Select Committee on Pension Policy

Constituent Correspondence as of June 7, 2010

Received by OSA	From	To	Subject
11/21/09	Yelmite	SCPP	Plan 2 Disability
1/12/10	Carole Lindberg	SCPP	Plan 2 Disability
2/19/10	Loren Gomez	SCPP	Past Part-Time Service Credit
4/20/10	Tom Pillow	Rep. Conway, Chair & Sen. Schoesler, Vice Chair	WSPTA Requests
5/20/10	John Kvamme	SCPP	WASA & AWSP 2010 Interim Pension Issues
6/1/10	Ed Montermini	SCPP	PERS / TRS Plan 1 Personal Views
6/7/10	Randy Parr - WEA	SCPP	2010 Interim Planning

Wallis, Keri

From: yelmmite@comcast.net
Sent: Saturday, November 21, 2009 5:51 PM
To: Office State Actuary, WA
Subject: Disability Retirement

I have been writing almost every legislator, both on the House and Senate sides to get some kind of interest in sponsoring a bill for the next Legislative Session. I am currently a PERS Plan 2 member with 30 years of service who has MS, since 1999 as far as the doctors can tell. However, I just turn 53 years old this year and with the current retirement plans if I was to go out on disability I would be losing about 7-8% of my retirement benefits for each year that I am under the age of 65. If I can hang in there and work till I am 55 years of age I will have 32 years of service and still will be penalized with3% or 2% for each year under age 65 years of age reducing my Retirement Benefits.

I had a Fiscal Tech employee 8 years ago, who had about 18 years with the state and he then had a stroke which cause him to go out on a disability. I doubt if he had enough retirement pension to continue his medical coverage. (A burden on the State). Fiscal Techs do not make that much money in the first place. He had a 10 year old son who was counting on him to continue to bring home the money, because his wife did not work.

What I am asking for, is if you and your fellow members could sponsor a retirement bill changing the rules in regards to Disability Retirement based on medical reasons, such as what is describe by the new definition on Disability that was passed last Legislative Session. The main reason is to stop the reduction of those State Employees who planned on working for the require amount of time needed to retire, but were dealt a bad hand because of a disability that they did not plan on.

This effects not only State Workers in my District but State Employees in every District throughout the State of Washington. Not only in the PERS system, but in the TRS, SERS, LEOFF and so on.

Thank you for hearing me out and I look forward to hear back from you and to see action taken place in the 2010 Legislative Session

From: lndch@aol.com [mailto:lndch@aol.com]
Sent: Monday, January 11, 2010 3:28 PM
To: Office State Actuary, WA
Subject: re: disability policy

To the Select Committee on Pension Policy

Hello, I retired several years ago on disability. I am a member of PERS 2,

My husband and I went to Olympia and talked to a gentleman in small room about my retirement. He said being on disability did not change my retirement amount, I was retiring 7 years early and would receive 300 plus dollars a month after working 20 years. Social security treated my disability retirement as if I was 65.

I have been bothered by this for many years and in the recent Retirement Outlook, there is an article about State Actuary and the Select Committee on Pension Policy . So I decided to ask, is the way I was treated "Policy"? Thank for your time in answering my e-mail. Questions 425-226-6545 or mail.
Sincerely
Carole Lindberg
lndch@aol.com

From: Painter, Darren
Sent: Tuesday, January 12, 2010 5:05 PM
To: 'lndch@aol.com'
Subject: Disability Policy

Mrs. Lindberg,

When the Legislature created the Plan 2 retirement systems in the late 1970's, the policy at that time was for the Plans 2 to provide retirement benefits–and not additional benefits for death and disability. The plan design allows members to early access to their earned retirement benefit early in the case of disability. However, the monthly amount of the benefit is reduced so members do not receive more lifetime pension benefits from the plan because they are drawing their pensions earlier. Under the Plan 2 policy, members seeking coverage for disability are required to obtain it outside of the retirement systems through disability insurance or other means.

The Select Committee on Pension Policy (SCPP) has studied disability retirement benefits in the Plans 2 and 3 of PERS, the Teachers' Retirement System, and the School Employees' Retirement System. One of the areas studied by the SCPP was the actuarial reductions applied to pensions of Plan 2/3 members who retire early due to disability. Last year, the SCPP received a report prepared by the Washington State Institute of Public Policy (WSIPP) on disability benefits in the Plans 2/3. This report examined options for improving disability coverage through the retirement systems and insurance products. This report can be accessed on the WSIPP web site at http://www.wsipp.wa.gov/rptfiles/09-11-4101.pdf .

The SCPP is recommending legislation for the 2010 Session that would require WSIPP to further develop the options outlined in the disability study and report back to the SCPP in 2010:
http://www.leg.wa.gov/SCPP/Pages/recommendations.aspx.

You may track the work of the SCPP on this and other SCPP issues on the SCPP web site at
http://www.leg.wa.gov/SCPP/Pages/default.aspx

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Wallis, Keri

From: Loren Gomez [logomez57@charter.net]
Sent: Friday, February 19, 2010 1:39 PM
To: Office State Actuary, WA
Subject: PERS SERS 2 and 3

I read today that you are considering amending the pension plan to change the law to allow half-time credit for years prior to 1987 and to allow SOME higher education board members to be covered.

My, gosh! It is this kind of approach to governance that makes me and others so distrustful of government. Who in the private sector can say in 2010 that they disapprove of the working conditions experienced prior to 1987 and now demand a change? Who would make such a demand knowing full well the conditions under which they agreed to work?

I submit that even if this proposal is actruarily defensible, why now do we have an economic and budgetary crisis? It must be because the actuarial forcasts did not anticipate an economic downturn? Of all times to increase long term obligations of the taxpayer, this is not it.

In regard to the board, are these board members subject to the vagaries of the be employed by the educational system? Why are persons who are not educators subject to the rights and privelges of those who are?

Loren Gomez

WASHINGTON STATE PATROL TROOPERS ASSOCIATION
200 UNION AVE. SE STE. 200, OLYMPIA, WA 98501 (360) 704-7530 FAX (360) 704-7527

The Honorable Steve Conway
WA State House of Representatives
PO Box 40600
Olympia, WA 98504

April 20, 2010

The Honorable Mark Schoesler
WA State Senate
110 Irv Newhouse Building
Olympia, WA 98504

Dear Representative Conway and Senator Schoesler;

On behalf of the members of the Washington State Patrol Troopers Association I would like to request consideration of the following two bills introduced during the 2010 Legislative session before the Select Committee on Pension Policy:

- House Bill 2783, a measure that would allow for overtime work that is contracted between the State Patrol and the Department of Transportation be credited in calculation of Average Final Salary;
- Senate Bill 6621, a bill requested by the WSP Lieutenants Association that would allow for the buy back of prior PERS 2 service credits as Commercial Vehicle Enforcement Officers and Communications Officers that transitioned into the WSP Retirement System positions.

We also would like to seriously discuss with you the possibility of creating a State Patrol Retirement System Governance body within the LEOFF 2 Board authority. We feel that our issues are nearly identical to that of the members of the LEOFF system and coordination and policy development would be better served.

Your consideration of these requests will be greatly appreciated.

Sincerely,

Tom

Tom Pillow, President

Cc: Matt Smith, WA State Acutary
Rick Jensen, WSPTA Governmental Affairs
Davor Gjurasic, WSPTA Governmental Affairs
Paul Neal, WSPTA Counsel for Retirement Issues

Wallis, Keri

From: john kvamme [jekvamme@yahoo.com]
Sent: Thursday, May 20, 2010 12:01 PM
To: Smith, Matt
Cc: Conway, Rep. Steve
Subject: WASA & AWSP 2010 Interim Pension Issues
Attachments: 2010 Interim proposed issues.doc

Matt

Attached is a listing of pension issues that are a priority to WASA & AWSP. Please include this in the list of correspondence for the June SCPP meeting. Thank you!

John Kvamme

WASA and AWSP
Retirement and Health Benefits
2010 Interim Proposed Legislative Issues

<u>Plan 2/3 Administrator ERRF Retirement Solution</u>: Due to the administrator contract year, by statute going from July 1 to June 30, almost all administrators will be short two service months if they were to retire July 1 of their 30th service year. These administrators can take advantage of early retirement if they wait till September 1 to begin their retirement, however without a new contract they would have no salary or pension and need COBRA health coverage for that July and August. A possible solution is to allow these administrators that complete their 30th administrative fiscal year to begin their pension on July 1 of that year.

<u>Survivor Access to Plan 1 TRS Annuity:</u> Allow the survivor of an active Plan 1 TRS member that is qualified to retire under RCW 41.32.480 at the time of death, the option to withdraw the member's account balance and receive an actuarially adjusted pension benefit as provided to retiring members under RCW 41.32.497.

<u>Change Plans 2/3 Default:</u> New employees hired into TRS, SERS or PERS eligible positions must make a choice between being a member of Plan 2 or of Plan 3. If a choice is not made the new member is defaulted into Plan 3. We recommend the default be to Plan 2 rather than to Plan 3.

<u>Indexed $150,000 Death Benefit:</u> Automatically adjust the $150,000 death benefit for inflation by indexing the benefit to changes in the Consumer Price Index with a maximum change of 3 percent per year. Such a death benefit would be provided to survivors of public employees who die as a result of duty-related injury or illness.

<u>Future Pension Issues</u>: A number of important issues that impact our members that have been submitted to the Select Committee on Pension Policy (SCPP) in the past that are probably inappropriate for attention at this time due to their cost and the economic conditions within the state and nation are: **<u>Plan 3 Vesting, Plan 2 Access to the PEBB and Plan 2/3 Postretirement Employment Related to Early Retirement.</u>**

AN ACT Relating to calculating service credit for school administrators for alternate early retirement eligibility; and amending RCW 41.32.765, 41.35.680, 41.32.875, and 41.35.420.

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

Sec. 1. RCW 41.32.765 and 2007 c 491 s 2 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member with at least five service credit years of service who has attained at least age sixty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760.

(2) EARLY RETIREMENT. Any member who has completed at least twenty service credit years of service who has attained at least age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760, except that a member retiring pursuant to this subsection (3)(a) shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.760, except that a member retiring pursuant to this subsection (3)(b) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of (b) or (c) of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.32.802(2) until the retired member has reached sixty-five years of age. For purposes of (b) or (c) of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.32.800(1).

(e) Except for (a) of this subsection (3), the subsidized reductions for alternate early retirement in (b) of this subsection (3) as set forth in section 2, chapter 491, Laws of 2007 and (c) of this subsection (3) as set forth in section 1, chapter . . . (this act), Laws of 2010 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under (b) or (c) of this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal (b) or (c) of this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under (b) or (c) of this subsection (3), and upon receipt of the first installment of a retirement allowance computed under (b) or (c) of this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under (b) or (c) of this subsection (3) shall be computed using the reductions in (a) of this subsection (3).

Sec. 2. RCW 41.35.680 and 2007 c 491 s 8 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member who is at least age sixty-five and who has:

(a) Completed ten service credit years; or

(b) Completed five service credit years, including twelve service credit months after attaining age forty-four; or

(c) Completed five service credit years by September 1, 2000, under the public employees' retirement system plan 2 and who transferred to plan 3 under RCW 41.35.510;

shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620.

(2) EARLY RETIREMENT. Any member who has attained at least age fifty-five and has completed at least ten years of service shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620, except that a member retiring pursuant to this subsection (3)(a) shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.620, except that a member retiring pursuant to this subsection (3)(b) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of (b) or (c) of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.35.060(2) until the retired member has reached sixty-five years of age. For purposes of (b) or (c) of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.35.230(1).

(e) Except for (a) of this subsection (3), the subsidized reductions for alternate early retirement in (b) of this subsection (3) as set forth in section 8, chapter 491, Laws of 2007 and (c) of this subsection (3) as set forth in section 2, chapter . . . (this act), Laws of 2010 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under (b) or (c) of this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal (b) or (c) of this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under (b) or (c) of this subsection (3), and upon receipt of the first installment of a retirement allowance computed under (b) or (c) of this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under (b) or (c) of this subsection (3) shall be computed using the reductions in (a) of this subsection (3).

Sec. 3. RCW 41.32.875 and 2007 c 491 s 4 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member who is at least age sixty-five and who has:

(a) Completed ten service credit years; or

(b) Completed five service credit years, including twelve service credit months after attaining age forty-four; or

(c) Completed five service credit years by July 1, 1996, under plan 2 and who transferred to plan 3 under RCW 41.32.817;

shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840.

(2) EARLY RETIREMENT. Any member who has attained at least age fifty-five and has completed at least ten years of service shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840, except that a member retiring pursuant to this subsection <u>(3)(a)</u> shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.32.840, except that a member retiring pursuant to this subsection <u>(3)(b)</u> shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of (b) or (c) of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.32.862(2) until the retired member has reached sixty-five years of age. For purposes of (b) or (c) of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.32.860(1).

(e) Except for (a) of this subsection (3), the subsidized reductions for alternate early retirement in (b) of this subsection (3) as set forth in section 4, chapter 491, Laws of 2007 and (c) of this subsection (3) as set forth in section 3, chapter . . . (this act), Laws of 2010 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under (b) or (c) of this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal (b) or (c) of this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under (b) or (c) of this subsection <u>(3)</u>, and upon receipt of the first installment of a retirement allowance computed under <u>(b) or (c) of</u> this subsection <u>(3)</u>, the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under <u>(b) or (c) of</u> this subsection <u>(3)</u> shall be computed using the reductions in (a) of this subsection <u>(3)</u>.

Sec. 4. RCW 41.35.420 and 2007 c 491 s 6 are each amended to read as follows:

(1) NORMAL RETIREMENT. Any member with at least five service credit years who has attained at least age sixty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400.

(2) EARLY RETIREMENT. Any member who has completed at least twenty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400, except that a member retiring pursuant to this subsection shall have the retirement allowance actuarially reduced to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(3) ALTERNATE EARLY RETIREMENT.

(a) Any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400, except that a member retiring pursuant to this subsection <u>(3)(a)</u> shall have the retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five.

(b) On or after September 1, 2008, any member who has completed at least thirty service credit years and has attained age fifty-five shall be eligible to retire and to receive a retirement allowance computed according to the provisions of RCW 41.35.400, except that a member retiring pursuant to this subsection (3)(b) shall have the retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

(c)(i) An active school administrator is eligible to retire under (a) or (b) of this subsection (3) if the member meets the following requirements:

(A) Has completed twenty-nine service credit years, plus ten additional service credit months through June 30th of the school administrator's thirtieth service credit year; and

(B) Has attained age fifty-five.

(ii) For the purposes of this subsection (3)(c), "school administrator" means a member who serves in a managerial role relating to the administration of a public school or who is involved in the exercise of direction over employees of the public school. This includes, but is not limited to, service as: Principal, assistant principal, superintendent, assistant superintendent, directors and coordinators, such as those persons covered under RCW 28A.150.203(2) and 28A.410.120; and both classified and certificated employees serving in positions such as business manager and personnel manager.

(d) Any member who retires under the provisions of (b) or (c) of this subsection (3) is ineligible for the postretirement employment provisions of RCW 41.35.060(2) until the retired member has reached sixty-five years of age. For purposes of (b) or (c) of this subsection (3), employment with an employer also includes any personal service contract, service by an employer as a temporary or project employee, or any other similar compensated relationship with any employer included under the provisions of RCW 41.35.230(1).

(e) Except for (a) of this subsection, the subsidized reductions for alternate early retirement in (b) of this subsection (3) as set forth in section 6, chapter 491, Laws of 2007 and (c) of this subsection (3) as set forth in section 4, chapter . . . (this act), Laws of 2010 were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of chapter 41.31A RCW, the right to retire under (b) or (c) of this subsection (3) is noncontractual, and the legislature reserves the right to amend or repeal (b) or (c) of this subsection (3). Legal certainty includes, but is not limited to, the expiration of any: Applicable limitations on actions; and periods of time for seeking appellate review, up to and including reconsideration by the Washington supreme court and the supreme court of the United States. Until that time, eligible members may still retire under (b) or (c) of this subsection (3), and upon receipt of the first installment of a retirement allowance computed under (b) or (c) of this subsection (3), the resulting benefit becomes contractual for the recipient. If the repeal of chapter 41.31A RCW is held to be invalid in a final determination of a court of law, and the court orders reinstatement of gain-sharing or other alternate benefits as a remedy, then retirement benefits for any member who has completed at least thirty service credit years and has attained age fifty-five but has not yet received the first installment of a retirement allowance under (b) or (c) of this subsection (3) shall be computed using the reductions in (a) of this subsection (3).

--- END ---

AN ACT Relating to the beneficiary's options when a member of the teachers' retirement system plan 1 dies before retirement; and amending RCW 41.32.520.

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

Sec. 1. RCW 41.32.520 and 2009 c 226 s 5 are each amended to read as follows:

(1) Except as specified in subsection (3) of this section, upon receipt of proper proofs of death of any member before retirement or before the first installment of his or her retirement allowance shall become due his or her accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, and/or other benefits payable upon his or her death shall be paid to his or her estate or to such persons, trust, or organization as he or she shall have nominated by written designation duly executed and filed with the department. If a member fails to file a new beneficiary designation subsequent to marriage, divorce, or reestablishment of membership following termination by withdrawal, lapsation, or retirement, payment of his or her accumulated contributions, less any

amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, and/or other benefits upon death before retirement shall be made to the surviving spouse, if any; otherwise, to his or her estate. If a member had established ten or more years of Washington membership service credit or was eligible for retirement, the beneficiary or the surviving spouse if otherwise eligible may elect, in lieu of a cash refund of the member's accumulated contributions, the following survivor benefit plan actuarially reduced, except under subsection (4) of this section, by the amount of any lump sum benefit identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670:

(a) A widow or widower, without a child or children under eighteen years of age, may elect a monthly payment of fifty dollars to become effective at age fifty, provided the member had fifteen or more years of Washington membership service credit. A benefit paid under this subsection (1)(a) shall terminate at the marriage of the beneficiary.

(b) The beneficiary, if a surviving spouse or a dependent (as that term is used in computing the dependent exemption for federal internal revenue purposes) may elect to receive a joint and one hundred percent retirement allowance under RCW 41.32.530.

(i) In the case of a dependent child the allowance shall continue until attainment of majority or so long as the department judges that the circumstances which created his or her dependent status continue to exist. In any case, if at the time dependent status ceases, an amount equal to the amount of accumulated contributions of the deceased member has not been paid to the beneficiary, the remainder shall then be paid in a lump sum to the beneficiary.

(ii) If at the time of death, the member was not then qualified for a service retirement allowance, the benefit shall be based upon the actuarial equivalent of the sum necessary to pay the accrued regular retirement allowance commencing when the deceased member would have first qualified for a service retirement allowance.

(c) The eligible beneficiary under RCW 41.32.530(1)(b), of a member who was qualified to retire under RCW 41.32.480 at the time of death, has the option to withdraw the member's account balance and receive an actuarially adjusted pension benefit as provided to retiring members under RCW 41.32.497.

(2) If no qualified beneficiary survives a member, at his or her death his or her accumulated contributions, less any amount identified as owing to an obligee upon withdrawal of accumulated contributions pursuant to a court order filed under RCW 41.50.670, shall be paid to his or her estate, or his or her dependents may qualify for survivor benefits under benefit plan (1)(b) in lieu of a cash refund of the members accumulated contributions in the following order: Widow or widower, guardian of a dependent child or children under age eighteen, or dependent parent or parents.

(3) If a member dies within sixty days following application for disability retirement under RCW 41.32.550, the beneficiary named in the application may elect to receive the benefit provided by:

(a) This section; or

(b) RCW 41.32.550, according to the option chosen under RCW 41.32.530 in the disability application.

(4) The retirement allowance of a member who is killed in the course of employment, as determined by the director of the department of labor and industries, or the retirement allowance of a member who has left the employ of an employer due to service in the national guard or military reserves and dies while honorably serving in the national guard or military reserves during a period of war as defined in RCW 41.04.005, is not subject to an actuarial reduction. The member's retirement allowance is computed under RCW 41.32.480.

--- **END** ---

Wallis, Keri

From: Ed Montermini [e.montermini@comcast.net]
Sent: Tuesday, June 01, 2010 4:11 PM
To: Office State Actuary, WA
Cc: Steve Nelsen; Sharon Bennett; Rene Tillman; Randy Parr; Mark Brown; Margie Stauffer; Linda Olson; Leslie Main; Judy Parent; Jim Parker; Helen John; Greg Deveroux; Gloria Champeaux; Frank Hensley; Ed Gonion; Dolores McLennen; Dick Warbrouck; Diana K Parkison; Derek Vanspoor; Dennis Eagle; Deborah Abas; Cassandra de la Rosa; Bev Hermanson; Colette Jensen; George Masten; Jeff Jaksich; Nancy Heley; Jean Kelly; Jon Halvorson
Subject: Correspondance to the SCPP
Attachments: March 5.doc; ONE STEP FURTHER FROM MY ORIGINAL ARTICLES ON THE UNFUNDED LIABLILITY IN THE PERS 1.doc; THE UNFUNDED LIABILITY DILEMMA.doc; UNFUNDED LIBLILITY PAGE 3.doc

TO: members of the Select Committee on Pension Policy (SCPP)

The attached correspondence is for your review and consideration in your forthcoming meeting on June 15, 2010. It is my understanding that these documents will become a part of the record.

They are offered as the personal views of the writer who has studied the public pension programs for some time and reflects his perspective as they relate primarily to the PERS/TRS Plan One systems.

It is my hope you find them enlightening in your deliberations.

Ed Montermini, Pers 1 retiree.

February 25, 2010 Number 1 of 3

THE UNFUNDED LIABILITY DILEMMA

By Ed Montermini

At times there seems to be a misunderstanding about the meaning of the phrase "unfunded liability", particularly as it applies to the PERS/TRS Plan 1 public pension systems. There is a feeling that one should always have his liabilities taken care of in some positive manner. If there is any liability which is unfunded, there is something wrong.

Not entirely true. In some cases unfunded liabilities are a common and almost necessary element of pension funding financing such as the Plan 1 systems. Its part of the price of the plan, just as are annual costs.

When the Plan 1 pension systems were established many years ago, state and other public employees were given credit for prior service but were not required to pay a lump sum amount for that past service. Instead, an actuarial payment formula was set up to pay the ultimate cost of the program, usually over a fixed period of time, with contributions from both the employees and their employers.

This idea is easier to understand if a comparison is used. For a homeowner, the size of the monthly mortgage payment is much more important than the entire cost of the home since this cost would be beyond the reach of most folks. So this entire cost is not a primary consideration. The important consideration is whether the homeowner can meet the monthly payments over a period of time that is established to pay off the home and the same principle holds true in pension systems.

Otherwise, the total balance owed on a home to be paid off over a period of time and the amount owed by a pension system to meet their total costs both fall under the term "unfunded liability".

So, what is the problem here? Simply stated, it is when the required employer contribution toward the unfunded liability is not paid. An example is last year when employer contributions amounting to over 400 million dollars were not paid. Unfortunately, this has occurred many many times over the past several years. Instead of meeting the goal of reducing the unfunded liability, it continues to grow and is approaching over seven billion, I repeat, billion dollars.

My next article will cover other elements that should be recognized and come into play.

March 5, 2010 Number 2 of 3

THE UNFUNDED LIABILITY DILEMMA
By Ed Montermini

My first article explained my view on what is meant by the term unfunded liability which I will refer to as the U.L. What follows is essentially an explanation of how the amount of the employer contribution is established to pay off the U.L. of the PERS Plan1/TRS Plan1, normally over a fixed period of time. I have also considered other factors.

You should also be aware that the other pension plans, such as Plan2 & 3 do not have an unfunded liability.

Determining the amount of employer contribution is primarily based on Actuarial standards and the State has hired a certified Actuary who essentially works for the Governor and Legislature. In addition a legislative committee called the Pension Funding Council works in unison with the State Actuary. This Committee then recommends their findings to the Governor and Legislature There is also another legislative committee named The Select Committee on Pension Policy that may or may not make their own recommendations.

In reviewing the history of contributions, under funding of the PERS system has been ongoing for several years. As an example, one record prepared by the Office of the State Actuary for the budget periods from 1973 to 1989 shows those contributions recommendations for the pension systems during that period were reduced by over1.3 billion dollars. And several like reductions been made from 1989 to the present time that totals many many millions of dollars.

All contributions to the pension systems are trust funds and transferred to the State Investment Board for the State of Washington, who invests that money in the stock market. So, in addition to all contributions paid by public employees and state and county government entities, the investment returns from that invested money also help and are necessary to help pay for the total costs of these pension systems.

Many of you are aware that the Plan1 systems closed in 1977 and only cover those actively employed prior to that time. So, as these pre 1977 employees retire and there are no longer any contributions for them since they are no longer active employees, much more reliance must be placed on the earnings from the invested trust funds to meet the monthly pension payments for all those who are already retired.

With the above explanations in mind its time to talk about what affect the under funding of the PERS/TRS plan 1 system has on the financial soundness of those systems to pay all current and future pension benefits.

In my opinion the first and paramount question is how financially stable is our pension system to meet those costs. Here are the factors I considered as primary to that question.

.When the system is under funded that means that not only is there a shortage of money to meet the costs of pensions but also the amount of money for investment is reduced resulting in less investment return. This also causes more money to be taken out of the existing investment pool and transferred to the Department of Retirement Systems who needs extra funds to pay current pension benefits to those already retired. This in turn, also lessens the amount of investment earnings and that, along with market fluctuations creates substantial financial instability to pay for all of the current and future pension benefits.

So, this combination of not contributing the full amount they the state is supposed to contribute and the loss of invested earnings are devastating.

That concludes my comments on number 2 of 3 articles. My last article of this series will be on other elements, both good and bad, and my personal opinion as to the end result.

March 9, 2010   Number 3 of 3

THE UNFUNDED LIABLILITY DILEMMA
By Ed Montermini

First a brief statement of the main theme in the first 2 articles I have written. Unfunded Liability is the total amount needed to pay all current and future pension beneficiaries in those systems. This is done by scheduled contributions over a future and normally fixed period of time based on Actuarial standards. When those scheduled contributions are not made the unfunded liability is not reduced but increases in size with other corresponding negative affects. This is my 3rd concluding article.

This under funding, which has gone on for so many years, occurred because the large amount of trust money that has accumulated attracted interest the way blood attracts sharks. Since those funds are in trust and can only be used to meet the legally required cost of pensions, an end run approach was to eliminate and not pay the contributions that should have been paid and use that money for other purposes having no relationship to the pension program.

So who is hurt both now and in the future because of this situation?

First and foremost are the current and future retirees. By allowing the unfunded liability to grow clearly endangers the stability of the pension program, not only in the area of cost of living adjustments (COLA) but also any future improvements that may very well be justified. While the basic pension amounts are protected by law, considering what has been done in the past to remove funds from the pension system causes me to have grave reservations that the law will not protect pensions against other secondary manipulations in one form or another in the future because of this gross under funding unless it is corrected in the immediate future.

I have only addressed the impact on the PLAN 1 systems. However it could easily happen to the PLAN 2 system which does not have an under funded problem at the present time but is accumulating a substantial amount in their trust funds that the sharks may also want to feed on in one manner or another.

These past contributions that have not been paid remain in the State General Fund to be used to meet the cost of other services provided by State Government. So this game of robbing Peter to pay Paul will have the reverse affect when all of the trust money is gone and ongoing pension payments to current and future will have to be paid sooner than anticipated directly out of the State General Fund which is ,in my opinion, the worst way to fund a pension program.

Not making the required payments has a double barreled impact on the interest earnings of the pension trust funds that are managed and invested by the State Investment Board. By not having those contributions paid results in more money lost out of the investment pool to meet current pension costs. This results in a reduction of interest return on those lost funds. This will completely eliminate the trust fund reserves at a much faster rate which will adversely impact the State General Fund prematurely. When this happens the blame will rest solely on the Legislature and Governor.

Another group that will have to bite the bullet is the tax payers who will in all likelihood be hit with tax increases to meet this additional premature cost to the State General Fund which will be very substantial if this business of under funding the pension system is allowed to continue unchecked.

The bottom line is that pension plans are not slush funds or rainy day funds. They are the deferred wages of public employees and represent there future economic security. That’s what has to be protected. Vigilance is the keyword.

ONE STEP FURTHER FROM MY ORIGINAL ARTICLES ON THE UNFUNDED LIABLILITY IN THE PERS 1 & TRS 1 PENSION SYSTEMS. By Ed Montermini April 28, 2010

I received a question from one of you a few days ago that asked now what happens and what can be done... While I had decided not to write anymore on the subject that question has been nagging me to the extent that I decided to address it. This required more research to determine the manner in which the unfunded liability (UL), that currently amounts to about 7 billion dollars or more, will be met in the future. There was also a need to understand the effect of SSB6161, passed by the 2009 Legislature and signed by the Governor that outlines the new process on how to pay off the UL because continuing it just pushes the debt off to public employees, future generations of tax payers and as far as current retirees are concerned, raises serious questions about the stability of the system. It also robs the pension system of hundreds of millions of dollars--- money that could be invested and earning interest to help meet the costs of the system.

In order to understand how the State Actuary set up the specific mechanism to comply with SSB6161, as well as the risk study report he is developing, I sent him an email asking the following questions.

1. When will your report addressing the impact of the risk factors affecting the pension system be completed?
2. What is the definition of a rolling ten year period?
3. Does it establish a new future date to amortize (pay off) the UL?
4. What methods and assumptions have you developed to comply with this statutory change?
5... With regard to the language in the bill that requires you to consider the “affordability of pension contribution rates”, how does this influence the precise and relevant indicators that are actuarially used to establish contribution rates?

I asked question 1, because a report of this nature is long overdue. Question 2 because the prior legal requirement was that the UL had to be paid off by no later that the year 2024 was eliminated and replaced with a process called a “rolling ten year period”. Questions 3 & 4 were to get an understanding of what he came up with. Question 5 is very important because it brings into the process a factor that I believe is not contemplated in the Actuarial Standards used to set contribution rates. His response did clarify those areas for me, unfortunately, so I now offer, in my personal opinion, the effects of SSB6161.

First, there is no positive ending date for paying off the UL. The method used in explaining the manner in which the UL is supposed to be paid off has so many variables that it makes the process questionable. There is also conflict with other provisions in SSB6161. And the bill appears to compromise Actuarial Standards that clearly and concisely say how contribution rates are to be established.

It should be understood that the State Actuary’s role in this issue is to comply with the requirements set by the Legislature and Governor by their approval of SSB 6161. In other words his role results from the EFFECT of the bill. The CAUSE of his doing so was the language in the bill he was required to subscribe to. The only way to question what he has done from an actuarial standpoint is by another opinion from a certified Actuary which, I believe would probably create a nebulous result unless the need to do so it is tied in with some realistic form of political or legally supportive strategy. It is important to understand this relationship in order to evaluate the issue in terms of considering what course of action one might take. And I believe there are creditable reasons for doing so from either a political or, as a last resort, legal standpoint at the appropriate time.

Another important element to consider is the forthcoming risk management report being developed by the State Actuary, scheduled to be completed by the end of July. It is my understanding it will be used by the SCPP (Select Committee on Pension Policy) to develop any policy recommendations for the 2011 Legislature. It will be interesting to evaluate that report from the perspective of what or who is at risk.

Wallis, Keri

From: RParr@washingtonea.org
Sent: Monday, June 07, 2010 8:49 AM
To: Office State Actuary, WA
Subject: WEA Issues for 2010 Interim
Attachments: SCPP 2010 WEA Agenda.pdf

OSA staff and SCPP Members;

Attached please find WEA's letter regarding the issues we would ask the committee to address during this brief 2010 interim. I will bring copies for sharing with the committee and/or executive committee at next Tuesday's meeting, but wanted to send this in advance for possible inclusion in committee materials at your June 15 meeting.

Please feel free to contact me should you have any questions.

Randy Parr
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WEA
WASHINGTON
EDUCATION
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June 2, 2010

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

Dear Executive Committee Members;

On behalf of the 82,000 members of the Washington Education Association, we would appreciate your consideration of the following issue for further study and action during the 2010 interim in preparation for the 2011 Legislative Session.

The issue WEA would seek the committee to study and make a recommendation on this year would be an option for certain members of TRS and SERS Plan 3 who were hired in to that plan tier to transfer service to their respective Plan 2. We would expect such a transfer to be effected in a manner that would be revenue neutral to the pension system. The WEA has raised this specific issue in the past, and appreciated the summary analysis presented to the full Committee on December 15, 2009. However, the analysis failed to address the concern of these dual system members as to the adequacy of their benefit, or to recommend any course of action:

- **Education Staff Associates with multiple employers.** Several certificated professions are common to both the state and school systems. These include speech language pathologists, physical therapists, librarians, counselors and others. Some of these employees began their careers in the state system under PERS 2 and then gained employment in schools where they were enrolled in TRS 3 (or the reverse). There is a concern that combining these two plans do not add up to a whole pension benefit. We would ask the committee to study the issue of those whose employment has forced them to earn service credit in the two separate systems in this manner, and seek a resolution that assures that their career of public service to the state results in a full pension without having been penalized for service in two separate systems. (see RCW 41.32.032 for how this was addressed in the 1980's)

The WEA continues to have a number of other priorities for pension improvements that we expect to be addressed by the legislature. However, we recognize the select committee has only a limited time for studying issues this interim, and are not seeking any efforts on your behalf that require prolonged deliberation. So, while we are not asking the SCPP to study the issue this year, the WEA does continue to have as its ***highest priority the enactment of a Rule of 85*** for determining normal retirements and we would seek your favorable recommendation to the legislature on this issue. In addition, the WEA continues to support other pension system changes the SCPP has studied in the past, and would seek your favorable recommendation on:

- Addressing **post-retirement employment for members of Plans 2 and 3** who retire early under the Alternate Early Retirement benefit provided in EHB 2391.
- **Five-year vesting for Plan 3 members** regardless of age.
- **Plan 2 member access to Public Employee Benefits Board health plans**.

We are prepared to discuss these issues in more detail and would welcome the opportunity to work with the committee in determining the best way to address the issues. Thank you for your consideration.

Sincerely;

Randy Parr

Randy Parr
Budget Analyst/Lobbyist
Washington Education Association
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