

Select Committee on Pension Policy

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

Regular Executive Committee Meeting

November 18, 2008

9:00 a.m. – 9:50 a.m.*

12:30 p.m. – 2:00 p.m.*

Senate Conference Rooms A/B/C

Olympia

AGENDA

9:00 a.m. – 9:50 a.m.

- 9:00 a.m. (A) **Convene**
- 9:01 a.m. (B) **Closed Executive Session**
1. Pending Litigation – Mary Ellen Combo, Senior Assistant Attorney General
 2. State Actuary's Evaluation
- 9:50 a.m. (C) **Adjourn**

12:30 p.m. – 2:00 p.m.

- 12:30 p.m. (D) **Approval of Minutes**
- 12:35 p.m. (E) **Assistant Attorney General Report – Mary Ellen Combo**
- 12:45 p.m. (F) **Correspondence**
- 1:00 p.m. (G) **Review of Today's Meeting**
- 1:10 p.m. (H) **Follow-up from October Meeting**
1. Bill Draft, PEPR Disability Proposal – Dave Nelsen, Senior Policy Analyst
 2. Court Commissioners' Proposal – Dave Nelsen
 3. Pre-LEOFF Survivor Benefits – Darren Painter, Policy Analyst
 4. Fish & Wildlife Service Credit Transfer – Dave Nelsen
- 1:40 p.m. (I) **Draft December Meeting Agenda**
- 2:00 p.m. (J) **Adjourn**

*These times are estimates and subject to change depending on the needs of the Committee.

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Representative Barbara Bailey

***Don Carlson**
TRS Retirees

Lois Clement
PERS Retirees

***Representative Steve Conway,**
Vice Chair

Representative Larry Crouse

Charles E. Cuzzetto
TRS and SERS Employers

Randy Davis
TRS Actives

Representative Bill Fromhold

Senator Steve Hobbs

Senator Janea Holmquist

Robert Keller
PERS Actives

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

***Corky Mattingly**
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Ed Murray

Glenn Olson
PERS Employers

***Senator Mark Schoesler,**
Chair

J. Pat Thompson
PERS Actives

***David Westberg**
SERS Actives

***Executive Committee**

(360) 786-6140

Fax: (360) 586-8135

TDD: 1-800-635-9993

<http://www.1leg.wa.gov/SCPP.htm>

B. Closed Executive Session

D. Approval of Minutes

Select Committee on Pension Policy

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REGULAR EXECUTIVE COMMITTEE MEETING

October 21, 2008
DRAFT MINUTES

The Select Committee on Pension Policy's Executive Committee met in Conference Rooms A/B/C, Olympia, Washington on October 21, 2008.

Executive Committee members attending:

Senator Schoesler, Chair
Representative Conway, Vice-Chair
Don Carlson
Sandra Matheson
David Westberg

Other SCPP members attending:

Lois Clement
Charles Cuzzetto
Randy Davis
Robert Keller
Glenn Olson
J. Pat Thompson

Senator Schoesler, Chair, called the meeting to order at 1:10 p.m.

(A) APPROVAL OF MINUTES

It was moved, seconded, and carried to: Approve the Regular Executive Committee's September 16, 2008, Revised Draft Minutes.

(B) ASSISTANT ATTORNEY GENERAL

Senior Assistant Attorney General, Mary Ellen Combo, explained her role in interacting with the chair, committee members, and staff, explaining Rule 8, D and E in the 2007 Rules of Procedure.

It was moved, seconded, and carried to: Schedule a closed one-hour executive session beginning at 9:00 a.m. before the November 18, 2008, executive meeting.

She also handed out and reviewed RCW 42.52.180, Use of Public Resources for Political Campaigns.

(C) CORRESPONDENCE

Laura Harper, Policy and Research Services Manager, reviewed the correspondence received from September 4, 2008, through October 7, 2008.

No action taken.

Representative Barbara Bailey

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TRS Retirees

Lois Clement
PERS Retirees

***Representative Steve Conway,**
Vice Chair

Representative Larry Crouse

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TRS and SERS Employers

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Senator Steve Hobbs

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(D) REVIEW OF TODAY'S MEETING

(2) State Investment Board Update

No action taken.

(3) September 2008 Economic and Revenue Forecast

No action taken.

(4) Disability Benefits

It was moved and seconded to: Prepare draft legislation on Disability Benefits based on the stakeholder proposals including a combination option - pension enhancement and insurance study. Discussion followed.

It was moved, seconded, and carried to: Amend the motion to insert Washington State Institute for Public Policy to perform the insurance study.

The amended motion carried.

(5) SERS Past Part-Time Service Credit

It was moved, seconded, and carried to: Direct staff to prepare draft legislation on SERS Past-Part Time Service Credit based on Option 3, Apply Half-Time Rules, as presented at the full Committee meeting.

Due to a lack of a quorum, discussion was held but no action taken on the issues listed below. Still in attendance were Senator Schoesler, Representative Conway and Don Carlson.

Members discussed designating an alternate to attend Executive Committee meetings in the event they cannot attend. Rule 7 as stated in the 2007 Rules of Procedure.

- **OSA Request Legislation**

Members in attendance did support placing this issue on the November or December agenda as proposed SCPP legislation.

- **\$150,000 Death Benefit**

- **Fish and Wildlife Service Credit Transfer**

- **2009 SCPP Meeting Dates**

(See Full Committee agenda minutes for a description of the action.)

- **State Actuary's Evaluation**

It was suggested that this issue be placed on the November 18, 2008, Executive Committee Draft Agenda.

The meeting adjourned at 2:30 p.m.

Recorded audio of Select Committee on Pension Policy meetings is often available free of charge at www.tow.org. Additionally, you may request a CD-ROM copy of the audio. Please contact the Office of the State Actuary for further information.

E. Assistant Attorney General Report

F. Correspondence

SELECT COMMITTEE ON PENSION POLICY

EXECUTIVE COMMITTEE

Constituent Correspondence as of November 6, 2008

November 18, 2008

Received by OSA	From	To	Subject
12/17/2007	Williams, Eryl	SCPP	PERS 1 Retirement
12/19/2007	Dargis, Trishka	SCPP	TRS Vesting, Board Cert., Post-ret. Employment, Gain-sharing
12/24/2007	Elkington, Cathy	SCPP	TRS 3 Post-ret. Employment
1/14/2008	Renggli, Andy	DRS, cc SCPP	FW: Appeal of Decision (<i>attachments available upon request</i>)
1/15/2008	Davis, Cathy	SCPP	TRS 3 post-ret. Employment, Board Cert., Vesting, Gain-sharing
1/21/2008	Scriven, Rick	SCPP	TRS 3 Post-ret. Employment, gain-sharing
1/29/2008	McGuire, John	OSA via Sen. Marilyn Rasmussen	Disability Retirement
1/30/2008	Renggli, Andy	DRS, cc SCPP	Re: Petition for review
1/30/2008	Ensign, Carey	OSA via David Westberg	HB 3182
2/5/2008	Moscoso, Luis	Rep. Conway, cc OSA	PERS 1 Post-ret. Employment
2/6/2008	Paulson, Steve	SCPP	TRS 2/3 benefits
2/6/2008	Dressel, Dave	SCPP	Prior Military Service Credit in PERS 2/3
2/25/2008	Hodge, Tami	SCPP via Sen. Paul Shin	TRS-SERS contribution flexibility
2/26/2008	Merkner, James	SCPP via OSA	Working past age 65
3/3/2008	Green, Andrew P. for Mann, Johnson, Wooster, & McLaughlin, P.S.	SCPP	CC of administrative appeal re: PSERS membership for PSNs & PSAs (<i>attachments available upon request</i>)
3/4/2008	Webster, Mr. Kim M.	SCPP	SB 6093
3/18/2008	Sen. Holmquist	SCPP	Federal "Windfall Elimination Program" (<i>attachments available upon request</i>)
3/21/2008	WSSRA - Ester Wilfong, Leslie Main, Don Carlson	SCPP	WSSRA Priorities for 2008-09
3/28/2008	Phillips, Dick	SCPP via Sen. Harriet Spanel	PERS 1 Survivor Benefits
3/26/2008	Green, Andrew P. for Mann, Johnson, Wooster, & McLaughlin, P.S.	SCPP	Request to place Psychiatric Custody Personnel into PSERS & copy of appeal document (<i>attachments available upon request</i>)

SELECT COMMITTEE ON PENSION POLICY

EXECUTIVE COMMITTEE

Constituent Correspondence as of November 6, 2008

November 18, 2008

Received by OSA	From	To	Subject
4/15/2008	Brittell, Tim; Northshore Education Association	SCPP	TRS 2/3 Post-ret. employment
4/15/2008	Kvamme, John - for WASA & AWSP	SCPP received at mtg.	WASA & AWSP legislative priorities for 2008-2009
4/15/2008	Parr, Randy - WEA	SCPP received at mtg.	TRS 2/3 Post-ret. Employment, Plan 3 5-yr. Vesting, Plan 2 member access to PEBB, Disability Benefits, Compulsory Plan 3 Membership, Edu. Staff Assoc w/Multi. Employers
4/15/2008	Public Employees for Pension Reform	SCPP received at mtg.	Prioritization of Pension Benefit Improvements
4/15/2008	Main, Leslie - PEPR	SCPP received at mtg.	Disability Ret. Benefits, Plan 1 Purchasing Power, Plan 2/3 Post-ret. Employment
4/30/2008	Rep. Maralyn Chase	SCPP, cc Matt Smith	Plan 3 Pension Provisions RE: HB 3258, HB 3257
5/1/2008	Beazizo, Ray	SCPP	"Windfall Elimination Program" clarification
5/9/2008	McGuire, John	SCPP via Sen. Schoesler	Disability Retirement - renewed request
5/12/2008	Fox, Kelly - LEOFF 2	SCPP, cc Matt Smith	Interruptive Mil. Srv. Credit, Inflationary Adj. for 150k Death Ben., Mil. Srv. Death Ben., F&W Officer Srv. Credit Transfer
5/15/2008	O'Brien/de la Rosa	SCPP, via Sen. Schoesler	Plan 2 Access to PEBB & second chance PEBB enrollment, PEBB access for retirees from political subdivisions, Plan 1 COLA
5/28/2008	McBride, Angie	SCPP	Retirement Age, YOS + Age
6/9/2008	Fox, Kelly - LEOFF 2	SCPP	Purchase of Annuity
6/5/2008	Zuvich, Matthew D - WFSE, PEPR	SCPP	Disability Retirement Benefits
6/10/2008	Jarboe, Lindajo	OSA	PERS 1 COLA
6/16/2008	Williams, Eryl	SCPP via OSA	PERS 1 retirement - renewed request
6/17/2008	Public Employees for Pension Reform	SCCP received at mtg.	Options for Plan 1 COLA Improvement
6/30/2008	Fox, Kelly - LEOFF 2	SCPP	LEOFF 2 Prioritized Issues for Coordination
7/14/2008	Allred, Donna	OSA	SERS Gain-sharing
7/15/2008	PEPR	SCPP received at mtg.	PEPR requests for September Agenda
8/11/2008	Donny, Mary	SCPP via Sen. Schoesler	Visiting International Faculty
8/17/2008	Loken, Bill	SCPP Members	Plan 1 Purchasing Power
9/3/2008	Vail, Eldon	SCPP via Sen. Schoesler	DOC proposals to amend PSERS
9/4/2008	PEPR-Zuvich	OSA	Disability Benefits



November 5, 2008

The Honorable Mark Schoesler
Chairman, Select Committee on Pension Policy
P.O. Box 40409
Olympia, WA 98504-0409

RE: TRS 2 and 3 Exemption Request/Exchange Teachers

Dear Chairman Schoesler and Members of the Committee,

I am writing on behalf of the Visiting International Faculty Program (VIF) of the Center for International Education, Inc. (Exchange Visitor Program P-4-10082). We hope to make Washington a viable location for J-1 exchange teachers by obtaining an exemption from the TRS Plans 2 and 3. As you have already received information on our request in a letter from Mary Donny, I would like to take this opportunity to tell you more about our organization.

The VIF Program is the largest J-1 international teacher exchange program in the United States and is designated as an exchange visitor program sponsor by the US Department of State. Since 1989, VIF teachers have transformed the educational experience of American students, invigorating their schools and communities with meaningful encounters. Participating teachers have been highly successful, succeeding at a rate of around 96%. Many have won school-wide, district-wide and statewide awards. The result has been both excellent instruction and daily intercultural interaction for tens of thousands of U.S. students over the past two decades. This year we are hosting over 1500 teachers from 50 different countries. The teachers are working in 7 states including California, Florida, Virginia, North and South Carolina, Virginia and Georgia. Our exchange educators teach at all levels and subjects in elementary and secondary schools.

The VIF Program follows a rigorous recruiting and selection process to choose the best international educators. Our teachers must not only be excellent instructors but also great cultural ambassadors. We match the teachers with selected host schools, and continuously assist both teachers and schools with comprehensive support services including a call center, mentoring programs, professional development, social events and university partnerships for master's degree programs. VIF provides a turnkey approach to the teachers and schools, facilitating the success of the teachers so their students can reach their potential in their classrooms. In addition, our teachers meet state certification and licensure requirements and are deemed "highly qualified" under the *No Child Left Behind* statute.



In order to meet the J-1 regulation requirements, we appreciate your consideration of our exchange teacher exemption request. I would be happy to provide you with any additional information or documentation you may require.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Young".

David B. Young
Chief Executive Officer

G. Review of Today's Meeting

Review of Today's Meeting

Issue

- (2) Assistant Attorney General Report
- (3) Visiting International Faculty
- (4) Change Membership Default for Plans 2/3
- (5) Interruptive Military Service Credit
- (6) Plan 1 COLA Proposals
- (7) DRS Technical Corrections
- (8) OSA Request Legislation
- (9) SERS Past Part-time Service Credit
- (10) \$150,000 Death Benefit

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H. Follow-Up from October Meeting

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

From: Matt Zuvich [mailto:MattZ@wfse.org]

Sent: Wednesday, September 10, 2008 3:12 PM

To: Nelsen, Dave; Smith, Matt Cc: Bernal Baca; Bev Hermanson; Pam Crone; Thompson, J. Pat; Ehren Flygare; Carlson, Don; Tom Lopp; Cassandra De La Rosa; Adair Dammann; Mike Ryherd; Randy Parr; Luis Moscoso; Sean Gallegos; Ed Gonion; Leslie Main; John Kvamme

Subject: PEPR Disability retirement proposal

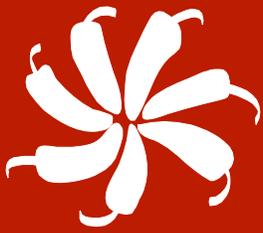
Greetings to all,

Attached you will find the requested draft of our coalitions proposal for Disability Retirement. This draft reflects changes suggested in our meeting with OSA staff and Senate Staff. I hope that this will allow for inclusion to the SCPP agenda as discussed.

Please note one change in the draft that followed our conversation with Senate staff that suggests study by WSIPP or appropriate body. This change accommodates a suggestion by senate staff that the insurance commissioners office may be able to perform the study of opt-in retirement insurance and provide recommendations with less cost than WSIPP. Our coalition has no opinion on this suggestion but wanted to make everyone aware of it in case it was useful. We would support any viable study that was most likely to move the issue forward.

Please contact me with any questions or comments using the contact information below.

Matthew D. Zuvich
Legislative and Political Action,
Washington Federation of State Employees
1212 Jefferson St. SE, Ste. 300
Olympia WA. 98501
Office: 360.352.7603 x 636
E-Mail: mattz@wfse.org



Public Employees for Pension Reform

A coalition of Washington State Public Employee Unions and Retiree Associations serving active and retired state and public employees

Disability Benefits

September 4, 2008

Proposal: **Provide an Earned Disability Benefit to those w/ more than 10 yrs of service, based on 30 yr. ERRF's¹.**

- ❑ No change in current rules governing disability eligibility (duty and non-duty)
- ❑ Permanently Disabled Individuals with 20 or more years of service could retire using an ERRF that is a reduction of 3% for each year of age less than 62.
- ❑ Permanently Disabled Individuals with 10 or more years of service, but less than 20 could retire using a reduction equal to 3% for each year of age under age 65. This would be consistent with the Alternate Early Retirement reduction factors provided in C 247 L 2000. [RCW 41.32.765 (3)(a); 41.35.420 (3)(a); 41.40.630 (3)(a)]

Supplemental Option: **Opt-In Disability Retirement Insurance provided through either DRS or HCA.**

- ❑ Insure against the loss of pension benefits for both Duty and non-Duty related catastrophic events to be offered through the Department of Retirement Systems for participation by all system employers.
- ❑ The Select Committee on Pension Policy would ask the Washington State Institute for Public Policy (WSIPP) or other appropriate body (Insurance Commissioners office?) to study and develop proposals:
 - For individuals who do not qualify (due to less than 10 years of service) for the above Disability Retirement provisions.
 - For replacement income for individuals that do qualify for the Disability Retirement proposal (above) but need additional income to compensate for the reduced retirement benefit.
- ❑ The WSIPP or other appropriate body would report back any results to the SCPP for formulation of any legislative proposals.

¹ ERRF is an Early Retirement Reduction Factor

Dave Nelsen 360.786.6144
Office of the State Actuary
November 11, 2008 (1:48 PM)

1 AN ACT Relating to disability benefits in the public employees'
2 retirement system plan 2 and plan 3, the teachers' retirement system
3 plan 2 and plan 3, and the school employees' retirement system plan 2
4 and plan 3; amending RCW 41.32.790, 41.32.880, 41.35.440, 41.35.690,
5 41.40.670, 41.40.825; and creating a new section.

6

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

8

9 **Sec. 1.** RCW 41.32.790 and 1995 c 144 s 15 are each amended to
10 read as follows:

11 (1) A member of the retirement system who becomes totally
12 incapacitated for continued employment by an employer as determined by
13 the department upon recommendation of the department shall be eligible
14 to receive an allowance under the provisions of RCW 41.32.755 through
15 41.32.825. The member shall receive a monthly disability allowance
16 computed as provided for in RCW 41.32.760 and shall have the allowance
17 ~~((actuarially))reduced ((to reflect the difference in the number of~~
18 ~~years between age at disability and the attainment of age sixty five.~~
19 as follows:

1 (a) Members with less than ten years of service shall receive an
2 allowance that is actuarially reduced to reflect the difference in the
3 number of years between age at disability and the attainment of age
4 sixty-five.

5 (b) Members with at least ten years of service but less than
6 twenty years of service shall receive an allowance that is reduced
7 three percent per year to reflect the difference in the number of
8 years between age at disability and the attainment of age sixty-five.

9 (c) Members with at least twenty years of service shall
10 receive an allowance that is reduced three percent per year to
11 reflect the difference in the number of years between age at
12 disability and the attainment of age sixty-two.

13 (2) Any member who receives an allowance under the provisions of
14 this section shall be subject to comprehensive medical examinations as
15 required by the department. If medical examinations reveal that a
16 member has recovered from the incapacitating disability and the member
17 is offered reemployment by an employer at a comparable compensation,
18 the member shall cease to be eligible for the allowance.

19 ~~((+2)(a))~~ (3)(a) If the recipient of a monthly retirement
20 allowance under this section dies before the total of the retirement
21 allowance paid to the recipient equals the amount of the accumulated
22 contributions at the date of retirement, then the balance shall be
23 paid to the member's estate, or the person or persons, trust, or
24 organization as the recipient has nominated by written designation
25 duly executed and filed with the director, or, if there is no
26 designated person or persons still living at the time of the
27 recipient's death, then to the surviving spouse, or, if there is
28 neither a designated person or persons still living at the time of his
29 or her death nor a surviving spouse, then to his or her legal
30 representative.

31 (b) If a recipient of a monthly retirement allowance under this
32 section died before April 27, 1989, and before the total of the
33 retirement allowance paid to the recipient equaled the amount of his
34 or her accumulated contributions at the date of retirement, then the

1 department shall pay the balance of the accumulated contributions to
2 the member's surviving spouse or, if there is no surviving spouse,
3 then in equal shares to the member's children. If there is no
4 surviving spouse or children, the department shall retain the
5 contributions.

6 **Sec. 2.** RCW 41.32.880 and 1995 c 239 s 114 are each amended to
7 read as follows:

8 (1) A member of the retirement system who becomes totally
9 incapacitated for continued employment by an employer as determined by
10 the department shall be eligible to receive an allowance under the
11 provisions of plan 3. The member shall receive a monthly disability
12 allowance computed as provided for in RCW 41.32.840 and shall have
13 this allowance (~~(actuarially)~~)reduced (~~((to reflect the difference in~~
14 ~~the number of years between age at disability and the attainment of~~
15 ~~age sixty-five.~~ as follows:

16 (a) Members with less than ten years of service shall receive an
17 allowance that is actuarially reduced to reflect the difference in the
18 number of years between age at disability and the attainment of age
19 sixty-five.

20 (b) Members with at least ten years of service but less than
21 twenty years of service shall receive an allowance that is reduced
22 three percent per year to reflect the difference in the number of
23 years between age at disability and the attainment of age sixty-five.

24 (c) Members with at least twenty years of service shall
25 receive an allowance that is reduced three percent per year to
26 reflect the difference in the number of years between age at
27 disability and the attainment of age sixty-two.

28 (2) Any member who receives an allowance under the provisions of
29 this section shall be subject to comprehensive medical examinations as
30 required by the department. If these medical examinations reveal that
31 a member has recovered from the incapacitating disability and the
32 member is offered reemployment by an employer at a comparable
33 compensation, the member shall cease to be eligible for the allowance.

34

1 (~~(+2)~~) (3) If the recipient of a monthly retirement allowance
2 under this section dies, any further benefit payments shall be
3 conditioned by the payment option selected by the retiree as provided
4 in RCW 41.32.851.

5 **Sec. 3.** RCW 41.35.440 and 1998 c 341 s 105 are each amended to
6 read as follows:

7 (1) A member of the retirement system who becomes totally
8 incapacitated for continued employment by an employer as determined by
9 the department upon recommendation of the department shall be eligible
10 to receive an allowance under the provisions of RCW 41.35.400 through
11 41.35.599. The member shall receive a monthly disability allowance
12 computed as provided for in RCW 41.35.400 and shall have this
13 allowance (~~(actuarially)~~)reduced (~~((to reflect the difference in the~~
14 ~~number of years between age at disability and the attainment of age~~
15 ~~sixty-five.))~~) as follows:

16 (a) Members with less than ten years of service shall receive an
17 allowance that is actuarially reduced to reflect the difference in the
18 number of years between age at disability and the attainment of age
19 sixty-five.

20 (b) Members with at least ten years of service but less than
21 twenty years of service shall receive an allowance that is reduced
22 three percent per year to reflect the difference in the number of
23 years between age at disability and the attainment of age sixty-five.

24 (c) Members with at least twenty years of service shall
25 receive an allowance that is reduced three percent per year to
26 reflect the difference in the number of years between age at
27 disability and the attainment of age sixty-two.

28 (2) Any member who receives an allowance under the provisions of
29 this section shall be subject to comprehensive medical examinations as
30 required by the department. If these medical examinations reveal that
31 a member has recovered from the incapacitating disability and the
32 member is offered reemployment by an employer at a comparable
33 compensation, the member shall cease to be eligible for the allowance.

34

1 ~~((+2))~~ (3) If the recipient of a monthly retirement allowance
2 under this section dies before the total of the retirement allowance
3 paid to the recipient equals the amount of the accumulated
4 contributions at the date of retirement, then the balance shall be
5 paid to the member's estate, or the person or persons, trust, or
6 organization as the recipient has nominated by written designation
7 duly executed and filed with the director, or, if there is no
8 designated person or persons still living at the time of the
9 recipient's death, then to the surviving spouse, or, if there is no
10 designated person or persons still living at the time of his or her
11 death nor a surviving spouse, then to his or her legal representative.

12 **Sec. 4.** RCW 41.35.690 and 1998 c 341 s 210 are each amended to
13 read as follows:

14 (1) A member of the retirement system who becomes totally
15 incapacitated for continued employment by an employer as determined by
16 the department shall be eligible to receive an allowance under the
17 provisions of plan 3. The member shall receive a monthly disability
18 allowance computed as provided for in RCW 41.35.620 and shall have
19 this allowance ~~((actuarially))~~ reduced ~~((to reflect the difference in
20 the number of years between age at disability and the attainment of
21 age sixty-five.))~~ as follows:

22 (a) Members with less than ten years of service shall receive an
23 allowance that is actuarially reduced to reflect the difference in the
24 number of years between age at disability and the attainment of age
25 sixty-five.

26 (b) Members with at least ten years of service but less than
27 twenty years of service shall receive an allowance that is reduced
28 three percent per year to reflect the difference in the number of
29 years between age at disability and the attainment of age sixty-five.

30 (c) Members with at least twenty years of service shall
31 receive an allowance that is reduced three percent per year to
32 reflect the difference in the number of years between age at
33 disability and the attainment of age sixty-two.

34

1 (2) Any member who receives an allowance under the provisions of
2 this section shall be subject to comprehensive medical examinations as
3 required by the department. If these medical examinations reveal that
4 a member has recovered from the incapacitating disability and the
5 member is offered reemployment by an employer at a comparable
6 compensation, the member shall cease to be eligible for the allowance.

7 ~~((+2))~~ (3) If the recipient of a monthly retirement allowance
8 under this section dies, any further benefit payments shall be
9 conditioned by the payment option selected by the retiree as provided
10 in RCW 41.35.220.

11 **Sec. 5.** RCW 41.40.670 and 1995 c 144 s 7 are each amended to read
12 as follows:

13 (1) A member of the retirement system who becomes totally
14 incapacitated for continued employment by an employer as determined by
15 the department upon recommendation of the department shall be eligible
16 to receive an allowance under the provisions of RCW 41.40.610 through
17 41.40.740. The member shall receive a monthly disability allowance
18 computed as provided for in RCW 41.40.620 and shall have this
19 allowance ~~((actuarially))~~ reduced ~~((to reflect the difference in the
20 number of years between age at disability and the attainment of age
21 sixty five.))~~ as follows:

22 (a) Members with less than ten years of service shall receive an
23 allowance that is actuarially reduced to reflect the difference in the
24 number of years between age at disability and the attainment of age
25 sixty-five.

26 (b) Members with at least ten years of service but less than
27 twenty years of service shall receive an allowance that is reduced
28 three percent per year to reflect the difference in the number of
29 years between age at disability and the attainment of age sixty-five.

30 (c) Members with at least twenty years of service shall
31 receive an allowance that is reduced three percent per year to
32 reflect the difference in the number of years between age at
33 disability and the attainment of age sixty-two.

34

1 (2) Any member who receives an allowance under the provisions of
2 this section shall be subject to comprehensive medical examinations as
3 required by the department. If these medical examinations reveal that
4 a member has recovered from the incapacitating disability and the
5 member is offered reemployment by an employer at a comparable
6 compensation, the member shall cease to be eligible for the allowance.

7 ~~((+2-))~~ (3) The retirement for disability of a judge, who is a
8 member of the retirement system, by the supreme court under Article
9 IV, section 31 of the Constitution of the state of Washington
10 (Amendment 71), with the concurrence of the department, shall be
11 considered a retirement under subsection (1) of this section.

12 ~~((+3+))~~ (4)(a) If the recipient of a monthly retirement allowance
13 under this section dies before the total of the retirement allowance
14 paid to the recipient equals the amount of the accumulated
15 contributions at the date of retirement, then the balance shall be
16 paid to the member's estate, or the person or persons, trust, or
17 organization as the recipient has nominated by written designation
18 duly executed and filed with the director, or, if there is no
19 designated person or persons still living at the time of the
20 recipient's death, then to the surviving spouse, or, if there is no
21 designated person or persons still living at the time of his or her
22 death nor a surviving spouse, then to his or her legal representative.

23 (b) If a recipient of a monthly retirement allowance under this
24 section died before April 27, 1989, and before the total of the
25 retirement allowance paid to the recipient equaled the amount of his
26 or her accumulated contributions at the date of retirement, then the
27 department shall pay the balance of the accumulated contributions to
28 the member's surviving spouse or, if there is no surviving spouse,
29 then in equal shares to the member's children. If there is no
30 surviving spouse or children, the department shall retain the
31 contributions.

32 **Sec. 6.** RCW 41.40.825 and 2000 c 247 s 310 are each amended to
33 read as follows:

34

1 (1) A member of the retirement system who becomes totally
2 incapacitated for continued employment by an employer as determined by
3 the department shall be eligible to receive an allowance under the
4 provisions of plan 3. The member shall receive a monthly disability
5 allowance computed as provided for in RCW 41.40.790 and shall have
6 this allowance (~~(actuarially)~~) reduced (~~((to reflect the difference in~~
7 ~~the number of years between age at disability and the attainment of~~
8 ~~age sixty-five.))~~) as follows:

9 (a) Members with less than ten years of service shall receive an
10 allowance that is actuarially reduced to reflect the difference in the
11 number of years between age at disability and the attainment of age
12 sixty-five.

13 (b) Members with at least ten years of service but less than
14 twenty years of service shall receive an allowance that is reduced
15 three percent per year to reflect the difference in the number of
16 years between age at disability and the attainment of age sixty-five.

17 (c) Members with at least twenty years of service shall
18 receive an allowance that is reduced three percent per year to
19 reflect the difference in the number of years between age at
20 disability and the attainment of age sixty-two.

21 (2) Any member who receives an allowance under the provisions of
22 this section shall be subject to comprehensive medical examinations as
23 required by the department. If these medical examinations reveal that
24 a member has recovered from the incapacitating disability and the
25 member is offered reemployment by an employer at a comparable
26 compensation, the member shall cease to be eligible for the allowance.

27 ~~((2))~~ (3) If the recipient of a monthly retirement allowance
28 under this section dies, any further benefit payments shall be
29 conditioned by the payment option selected by the retiree as provided
30 in RCW 41.40.845.

31 NEW SECTION. Sec. 7. During the 2009 interim, the washington state
32 institute for public policy shall study the options available to the
33 legislature for addressing the need of members of the public
34 employees' retirement system plan 2 and plan 3, the teachers'

1 retirement system plan 2 and plan 3, and the school employees'
2 retirement system plan 2 and plan 3, to have access to long-term
3 disability insurance coverage. Options could include but are not
4 limited to an insurance product available to all members administered
5 by a state agency, expansion of eligibility for the current long-term
6 disability benefits offered by the public employees' benefits board,
7 or other options as developed by the institute. The institute shall
8 report the findings and recommendations of its study to the select
9 committee on pension policy no later than November 1, 2009.

10

--- END ---

September 27, 2008

Senator Mark Schoesler
PO Box 40409
Olympia, WA 98504-0409

Re: Court Commissioners' Pension Bill

Senator Schoesler,

I'm sorry I wasn't able to change my schedule last Thursday to accommodate yours because I was looking forward to meeting you and discussing our proposed bill in person. Nevertheless I do appreciate your taking the time to talk with our lobbyists, Michael Temple and Melissa McCabe Gombosky, who have a good handle on my group's objective and what it will take to accomplish it.

Had we met in person I would have reiterated a couple of quick points:

- 1) The approximately 90 court commissioners from all four levels of court – State Supreme Court, Court of Appeals, Superior Court, District & Municipal Courts – were not covered by the 2008 Judicial Benefit Multiplier Program bill (HB 2887) even though we are all judicial officers, do many of the same tasks performed by judges, and also start our judicial jobs later in our careers. In all fairness we feel that we should have been included and our asking for your help in correcting that oversight.
- 2) We feel that it could be a relatively easy legislative task to correct this omission since all the court commissioners stand in the same shoes as the District Court judges relative to these retirement amendments; all the details and sticking points were resolved just a few months ago.
- 3) Most importantly from the State's perspective, our proposed amendments will not cost the taxpayers anything. We are simple asking for the right to invest more of our own money in the State Retirement System.

To verify our "revenue neutral" statement we need your help in directing the Office of the State Actuary to do their financial analysis on our proposed bill as soon as possible and to identify someone to help draft the actual language of the proposed bill.

Finally I understand that the SCPP agenda for the October meeting is already full but if there is anyway you can add us on to the November meeting we would all be most appreciative. For my part, any presentation I might be asked to give at your SCPP meeting will be very brief.

Sincerely,

Royce H. Moe
Court Commissioner

Pc: Senator Lisa Brown
Michael Temple
Melissa McCabe Gombosky

What including court commissioners in the Judicial Benefit Multiplier Program might mean to you.

The program was designed to provide an enhanced pension benefit to members of the judiciary. The rationale for this is that individuals generally join the judiciary later in life and have less time than other public employees to build up their pension benefit. Court commissioners were initially left out of this program. Judges of the Municipal, District, Superior and Court of Appeals were included, along with the Supreme Court Justices.

Members of PERS 1 and 2 presently accrue a pension benefit of 2% of final average compensation for each year of service. Members of PERS 3 accrue 1% for each year of service. Under the Judicial Benefit Multiplier Program this benefit formula is increased to 3.5% per year of future service for PERS 1 and 2, and 1.6% for PERS 3.

The program also has a buy-back component. This would allow a member to purchase the enhanced benefit for prior years of service. The purchase price would be 5% of the compensation for each year, plus interest of 5.5%. There would be a cap on the amount of retroactivity that could be purchased which would assure that a member would not accrue more than a 75% benefit allowance for PERS 1 and 2. It would be 37.5% for PERS 3. The buy-back would have to occur within a fixed window of time after court commissioners were included in the system. The buy-back could be accomplished with pre-tax dollars from a deferred compensation plan, IRA, or other tax qualified retirement account.

The cost of participating in the program will differ depending on whether you are a member of PERS 1, 2 OR 3. The contribution rate for PERS 1 members of JBMP would be the current rate plus six and twenty-six one-hundredths percent of pay. The rate for PERS 2 members would be two hundred fifty percent of the current rate. The rate for PERS 3 would be a minimum of 7.5%

An Act Relating to public retirement benefits for commissioners of the Washington Supreme Court, Court of Appeals, Superior, District and Municipal Courts: adding new sections to 41.40 RCW, and 41.45;

New Section. 1. A new section is added to chapter 41.40 to read as follows:
Beginning _____, _____, any member of plan 1 or 2, employed as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court, may make a one-time irrevocable election, filed in writing with the member's employer, the department, and the administrative office of the courts, to accrue an additional benefit equal to one and one-half percent of average final compensation for each year of future service credit from the date of the election.

New Section. 2. (a) A member who chooses to make the election under subsection (1) of this section may apply to the department to increase the member's benefit multiplier by one and one-half percent per year of service for the period in which the member served as a court commissioner prior to the election. The member may purchase, beginning with the most recent judicial service, the higher benefit multiplier for up to seventy percent of that portion of the member's prior judicial service that would ensure that the member has no more than a seventy-five percent of average final compensation benefit accrued by age sixty-four for members of plan 1, and age sixty-six for members of plan 2. The member shall pay five percent of the salary earned for each month of service for which the higher multiplier is being purchased, plus interest as determined by the director. The purchase price shall not exceed the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier. This payment must be made prior to retirement and prior to _____, _____. After _____, _____, a member may purchase the higher benefit multiplier for any of the member's prior judicial service at the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier, as determined by the director.

(b) Subject to rules adopted by the department, a member applying to increase the member's benefit multiplier under this section may pay all or part of the cost 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.

New Section 3. Court Commissioners' retirement allowances – In lieu of RCW 41.40.185

In lieu of the retirement allowance provided under RCW 41.40.185, the retirement allowance payable for service as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court, for those commissioners who elected to accrue an additional benefit under section 1 above, shall be equal to three and one-half percent of average final compensation for each year of service after the election. The total retirement benefit accrued or purchased in combination with benefits accrued during periods served prior to the election shall not exceed seventy-five percent of average final compensation.

New Section 4. Court Commissioners' retirement allowances – In lieu of RCW 41.40.620.

In lieu of the retirement allowance provided under RCW 41.40 620, the retirement allowance payable for service as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court who elected to accrue an additional benefit under section 1 above shall be equal to three and one-half percent of average final compensation for each year of such service after the election. The total retirement benefit accrued or purchased under this election in combination with benefits accrued during periods prior to the election shall not exceed seventy-five percent of average final compensation.

New Section 6. Beginning _____, _____, a member of plan 3, employed as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court, may make a one-time irrevocable election, filed in writing with the member's employer, the department, and the administrative office of the courts, to accrue an additional plan 3 defined benefit equal to six-tenths percent of average final compensation for each year of future service credit from the date of the election.

New Section 7. Court Commissioners' retirement allowances – In lieu of RCW 41.40.790.

In lieu of the retirement allowance provided under RCW 41.40 790, the retirement allowance payable for service as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court who elected to accrue an additional benefit under section 6 above, shall be equal to one and six-tenths percent of average final compensation for each year of such service after the election. The total retirement benefit accrued or purchased under this election in combination with benefits accrued during periods prior to the election shall not exceed thirty-seven and one-half percent of average final compensation.

New Section 8. New Section added to RCW 41.45.
The required contribution rate for members of the public employees' retirement system plan 1, employed as a court commissioner in the Supreme Court, Court

of Appeals, Superior, District or Municipal Court who elect to accrue an additional benefit under section ____ herein shall be the contribution rate established under RCW 41.40.330 plus six and twenty-six one-hundredths percent of pay.

New Section 9. New Section added to RCW 41.45.

The required contribution rate for members of the public employees' retirement system plan 2, employed as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court who elect to accrue an additional benefit under section 1 herein shall be two hundred fifty percent of the member contribution rate for the public employees' retirement system plan 2 established under this chapter.

New Section 10. New Section added to RCW 41.45.

The required contribution rate for members of the public employees' retirement system plan 3, employed as a court commissioner in the Supreme Court, Court of Appeals, Superior, District or Municipal Court who elect to accrue an additional benefit under section 6, herein shall be a minimum of seven and one-half percent of pay, contributed to the member's defined contribution account.

New Section 11. Defining Judicial Service to include service as a court commissioner of specified courts.

a) Between January 1, 2010 and December 31, 2010, a member of Plan 1 or 2 employed as a supreme court justice or judge of the court of appeals or judge of the superior, district or municipal courts participating in the Judicial Benefit Multiplier Program may purchase, beginning with the most recent judicial service, the higher benefit multiplier for up to seventy percent of that portion of the member's prior judicial service that would ensure that the member has no more than a seventy-five percent of average final compensation benefit accrued by age sixty-four for members of plan 1, and age sixty-six for members of plan 2. The member shall pay five percent of the salary earned for each month of service for which the higher multiplier is being purchased, plus interest as determined by the director. The purchase price shall not exceed the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier. This payment must be made prior to retirement and prior to _____, _____. After _____, _____, a member may purchase the higher benefit multiplier for any of the member's prior judicial service at the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier, as determined by the director.

(b) Subject to rules adopted by the department, a member applying to increase the member's benefit multiplier under this section may pay all or part of the cost 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.

(c) The term Prior Judicial Service as used in sub-section (a) of this section shall include service as a court commissioner of one of the courts described therein.



Retired Firefighters of Washington

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Office of
The State Actuary

Richard Warbrouck
President

Bob Burtch
Secretary

September 25, 2008

The Honorable Senator Mark Schoesler
Chair, Select Committee on Pension Policy
1588 East Rosenoff RD
Ritzville, WA 99169

The Honorable Representative Steve Conway
Vice Chair, Select Committee on Pension Policy
PO Box 40606
Olympia, WA 98504-0600

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

Dear Senator Schoesler, Representative Conway, and Mr. Smith,

During one of the first meetings in 2008 of the Select Committee on Pension Policy it was suggested that the committee consider all of the bills that were introduced last session. Everyone agreed that it would expedite the committee's work to reconsider these bills and reintroduce those without objection. The interim is quickly coming to the end and I don't believe all of the bills from the last session have been discussed. I would respectfully request that HB 1824 be placed on the October 21, 2008 meeting agenda for the committee's consideration.

Currently a surviving spouse of a firefighter who retired under RCW 41.18, the Fireman's Retirement Act (the Prior Act) on a service pension can retain her pension if she remarries. If a survivor of a member who retired on a disability pension remarries she loses her pension. This bill would amend RCW 41.18 and would allow a surviving spouse of a firefighter who retired with a disability retirement under the Fireman's Pension Act to remarry without forfeiting her pension.

The remarriage penalty was originally included in LEOFF 1 but has since been removed. The bill also included a provision to allow retired members who retired under the Fireman's Retirement

Act and who married after retirement to select a survivor option. By exercising this option the member would receive an actuarial reduction in their current pension benefit to offset the cost of the survivor option. This is the same option that is now in LEOFF 1 and other state retirement systems. There would be no cost to the state's general fund.

The cost for the first amendment would be minimal as these members are older and would have retired before the enactment of LEOFF 1 in 1970. Any cost would be paid by the Fireman's Pension Act. The pension funds under this act are currently receiving one mill in property tax revenue and a portion of the tax the state collects on fire insurance premiums.

This bill passed the House Appropriations Committee and was passed in the House in 2007.

In 2008 the bill was voted out of the House, passed out of the Senate Ways and Means Committee and died in Senate Rules at the cut-off.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Dick Warbrouck".

Richard C. Warbrouck

Fish And Wildlife Service Credit Transfer

Description of Issue

Fish and Wildlife enforcement officers were mandated into Plan 2 of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System beginning July 23, 2003. When this occurred, existing employees were not allowed to transfer prior Public Employees' Retirement System (PERS) service as Fish and Wildlife Officers into LEOFF Plan 2. Enforcement officers that were members of PERS Plan 1 remained in Plan 1.

Previous bills introduced on this issue only authorized the transfer of prior PERS Plan 2 service to LEOFF Plan 2. The LEOFF Plan 2 Board has asked the Select Committee to consider also allowing prior PERS Plan 3 service to transfer to LEOFF Plan 2. (See attached issue paper for more details.)

Recent Activity on This Issue

The SCPP studied the Fish and Wildlife Service Credit Transfer in 2007. The committee looked at whether to authorize the transfer or not, as well as various methods of funding this transfer. Ultimately, the committee recommended allowing the transfer of prior service and requiring payments by members and the Department of Fish and Wildlife sufficient to keep from increasing the LEOFF Plan 2 contribution rates. (See attached fiscal note for more details.)

Bills to implement the SCPP proposal were introduced in the 2008 Session but did not pass the Legislature (HB 3023/SB 6653). The Senate bill passed the Senate.

Other Materials Included

- ❖ Code reviser draft of proposal including Plan 3 members, Z-0217.2.
- ❖ Fiscal Note for Z-0217.2

What is The Next Step?

This issue is scheduled for public testimony and possible executive session in the October 21, 2008, SCPP meeting. Members may decide whether or not to recommend the Fish and Wildlife Service Credit transfer proposal to the 2009 Legislature.

I. Draft December Meeting Agenda

Select Committee on Pension Policy

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

Regular Committee Meeting

December 16, 2008
10:00 a.m. – 12:00 p.m.*
Senate Hearing Room 4
Olympia

DRAFT AGENDA

10:00 a.m. (1) Approval of Minutes

10:05 a.m. (2) Adopt 2009 Meeting Dates

Work Session

(3) Update on LEOFF 1 Medical Study

(4) Update on Voluntary Accounts Study

(5) Update on Washington State Patrol Governance Study

Public Hearing with Possible Executive Session

(6) Remaining 2009 Legislative Proposals

Representative Barbara Bailey

***Don Carlson**
TRS Retirees

Lois Clement
PERS Retirees

***Representative Steve Conway,**
Vice Chair

Representative Larry Crouse

Charles E. Cuzzetto
TRS and SERS Employers

Randy Davis
TRS Actives

Representative Bill Fromhold

Senator Steve Hobbs

Senator Janea Holmquist

Robert Keller
PERS Actives

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

***Corky Mattingly**
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Ed Murray

Glenn Olson
PERS Employers

***Senator Mark Schoesler,**
Chair

J. Pat Thompson
PERS Actives

***David Westberg**
SERS Actives

***Executive Committee**

**These times are estimates and subject to change depending on the needs of the Committee.*

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<http://www1.leg.wa.gov/SCPP.htm>