



## LEOFF Merger Study Update

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### Today's Agenda

- Background on merger study
- OSA's role and approach to study
- Potential impacts and opportunities for SCPP
- Next steps for OSA
- Next steps for SCPP



## Background On Merger Study

- In 2011 session, a bill was introduced that would have merged LEOFF 1 and LEOFF 2 into a single retirement system
  - Bill did not pass
- Budget proviso called for an OSA study of the issue of merging the two plans
  - OSA received \$75,000 for the purpose of the study
- Due to the Legislature December 15, 2011

## OSA's Approach To Merger Study

- Report intended to provide objective information to help the reader
  - Understand the various potential impacts of a plan merger
  - Evaluate whether a merger would accomplish their goals
  - Consider whether alternative approaches would be better suited



## OSA Is Tasked With Studying The Issue

- Plan mergers are complex
  - Many ways to approach merging the plans
  - Study will consider more than just a single bill or approach
- Report will not make recommendation for or against merger
  - Proviso does not call for a recommendation
  - Would require specific proposal

## Highlights Of Planned Analysis

- Detailed draft in meeting materials
  - Final report may differ from draft
- What do we mean by "merging the two plans"?
  - Wide range of options available, but some more likely than others
  - Considerations differ greatly based on chosen approach
- Tax and legal analysis
  - Report cannot determine if a merger is or is not legal
  - Will try to identify issues that require cautious consideration
  - All state and federal analysis will be reproduced in full in report
- Actuarial analysis
  - "Before and after" scenarios
  - Comparing impacts to plan health and risk measures

## OSA Has Consulted With Stakeholders

- Proviso required soliciting input from with LEOFF 1 and 2 representatives *at a minimum*
- OSA has erred on the side of inclusion and transparency
  - Including other stakeholders who have a role or expressed interest
- Stakeholders were asked about their concerns if a merger were to take place
- Representative samples will be included in report



## Merger Could Have Potential Impacts On SCPP

- SCPP has an advisory role in LEOFF 1 governance
  - Funding and benefits policy
- A merger could increase or decrease that role
- Some possible examples
  - SCPP advisory role in governing LEOFF 1 could be transferred to another entity
  - SCPP could acquire advisory role in governing LEOFF 2
  - SCPP could be assigned direct oversight of combined LEOFF plan
- Actual impact would depend on the precise proposal
- May be other impacts unidentified at this time

## Opportunity For SCPP To Provide Study Input

- SCPP has the option to provide input today
  - Optional discussion
  - Not required by the study proviso
  - OSA is listening
- Sample question
  - What concerns or issues would the SCPP like to see addressed in the study?
- This is not the only chance for SCPP input
- Future chances to address issue after study report is complete



## Next Steps For OSA

- Complete actuarial analysis
- Draft and finalize report
- Submit report to Legislature by December 15



## Next Steps For SCPP

- Provide input today via optional committee discussion
  - What concerns or issues would the SCPP like to see addressed in the study?
- Options for future input after study report is complete
  - Review of SCPP role in plan governance
  - Public statement on issue
  - Participation (for, against, or advisory) if a merger proposal goes forward
  - Other options?

