

Report to Executive Committee

Purpose of Subgroup

A strategic planning "subgroup" was formed by the Executive Committee at the June meeting. The subgroup was charged with further defining and clarifying Representative Seaquist's proposal related to strategic planning. Members of the subgroup included Representative Conway, Representative Seaquist, Steve Hill, and Glenn Olson. The State Actuary served as a consultant to the Subgroup.

The group was asked to report back to the Executive Committee at the September meeting.

Recommendation to SCPP

The subgroup recommends that,

1. For the next two interims, the SCPP focus on **managing the future health of the retirement systems**.
 - a. During this interim (2009), the SCPP would focus on analyzing risks and establishing risk measures for the retirement systems.
 - b. During the next interim (2010), the SCPP would use the analysis to develop recommendations to the Legislature for managing those risks.
2. During the 2009 interim, the SCPP appoint a steering committee to provide input to the State Actuary on risk analysis and risk measures. The subgroup recommends that the SCPP invite representatives from House and Senate fiscal committees to participate on the steering committee. The intent of the steering committee is to provide input to the State Actuary and not to replace the SCPP as the venue for policy deliberations and decision-making.

The desired outcomes for this interim include:

- Educating legislators, legislative staff, stakeholders, and the public on the health of the retirement systems.
- Providing the Legislature with a more comprehensive analysis of the health of the retirement systems in light of the unprecedented investment losses of the last fiscal year.

Reasons for Recommendation

1. Managing the health of the retirement systems is the key to ensuring their long-term viability.
2. This issue ties into SCPP's core statutory duty to study the financial condition of the state pension systems, develop funding policies, and make recommendations to the Legislature.
3. This issue provides an opportunity for the SCPP to reach out to fiscal leadership and increase the Committee's credibility in the larger pension community.
4. Now is an opportune time to take up this issue since budget concerns are foremost on the minds of policy makers and fiscal leadership.

Wallis, Keri

From: Wallis, Keri on behalf of Smith, Matt
Sent: Monday, August 31, 2009 2:08 PM
To: @SCPP Members
Cc: @SCPP Assistants
Subject: Washington State Patrol Governance- Update

Chair Conway has asked staff to update the committee on the issue of governance for members of the Washington State Patrol Retirement System (WSPRS). At the June executive committee meeting of the SCPP, at the request of the Washington State Patrol Troopers' Association, the Executive Committee authorized the formation of a sub-group to address governance questions for members of the WSPRS. After consulting with representatives of the Troopers' Association, the Chair has decided not to form a sub-group. Issues of governance for the WSPRS may still be addressed at future SCPP meetings during this interim, but the chair and the representatives of the Troopers' Association have agreed that a sub-group is not needed at this time.

The Chair would like to express his gratitude to those members and stakeholders who had agreed to participate in the sub-group process.

Thank you.

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“Securing tomorrow’s pensions today.”

WSPRS Governance

The Washington State Patrol Troopers Association requested the SCPP study the issue of governance for the Washington State Patrol Retirement System (WSPRS) during the 2009 interim. The Executive Committee of the Select Committee on Pension Policy (SCPP) approved the formation of a sub-group to address governance for WSPRS members at the June 16, 2009 meeting.

This document provides background about the history of WSPRS governance, and explains recent legislative proposals and related studies about this issue.

WSPRS Governance History

The WSPRS was created in 1947, and was originally overseen by a board consisting of:

- ❖ Chief of the WSP
- ❖ Commissioner of Insurance
- ❖ State Auditor
- ❖ Four member representatives, elected by members of the plan

Administration of the WSPRS was assigned to the Department of Retirement Systems (DRS) in 1976, and investment of plan assets was assigned to the Washington State Investment Board (WSIB) in 1981. This board was abolished in 1982 and all remaining duties and responsibilities were transferred to the Director of the Department of Retirement Systems. (RCW 43.43.142)

Benefits and funding policy study and advice to the Legislature has been statutorily assigned to the Joint Committee on Pension Policy, established in 1987, and later transferred to the SCPP when it was established in 2003.

WSPRS Governance Proposals

2008 Legislative Session-

- ❖ [HB 3211/SB 6455](#) These bills would have created a new retirement board to oversee the WSPRS. This board would have had fiduciary responsibilities, similar in scope and duties to the board currently overseeing the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2. Neither proposal passed.
- ❖ The transportation budget contained a requirement for the Office of Financial Management (OFM) to study "*the most cost-effective means of ensuring that the pension concerns of the members of the Washington State Patrol Retirement System are adequately and appropriately considered and submitted to the legislature.*"

2008 Interim- OFM concluded the study required in the transportation budget and provided the following executive summary*:

"Options A number of alternative approaches to accomplishing this purpose were considered. In general, the greater the degree of pension plan member input that is provided, the greater the cost. From among these alternatives, three options were identified as cost-effective.

These options are:

Directed Funding- *Directed funding* to the Select Committee on Pension Policy, through a budget proviso, would be the least expensive way to provide additional resources to address the concerns of the members of the Washington State Patrol Retirement System (WSPRS). The amount of funding would determine the extent of support available.

Standing Subcommittee- *A standing subcommittee* of the Select Committee on Pension Policy (SCPP), with additional members representing the WSPRS, would provide an ongoing structure in which to meet the goal of considering WSPRS member concerns. A biennial cost of \$600,000 would provide 2.75 full-time equivalents of staff support, to consider issues of the WSPRS, Public Safety Employees' Retirement System, and Law Enforcement Officers' and Firefighters' Retirement System Plan 1.

Policy Board- *A policy board* devoted to issues specific to the WSPRS would be more expensive but would provide the greatest degree of member involvement. Cost would be about \$1.1 million biennially, although that cost could potentially be lowered by streamlining some staff functions.

Although each of these options appears to be cost-effective, they vary in cost and in the degree of member input they would provide."

**A copy of the full report is attached.*

2009 Legislative Session-

- ❖ [HB 1444/SB 5332](#) These bills would have created a new policy advisory board devoted to issues specific to the WSPRS. The cost to operate the board would be split between the members and the employer. This is similar to the third option outlined in the OFM study. The bills did not pass.
- ❖ The senate version of the bill ([SSB 5332](#)) was amended during session to create a new sub-committee of the SCPP devoted to WSPRS issues, and only authorized to study as much as could be accomplished provided directed funding. The costs to operate this subcommittee would be recouped from WSPRS members through payroll deductions. This option is similar to option 1 outlined by the OFM study. This amended version of the bill passed the Senate but did not pass the House.
- ❖ In an early version of the House budget ([ESHB 1244](#), section 105), a proviso was included to require the SCPP to convene the Public Safety Sub-Committee to study WSPRS issues. This is similar to option 2 of the OFM study, but the budget language only required the Sub-Committee to meet during the 2009-2011 biennium, and no new members were provided to sit on the Sub-Committee. This language was not included in the final budget bill that passed the Legislature.

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