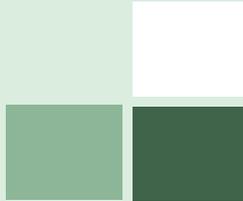
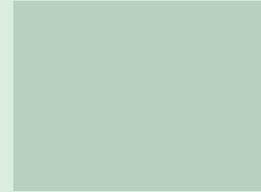


Select Committee on Pension Policy



2011 Legislative Session Highlights



Aaron Gutierrez, Policy Analyst



July 19, 2011

Another Unique Year

- Rollback of benefits
- Expansion of SCPP duties
- Expansion of OSA duties
- Full funding of actuarially required rates



Substantial Changes In Other States Too

- June 30, 2011, report from NCSL
 - [Pensions And Retirement Plan Enactments In 2011 State Legislatures](#)
- Some examples from the report (numbers exclude WA)
 - Changing contribution rates or funding policy
 - Fifteen states
 - Modifying Post-Retirement COLAs
 - Eight states
 - Created a new optional DC plan
 - One state (Indiana)
 - Modified retire-rehire provisions
 - Six states

What Were The Most Common Subjects?

Subject	Sponsored	Passed
Retire-Rehire & Higher Education Retirement Plans (HERPs)	7	1
Average Final Compensation (AFC) Adjustment/Furloughs	4	1
Adding SCPP Duties	2	1
Adding OSA Duties	5	3



Actuarial Fiscal Note Metrics

- Forty-eight bills of interest to the pension system
 - Total of 63, including companions
- Sixty-nine actuarial fiscal notes
 - Includes 17 amendments or other revisions
- Plus assorted special projects



For Today's Presentation

- Session highlights
 - Full legislative update in meeting materials
- SCPP sponsored bills
- Changes to Plans 1 COLA Provisions
- HERPs and Retire-Rehire Bill
- AFC Adjustment/Furlough bill for 2011-13
- Bills affecting SCPP and OSA duties
- Full funding of actuarially required rates

SCPP Sponsored Bills

- Passed Legislature
 - PSERS employer definition
- Did not pass Legislature
 - WSPRS Service Credit Buyback (CVEOs)
 - TRS 1 Survivor Benefit Payment Option
 - HERPs and Retire Rehire: SCPP Proposal
 - Lump Sum Duty Death Benefit



Changes To Plans 1 COLA Provisions

- Eliminates Plans 1 UCOLA for certain members
 - Current UCOLA recipients will receive no future increases
 - All other members (active or retired) are ineligible for UCOLA
 - One exception
 - Members and beneficiaries remain eligible for UCOLA if they qualify for minimum benefits
- Increases alternative minimum benefit to \$1,545/month, beginning 7/1/2011

HERPS And Retire-Rehire Bill

- One complex bill that covered a lot of ground
 - Presentation will cover HERPs and retire-rehire separately
 - Changes to SCPP and OSA duties discussed in later slides
- Enacted bill is broader than SCPP recommendation
 - Most SCPP recommendations included in enacted bill, with some variation
- Detailed side-by-side comparison in meeting materials

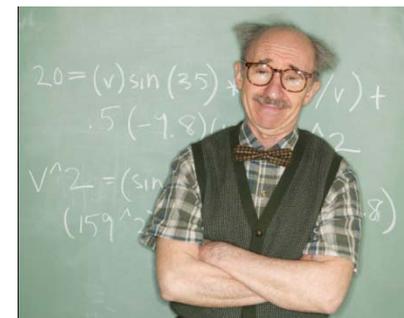


HERP Refresher

- Higher Education Retirement Plans
 - Defined contribution plans
 - Administered by higher education institutions and not DRS
 - Institutions determine who is eligible
- HERP Supplemental Benefits
 - Guaranteed minimum level of benefits

Changes To HERP Rules

- HERPs may only be offered to certain employees
 - Faculty, and employees exempt from civil service
 - Not to those who retired, or are eligible to retire from a DRS-administered system
- No HERP supplemental benefits for new hires
- State contributions to HERPs capped at 6 percent of salary
- Establishes prefunding of HERP supplemental benefits through employer contribution rates



Retire-Rehire Refresher

- Rules are complex
- Three of the rules are important to understanding enacted bill
- Prior to 2011 session
 - General rule
 - Retiree's pension is suspended if the retiree works more than 867 hours per year
 - "Higher Education Exception"
 - PERS retirees working in HERPs could work full time without pension impact
 - "Plans 1 Exception"
 - Retirees in Plans 1 could work up to 1,500 hours per year without pension impact (with a lifetime cap of 1,900 hours earned in excess 867 hour yearly limit)

Changes To Retire-Rehire Rules

- Closes “higher education exception”
 - PERS retirees working in HERPs are subject to 867 hour rule
- Closes “Plans 1 exception”
 - Members of Plans 1 are subject to 867 hour rule



History Of AFC Adjustment / Furloughs Bills

- Pension benefits are partly determined by Average Final Compensation
 - AFC can be affected by salary reductions and furloughs
 - Most likely to impact pensions if the reductions take place just prior to retirement
- Several AFC Adjustment bills have passed, beginning in 2009
 - Each bill was different
 - Varied in terms of who is covered, and what types of reductions are included.
 - Core provision has stayed the same
 - AFC will not be affected by certain reductions experienced during a given timeframe
 - Employer must certify the forgone compensation is an integral part of the employer's expenditure reduction efforts

AFC Adjustment / Furlough Bill For 2011-13

- Core provision included
 - AFC will not be affected by certain reductions taken during the 2011-13 Biennium
 - Employer must still certify the forgone compensation is an integral part of the employer's expenditure reduction efforts
- Enacted bill is slightly broader than previous bills
 - Includes some direct salary reductions, in addition to “furloughs”
 - Applies to state and local members of all plans



SCPP Duties Expanded

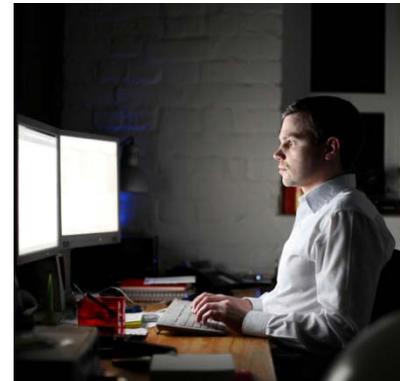
- Must evaluate the suitability and necessity of HERPs
 - Report findings to the ways and means committees of the Legislature no later than December 31, 2011
- SCPP added to the list of committees responsible for determining how and when periodic review of HERPs will occur and whether to adjust HERP contribution rates

OSA's Duties Expanded

- LEOFF 1/LEOFF 2 Merger Study
 - Budget proviso
 - Report findings to the ways and means committees of the Legislature no later than December 15, 2011
- GET Actuary
 - OSA providing ongoing actuarial analysis and consultation to Guaranteed Education Tuition program
- HERP Supplemental Benefits
 - OSA will conduct ongoing actuarial valuations and experience studies for HERP supplemental benefits
 - Higher education institutions must contract with OSA by June 30, 2013
 - Valuation every two years thereafter
 - Experience study every six years thereafter

Some Fiscal Notes Are Still Being Finished

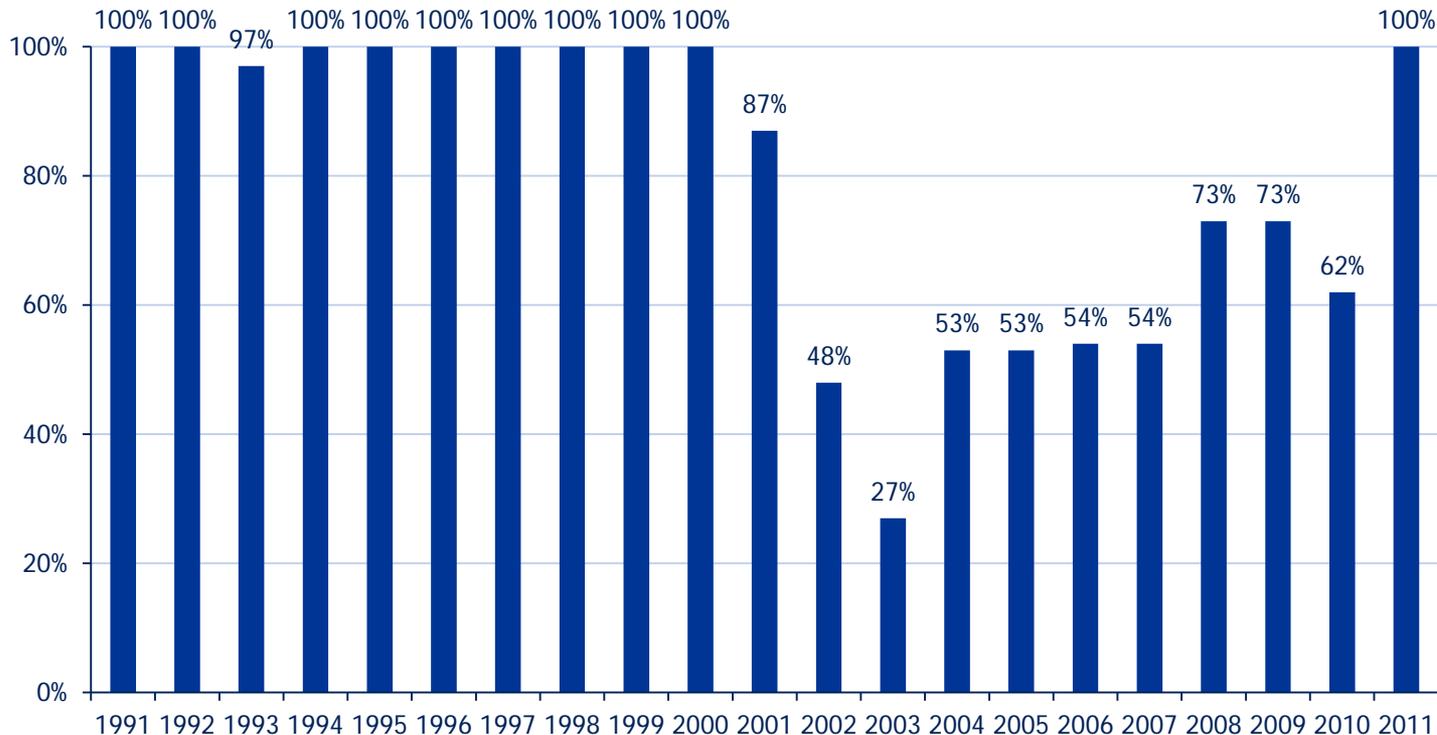
- OSA has a statutory duty to produce actuarial fiscal notes on all pension bills (including amendments)
- Due to priorities and workload, actuarial fiscal notes for six bills that did not receive a hearing were pushed back until after session



Full Funding Of Actuarially Required Rates

- Pensions funded at 100 percent of actuarially required rates for first time in a decade

Average Percent of Required Contribution Made by Fiscal Year*



*For PERS, TRS, and SERS combined.



Recap Of Highlights From 2011 Session

- Elimination of future Plans 1 UCOLA increases for some members
- Changes to retire-rehire and HERPs
- Continuation and expansion of AFC/furlough policy
- Expansion of SCPP duties
- Expansion of OSA duties
- Full funding of actuarially required rates

Questions?

- Full legislative update in [meeting materials](#)

