models the contingency being measured
- Does not consistently under or over-estimate in the long run
- Reasonable when combined with all other assumptions

## Refining Current Assumptions

- Ultimately, you must land on a specific assumption
- Selection is made after reviewing experience data and analyzing study results
- Refinements to assumptions are a blend of past experience and future expectations
- An exercise of professional judgment



## Recap

- Experience study is a "reality check"
- Ensure assumptions and contribution rates remain reasonable
- Study the past and look to the future
- Assumption changes are a blend of past experience and future expectations
- Actuaries exercise professional judgment and are guided by standards of practice

## What's Next?

- PFC may adopt changes to the economic assumptions by October 31
- Preliminary analysis of demographic assumptions underway
  - Preview of analysis at next two SCPP meetings
- Demographic experience study will conclude in June/July of 2008
- Economic and demographic assumption changes reflected in 2009-11 contribution rates

# 5. Retiree Access to PEBB – Stakeholder Report

# Retiree Access to PEBB – Stakeholder Report

Presentation by staff from the Health Care Authority.

# 6. Public Education Experience Program – Waiting Period

# Public Education Experience Program – Waiting Period

## In Brief

### ISSUE

*Stakeholders have asked the SCPP to recommend legislation to decrease the waiting period* ***from five to two years*** *for teachers who choose to purchase service credit for out-of-state public education experience at full actuarial cost.*

### MEMBER IMPACT

*This proposal impacts certain active members of Plans 2 and 3 of the Teachers' Retirement System (TRS) who have qualifying public education experience outside of the Washington State Retirement System. There are currently 501 out of 7,025 active Plan 2 members and 17,597 out of 51,473 active Plan 3 members with less than five years of service in TRS who could benefit from the proposed change in the waiting period if they have qualifying out-of-state service.*

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## Current Situation

As of January 1, 2007, members of Teachers' Retirement System (TRS) Plans 2 and 3 may purchase service credit for public education experience outside the Washington State Retirement Systems as follows:

1. **The member must have five years of TRS service credit to participate.** *The proposal is to change this waiting period to two years instead of five.*
2. The member may make a one-time purchase of up to seven years of service credit for public education experience (state and/or federal) outside the Washington State Retirement Systems.
3. The public education experience must be earned in a teaching position covered by a governmental retirement or pension plan. A member may not purchase public education experience for which the member is currently receiving a benefit or is currently eligible to receive an unreduced retirement benefit.
4. Participating members pay the full actuarial value of the resulting increase in their TRS benefit; however employers of members may pay part or all of member costs.
5. The purchased service credit becomes membership service in TRS and may be used to qualify for a benefit and increase the benefit amount.

## Example

A teacher is recruited to work in Vancouver, Washington. This teacher has five years of teaching experience in Oregon and three years of teaching experience with the federal government in Fort Bragg, North Carolina. After five years of being a member of TRS 3, this member can make a one-time purchase of seven years of out-of-state public education experience at full actuarial cost. Under the proposal before the committee, this member could make the purchase after two years in TRS 3.

See the attached DRS publication "Using Service Credit Earned Outside the Washington State Teachers' Retirement System" for other examples.

## History

The "public education experience program" was designed by a subgroup of the Select Committee on Pension Policy (SCPP) in the 2004 interim. The SCPP's version of the program was substantially identical to the current one, except that the cost to members was less than the full actuarial value of the increase in their benefits. Under the original program design, members would have paid the following: the product of the sum of the applicable employer and employee contribution rates, multiplied by the member's salary at the time of purchase, and further multiplied by the total number of years of service credit to be purchased, plus compound interest for the period for which the service credit is purchased, at a rate equal to the current investment rate of return assumption [(employer rate + employee rate) x salary x years of service + compounded interest at 8 percent].

*This service credit purchase program was designed by the SCPP as a recruitment tool for teachers; however it did not pass the Legislature until after the Senate amended the bill to require members to pay the full actuarial cost.*

The original proposed public education experience program was designed as a recruitment tool for teachers to help implement Goal 2 of the SCPP's Goals for Washington State Pension Plans. Goal 2 is: "To manage the state retirement systems in such a way as to create stability, competitiveness, and adaptability in Washington's public pension plans, with responsiveness to human resource policies for recruiting and retaining a quality public workforce."

In the 2005 session the SCPP's bill was introduced as HB 3122/SB 5489. The bill did not move from House Appropriations and did not receive a hearing in Senate Ways and Means. The 2005 fiscal note indicated a 25-year employer cost of $130 million.

The SCPP recommended this legislation again in 2006 as HB 2680. The bill was successful, but only after the Senate amended the proposal to eliminate its cost by requiring TRS members to pay the full actuarial value of the increased benefit attributed to the service credit. After session, stakeholders indicated that leaving the five-year waiting period alone after the cost provisions were amended was an oversight. In their view, the five-year waiting period made sense when members were paying less than actuarial cost, as the five years would have demonstrated commitment to the State of Washington; however, with members paying the full actuarial cost, there is no public "investment" in the service credit and therefore the waiting period should have been shorter (i.e. two years) in order to make the program more attractive to teachers.

A bill to reduce the waiting period was introduced in the 2007 session as HB 1200. The bill was not part of the SCPP's recommended legislation for 2007. The bill passed the House but not the Senate. The House also amended SB 5174 (Technical Corrections) to reduce the waiting period, but the Senate did not concur and the House receded from the amendment.

*Now that members are paying the full actuarial cost, the need for a five-year waiting period may no longer exist.*

## Policy Analysis

Because the proposal is a narrow one – limited to changing only the length of the waiting period for participating in the optional "public educational experience program," the policy implications of the change are also narrow. According to the stakeholder point of view, it should make little difference to state or local governments whether the waiting period is reduced, as public employers have no money "invested" in the purchase of service credit for members. Also, because members must pay the full actuarial cost, the program is less attractive to new teachers than it was originally.

The two-year waiting period may at least encourage more teachers to see value in the program. For most members, the earlier in their career they purchase out-of-state service credit, the lower the purchase price.

The stakeholder views seem consistent with the SCPP subgroup's original desire to offer the public education experience program as a recruitment tool for teachers working outside the Washington State Retirement Systems. The program clearly became less attractive to teachers when the purchase subsidy was removed. Perhaps reducing the waiting period would at least be a step in the direction of making the program more desirable to teachers.

At least one SCPP member has raised the question of whether decreasing the waiting period would increase teacher retention. This is a possibility. For some teachers, a shorter waiting period may offer teachers more opportunity to "invest" in TRS membership. The program may also support teachers' desires to consolidate their retirement assets. Thus, in some instances, the program may support teacher retention.

In other instances, however, teachers may see the ability to purchase this service credit as a factor that supports their decision to retire earlier. The possible link to earlier retirement is based on the fact that the service credit purchased under this program is treated as membership service that may be used to qualify for a retirement benefit.

The program became effective January 1, 2007, so at this time there is no meaningful data concerning utilization of the program.

## Other States

When this program was originally designed by the SCPP, a complete policy discussion and comparative analysis was available to the committee. See 2005 Interim Issues, "TRS Out-of-State Service Credit," December 15, 2005. As reported at that time, half of the SCPP's ten comparative states charged "actuarial cost" for out-of-state service credit purchases: Colorado, Idaho, Iowa, Oregon and Wisconsin.

Staff recently examined the websites of those five states to determine what kind of waiting period (if any) is required for members to participate in those service credit purchase programs. As of July 23, 2007, retirement system website materials for those states indicated great variability in the waiting periods, from "none" to "within 90 days of retirement." The results are summarized in the following table:

| Waiting Periods for Purchasing Out-of-State Service at Actuarial Cost | |
|---|---|
| **Colorado** | 1 year |
| **Idaho** | None |
| **Iowa** | Must be vested with 4 years of service, or a contributing member and age 55. |
| **Oregon** | Purchase can only occur within 90 days of member's effective retirement date |
| **Wisconsin** | None |

## Procedural History

The full SCPP received an initial briefing on this issue at its regular meeting on July 17, 2007. Following the meeting, the Executive Committee recommended that the proposal to change in the waiting period from five to two years be placed on the full committee agenda and set for public hearing on August 14, 2007. The matter was heard on August 14, 2007; no action was taken by the full SCPP at that time.

## STAKEHOLDER INPUT

*Correspondence (attached) from:*

1. *Washington Association of School Administrators (WASA) and Washington Association of School Principals (WASP).*

2. *Washington Education Association (WEA).*

## Bill Draft

A Code Reviser copy of the proposed bill language is attached.

## Draft Fiscal Note

A draft fiscal note (showing no fiscal impact) is attached.

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

BILL REQ. #: Z-0659.1/08

ATTY/TYPIST: LL:ean

BRIEF DESCRIPTION: Purchasing service credit in plan 2 and plan 3 of the teachers' retirement system for public education experience performed as a teacher in a public school in another state or with the federal government.

AN ACT Relating to purchasing service credit in plan 2 and plan 3 of the teachers' retirement system for public education experience performed as a teacher in a public school in another state or with the federal government; and amending RCW 41.32.813 and 41.32.868.

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

**Sec. 1.** RCW 41.32.813 and 2006 c 257 s 1 are each amended to read as follows:

(1) An active member who has completed a minimum of ((~~five~~)) two years of creditable service in the teachers' retirement system may, upon written application to the department, make a one-time purchase of up to seven years of service credit for public education experience outside the Washington state retirement system, subject to the following limitations:

(a) The public education experience being claimed must have been performed as a teacher in a public school in another state or with the federal government; ((~~and~~))

(b) The public education experience being claimed must have been covered by a retirement or pension plan provided by a state or political subdivision of a state, or by the federal government; and

(c) The member is not currently receiving a benefit or currently eligible to receive an unreduced retirement benefit from a retirement or pension plan of a state or political subdivision of a state or the federal government that includes the service credit to be purchased.

(2) The service credit purchased shall be membership service, and may be used to qualify the member for retirement.

(3) The member shall pay the actuarial value of the resulting increase in the member's benefit calculated in a manner consistent with the department's method for calculating payments for reestablishing service credit under RCW 41.50.165.

(4) The member may pay all or part of the cost of the service credit to be purchased with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(5) The employer also may pay all or a portion of the member's cost of the service credit purchased under this section.

**Sec. 2.** RCW 41.32.868 and 2006 c 257 s 2 are each amended to read as follows:

(1) An active member who has completed a minimum of ((~~five~~)) <u>two</u> years of creditable service in the teachers' retirement system may, upon written application to the department, make a one-time purchase of up to seven years of service credit for public education experience outside the Washington state retirement system, subject to the following limitations:

(a) The public education experience being claimed must have been performed as a teacher in a public school in another state or with the federal government;

(b) The public education experience being claimed must have been covered by a retirement or pension plan provided by a state or political subdivision of a state, or by the federal government; and

(c) The member is not currently receiving a benefit or currently eligible to receive an unreduced retirement benefit from a retirement or pension plan of a state or political subdivision of a state or the federal government that includes the service credit to be purchased.

(2) The service credit purchased shall be membership service, and may be used to qualify the member for retirement.

(3) The member shall pay the actuarial value of the resulting increase in the member's benefit calculated in a manner consistent with the department's method for calculating payments for reestablishing service credit under RCW 41.50.165.

(4) The member may pay all or part of the cost of the service credit to be purchased with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(5) The employer also may pay all or a portion of the member's cost of the service credit purchased under this section.

**--- END ---**

# DRAFT FISCAL NOTE

| RESPONDING AGENCY: | CODE: | DATE: | PROPOSAL NAME: |
|---|---|---|---|
| **Office of the State Actuary** | **035** | **9/4/07** | **Z-0659.1/08** |

## INTENDED USE

This draft actuarial fiscal note was prepared by the Office of the State Actuary. The changes in liability, contribution rates, and fiscal costs are based on our understanding of the proposal as of the date of this draft fiscal note. Liabilities, contribution rates, and fiscal costs presented herein are subject to change should actual bill language for this proposal be introduced as legislation in the upcoming Legislative Session. This draft fiscal note is intended to be used by the Select Committee on Pension Policy during the 2007 Interim only.

Any third party recipient of this draft 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 analysis presented in this draft fiscal note should be read as a whole. Distributing or relying on only portions of this draft fiscal note could result in misuse and may be misleading to others.

## SUMMARY OF PROPOSAL

The bill draft impacts the Teachers' Retirement System (TRS) Plans 2 and 3. The bill would reduce from five years to two years the amount of TRS service credit a member must have in order to purchase service credit for public education experience in another state or with the federal government.

Assumed Effective Date: 90 days after session

## CURRENT SITUATION

Currently, members of TRS Plans 2 and 3 who have five years of TRS service credit may make a one-time purchase of up to seven years of service credit for public education experience (state and federal) outside the Washington State retirement systems. The public education experience must be earned in a teaching position covered by a governmental retirement or pension plan. Public education experience for which the member is currently receiving a benefit or is currently eligible to receive an unreduced retirement benefit may not be purchased. The member pays the full actuarial value of the resulting increase in their TRS benefit; however, the employer of the member may also pay part or all of the member's cost. The purchased service credit becomes membership service in TRS and may be used to qualify for benefits and to determine the benefit amount.

## SUMMARY OF MEMBERS IMPACTED

This bill would affect active members with less than five years of service credit in TRS who have qualifying public education experience outside of the Washington State Retirement System. There are currently 478 out of 6,983 active TRS Plan 2 members and 17,698 out of 53,371 active TRS Plan 3 members with less than five years of service in the retirement system. Note that not all of these members will be impacted since they do not all have out-of-state service. We have not developed an estimate of how many members have out-of-state service. However, it does not impact the cost since members pay the full actuarial cost of their additional service under this bill.

We estimate that a typical member impacted by this bill could purchase out-of-state service up to three years earlier under this bill.

## ASSUMPTIONS

1. We assume that lowering the number of years a teacher must wait before purchasing out-of-state service credit will not change the number of members who elect to purchase out-of-state service or change future retirement behavior.

2. We assume that members who elect to purchase out-of-state service credit will not separate before they are vested in the retirement system.

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

The estimate of members impacted was developed using the same data as disclosed in the preliminary September 30, 2006 actuarial valuation report.

## FISCAL IMPACT

### Description

None. There would be no impact on contribution rates since the member pays the full actuarial value of the service credit purchased and the proposed changes would not alter expected retirement behavior for the plan.

## 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.

**Present Value of Credited Projected Benefits (PVCPB):** 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 PVCPB):** The excess, if any, of the Present Value of Credited Projected Benefits 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.

PLAN
TRS
2

# Using service credit earned outside the Washington State Teachers' Retirement System

If you are a member of the Washington State Teachers' Retirement System (TRS), you have two options that allow you to use service credit earned as a teacher outside TRS:


- Out-of-State Service Credit Program - page 2
- Public Education Experience Program - page 4


You may take advantage of one or both of these programs. For example, if you have seven years of eligible out-of-state service credit, you may use two of the years to qualify for early retirement, and you may purchase the remaining five years to increase your TRS service credit. See example on page 6.

## How do I decide which way to use service credit earned outside TRS?

This will depend on your personal situation, and the eligibility rules as described inside this brochure. However, the table below shows some of the key differences between each of the two ways you may use service credit.

| Out-of-State Service Credit Program | Public Education Experience Program |
|---|---|
| Only allows you to qualify for early retirement | Adds to your TRS membership service and allows you to qualify for early retirement |
| Retirement benefit is based only on your Washington state service credit; the out-of-state service credit is not used in your benefit calculation | Retirement benefit is based on both your Washington state service credit and the service credit you purchase |
| No payment required | Payment is required |
| Service credit must be earned in an out-of-state public retirement system that covers teachers | Service credit must be earned as a teacher in a public school in another U.S. state or with the U.S. federal government and covered by a retirement or pension plan |
| Must be a vested member of TRS | Must be an active member with five years of TRS service credit |
| No limit to how much out-of-state service credit you may use | You may purchase up to seven years of service credit for this purpose |

A complete description of the Out-of-State Service Credit Program begins on page 2.
A complete description of the Public Education Experience Program begins on page 4.

DRS
WASHINGTON STATE
Department of
Retirement Systems

# Out-of-State Service Credit Program

If you are a vested member of the Teachers' Retirement System (TRS) Plan 2 you may use service credit earned in an out-of-state public retirement system that covers teachers to qualify for early retirement. Out-of-state service credit may be used to meet the years of service requirement for either of the two early retirement provisions described below. However, if you use out-of-state service credit, it's important to remember that only your Washington state service credit will be used to calculate your retirement benefit, and that your benefit will be reduced for each year of out-of-state service credit used to meet early retirement eligibility.

To qualify for early retirement you must meet one of the two early retirement provisions:

- *Early Retirement* - allows a member who is at least age 55 to retire with at least 20 years of service. The member's benefit is reduced based on each year the member is under age 65. The reduction is based on early retirement factors provided by the Office of the State Actuary (OSA).
- *Alternate Early Retirement* - allows retirement for a member who is at least age 55, with 30 years of service. The benefit is reduced three percent for each year the member is under age 65.

**You may use out-of-state service credit to qualify for one of these early retirement provisions.**

## Is it to my advantage to use out-of-state service credit?

If you have enough Washington state service credit to qualify for retirement, there is no need to use your out-of-state service credit. Only service credit earned in Washington state will be used to calculate your monthly retirement benefit.

If you **do not** have enough Washington state service credit to retire before age 65, you may use your out-of state service credit to qualify for retirement and begin collecting a benefit. However, if you retire earlier than you could based on your Washington state service alone, your benefit will be reduced. The reduction is based on the difference between the age you retire using the out-of-state service credit and age 65.

## If I use my out-of-state service credit, how do the benefit reductions apply under *Early Retirement*?

Under the *Early Retirement* provision, your monthly benefit is reduced based on the number of years between your age at retirement and age 65.

<u>*Example*</u>: Suppose you are 57 years of age with 17 years of Washington state service credit and a monthly average final compensation (AFC) of $5,000. You have three years of out-of-state service credit that you would like to use to meet the 20-year service requirement under the *Early Retirement* provision. Your benefit would be reduced based on your age (57) and the full retirement age (65). Your early retirement factor would be .43 in this case. See page 3 for a complete listing of early retirement factors.

Here's how the calculation works (for the example above):

Service credit years x 2% x AFC x
early retirement factor = monthly benefit

17 x 2% x $5,000 (AFC)* x .43 = $731

*Your monthly retirement benefit would be $731.*

<u>Note</u>: Your benefit is calculated using only the 17 years of Washington state service credit.

## How do the benefit reductions apply under *Alternate Early Retirement*?

Although the reduction to your benefit is set at three percent per year for each year you are under age 65, a reduction based on early retirement factors (listed in the table at right) is applied to each year of out-of-state service credit that you use to meet the *Alternate Early Retirement* provision.

Example: Suppose you are 57 years of age with 25 years of Washington state service credit and a monthly AFC of $5,000. You have five years of out-of-state service credit that you would like to use to meet the 30-year service requirement for *Alternate Early Retirement*. In this case, you are eight years under age 65. Your benefit will be reduced based on early retirement factors (see table at right) for each of the five out-of-state service credit years (in this case, the reduction factor for these five years is .61).* Next, the three percent (per year) reduction, as described on page two under the *Alternate Early Retirement* provision, will be applied to the remaining three years that make up the difference between your age (57) and the full retirement age (65).

Here's how the calculation works:

25 (years of service credit) x 2% x $5,000 (AFC) =

50% x $5,000 = $2,500

$2,500 x .61 (early retirement factor) = $1,525

$1,525 x 9% (3% per year x 3 years) = $137.25

$1,525 - $137.25 = $1,387.75

*Your monthly retirement benefit would be $1,387.75.*

Note: Your benefit is calculated using only the 25 years of Washington state service credit.

* For more information about AFC, early retirement factors and how a retirement benefit is determined, please consult your *TRS Plan 2 Member Handbook*. You may obtain a copy from your employer, or on the DRS Web site at *www.drs.wa.gov*.

| Early Retirement Reduction Factors | |
|---|---|
| **Years to unreduced retirement allowance** | **Reduction Factor** |
| 10 | .37 |
| 9 | .40 |
| 8 | .43 |
| 7 | .49 |
| 6 | .55 |
| 5 | .61 |
| 4 | .67 |
| 3 | .73 |
| 2 | .82 |
| 1 | .91 |

## How do I apply to use out-of-state service credit?

If you decide to use out-of-state service credit, contact DRS for a copy of the *Application for Proof* of *Proof of Out-Of-State Service and/or to Purchase Public Education Experience*. Complete Section One of this application and then send it to the retirement system where you earned the service credit. The retirement system will complete Section Two and return the form to the Department of Retirement Systems (DRS).

# Public Education Experience Program

Beginning January 1, 2007, eligible members of Teachers' Retirement System (TRS) Plan 2 will have an opportunity to purchase service credit for public education experience earned as a teacher* outside TRS. The service credit they purchase will be considered membership service and may be used to qualify for retirement or early retirement.

To be eligible for this opportunity, you must:

- Be an active member of TRS Plan 2; and
- Have earned at least five years of TRS service credit.

## How much service credit may I purchase?

You may purchase up to seven years of service credit in a single purchase. Multiple purchases are not allowed. For example, if you purchase four years of public education experience in January 2007, you will not be able to purchase additional public education experience service credit again.

## What type of public education experience qualifies for service credit purchase?

Qualifying public education experience is that which you have earned as a teacher* in a public school in another U.S. state or with the U.S. federal government. Your former employer must have granted you service credit for performing as a teacher* and provided you with a retirement or pension plan. Also, your former retirement system will be required to verify this information on the service credit purchase application.

## How much does it cost to purchase the service credit?

You must pay the actuarial equivalent value of the resulting increase in your future benefit. The actuarial equivalent value is the amount we need today to pay for the increase in your monthly benefit over your lifetime.

We use this service credit purchase cost formula to calculate your cost:

*Cost = Annual Average Final Compensation (AFC) x Service Credit Being Purchased x Factor 1*

*Annual Average Final Compensation* is your highest average earnings over a five year period at the time of purchase.

*Service Credit Being Purchased* is the amount of service credit you would like to purchase.

*Factor 1* is from the Actuarial Factor Table provided by the Office of the State Actuary. The factor is based on the number of months between your age at the date you purchase the service credit and the age at which you would be eligible to retire with an unreduced retirement allowance (URA). See table on page 6.

The example below shows you how the service credit purchase cost formula works.

Ron is an active TRS Plan 2 member who currently has 17 years of service. Ron is 61. His annual AFC is $50,000. Ron wants to purchase three years of his eligible public education experience service credit to add to his current TRS service credit.

TRS Plan 2 members can get an unreduced retirement allowance (URA) at 65. Since Ron is currently 61, he is eligible for a URA in 48 months. The factor for TRS Plan 2 with a URA of 48 months is 0.2151.

We calculate the cost of Ron's service credit purchase like this:

Cost = $50,000 x 3 years x 0.2151 = $32,265

Ron's total cost to purchase three years of service credit is **$32,265**.

** As defined by your former retirement system.*

## Do I need to give up my right to a benefit from my previous retirement system for the service credit I purchase in TRS?

No. At the time you purchase service credit in TRS, you only need to prove that:

- You are **not currently** receiving a benefit from your previous system; and that
- You are **not currently** eligible for an unreduced benefit.

Your former retirement system must verify this information on the application.

## How do I apply for the service credit purchase?

Contact DRS for a copy of the *Application for Proof* of *Proof of Out-Of-State Service and/or to Purchase Public Education Experience*. Complete Section One of this application and then send it to the retirement system where you earned the service credit. The retirement system will complete Section Two and return the form to the Department of Retirement Systems (DRS).

## When do I pay?

You must pay your service credit bill in full within 90 days of the bill due date. You will receive your bill **after** we receive your application.

## Can I make installment payments?

You are not allowed to make installment payments.

## What type of payments do you accept?

You may make your payment with an eligible rollover, a direct rollover, or a trustee-to-trustee transfer from an eligible retirement plan. You may also make your payment with a personal check, cashier's check or money order. But IRS regulations limit the amount of after-tax dollars, such as those from your personal savings account, you can use for this type of purchase. Please consult a tax advisor for more information.

## Can I retire before I send DRS my payment?

No. We must receive your complete payment before you retire.

## Can my employer choose to contribute to the purchase?

Your employer may choose to contribute to the cost of the service credit purchased as part of your payment. Payments sent in by employers must reference your bill number on their check.

## Can I purchase this service credit if I am a substitute teacher?

Yes. But only if you are a substitute teacher who is currently reported by your employer as an active substitute and you meet the eligibility requirements.

## How is my payment applied to my account?

Your entire payment will be applied to your member account when paid in full.

## What happens to my payment if I quit work and withdraw my contributions?

If you are a Plan 2 member, when you separate from employment and request a refund of your contributions, the payment you made to purchase this service credit will be refunded to you.

## Example of taking advantage of both programs (see front page).

Suppose you are 60 years of age with 13 years of Washington state service credit and you would like to retire. The earliest you can retire with a reduced benefit is age 55 with 20 years of service credit. You have seven years of service credit earned in another state that you can use to meet the 20-year service requirement for early retirement. You decide to purchase five years under the Public Education Experience Program and use two years to qualify under the Out-of-State Service Credit Program. You must purchase your Public Education Experience Service Credit while you are an active member. Below is an example of the cost to purchase this:

Annual AFC* x Service Credit Being Purchased x Factor 1 (see purchase factors table below) = Cost
$52,000 x 5 x .2081* = $54,106

**Your total cost to purchase five years of service credit is $54,106.**

Once you have purchased the five years of service credit, it is applied to your total membership service. Now you have 18 years of service credit. If you use your other two years to qualify for early retirement your benefit will be reduced based on your age (60) and the full retirement age (65). In this case an early retirement factor of .61 would be applied. Your benefit will be calculated using only the 18 years of Washington state service credit. Below is an example of how the calculation works:

Service Credit Years x 2% x AFC* x early retirement factor (see table on page 3) = monthly benefit
18 x 2% x $4,500 x .61* = $988

**Your monthly retirement benefit would be $988.**

| Public Education Experience Program Purchase Factors | |
|---|---|
| **Years to unreduced retirement allowance** | **Factor** |
| 0 | 0.2454 |
| 1 | 0.2374 |
| 2 | 0.2297 |
| 3 | 0.2223 |
| 4 | 0.2151 |
| 5 | 0.2081 |
| 6 | 0.2014 |
| 7 | 0.1949 |
| 8 | 0.1885 |
| 9 | 0.1824 |
| 10 | 0.1765 |

* For more information about AFC, early retirement factors and how a retirement benefit is determined, please consult your *TRS Plan 2 Member Handbook*. You may obtain a copy from your employer, or on the DRS Web site at *www.drs.wa.gov*.

## How do I contact DRS?

If you have questions, or would like more information about using service credit earned as a teacher outside the Washington state retirement system, contact DRS:

Telephone: Toll-free at 1-800-547-6657 in the Olympia area (360) 664-7000

Email: *recep@drs.wa.gov*

U.S. Mail: Department of Retirement Systems
PO Box 48380
Olympia WA 98504-8380

Web site: *www.drs.wa.gov*

WASA & AWSP Tentative 2007 Interim Retirement Issues

- **Plan 3 Vesting**: Take away the age requirement for vesting in Plan 3. Make vesting available after five years of service like other retirement plans. HB 1941 from the 2007 session would accomplish this issue. We recommend that the SCPP recommend such legislation.

- **Survivor Benefits**: Provide improved survivor benefits to members of TRS, SERS and PERS in Plans 1, 2 and 3. As a start provide survivor benefits to those members that are qualified to retire under early or regular retirement in each of the plans. HB 1838 from the 2007 session was one attempt at getting started with this issue. It would have provided the survivors of Plan 1 TRS or PERS both the employee and employer contributions plus interest if the member had at least 30 years of service. Another approach would be to provide the survivor 200% of the employee's contributions similar to what was done in an amendment to 2SHB 1266, death benefit bill, from the 2007 session. We recommend that the SCPP study this whole issue and make recommendations to the 2008 session.

- **Plan 3 Improvement**: Many Plan 3 members felt short-changed in the 2007 session bill EHB 2391, gain-sharing trade-off. Probably SERS 3 members received the smallest trade since more than a majority of these members will not attain 30 years in the system and, therefore will not benefit from the new early retirement reductions. Also, any Plan 3 member that is already retired receives no trade and that retiree loses the benefit of future gain-sharing distributions. We recommend that the SCPP examine this issue during the interim and make recommendations for improved trade-off for some of these Plan 3 members and retirees.

- **Plan 1, 2 & 3 Military Service**: Allow Plan 1 TRS members after 25 years of service to purchase up to five years of service credit for uninterrupted military service. During the 2007 session HB 1843 and SB 5695 were introduced. Presently PERS Plan 1 members receive this service credit without paying for it. HB 1843 and SB 5695 lower the cost of the Plan 1 military bills significantly by requiring the member to pay one-half of the actuarially equivalent value of the increase in the member's benefit. Also during the 2007 session SB 6009, Plan 2 Military Service Credit, was introduced and received a hearing in Senate Ways and Means. It called for PERS members with 25 years of creditable service to receive, without cost up, to five years of service credit for interrupted or uninterrupted military service. We recommend that the SCPP review these military service credit issues and approve recommendations to the 2008 legislature.

- **Plan 2 & 3 Final Year Contract**: Make provision so that TRS Plan 2 and 3 members can receive a full year (12 month) service credit for their final year's work when retiring on July 1. We recommend that the SCPP review this issue and make recommendation regarding any possible legislation that could alleviate this situation.

- **Out of State Service:** Allow TRS Plan 2 and 3 members to purchase out-of-state service credit after serving two years in this state instead of five as proposed in SHB 1200 from the 2007 legislative session. We recommend that the SCPP make recommendation regarding this issue.

- **Plan 2 Access to PEBB**: Allow Plan 2 members access to the Public Employee Benefit Board (PEBB) health plans upon separation (not just retirement) from service at age 55 with at least 10 years of service. HB 1284/SB 5427 from the 2007 legislative session would accomplish this issue.

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

May 22, 2007

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

Dear Executive Committee Members:

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

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

Old Business:

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

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

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

*(Continued...)*

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

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

Sincerely,

Wendy Rader-Konofalski

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WEA Lobbyist
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