

11/21/2011

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Select Committee on Pension Policy
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Office of
The State Actuary

To Whom It May Concern,

We are writing you because we need to call your attention to several issues related to the PERS 3 plan that desperately need action at the policy level.

We have communicated via email with 3 individuals at the Department of Retirement Systems on these matters. We have all of that correspondence but suffice it to say that even though we told them we realized they were not policy setters we wanted them to assure us they would take our comments to those that did set policy. We asked for a contact at the policy level but didn't get a response so we did our own research and came up with this address from this URL:
<http://www.leg.wa.gov/SCPP/Pages/Contact.aspx>

Here are the issues:

1. **The WSIB-managed portion of PERS 3 should have a CASH equivalent option as does the self-directed. This gives a place for funds to sit in CASH pending an imminent plan to annuitize.**
2. **Both PERS3 options (self-directed and WSIB-managed) should have a savings pool like the Deferred Compensation program does. The DCP is essentially laddering CDs.**

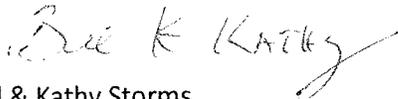
Here is some detail, which if it is not already obvious, will validate why the two policy changes should be made:

- To avoid stock market fluctuations, my wife, who is in the PERS 3 retirement plan, decided to move her PERS 3 defined contribution funds to the cash account in the self-directed portion of PERS 3. Upon further research, she decided, that the annuity offered under the WSIB-managed PERS 3 option was the best for her. She was told she had to move her funds to the WSIB account. This couldn't be done online – which also should be addressed. After sending a letter to request the move and having it moved, we were surprised to see, when looking online, that the funds were eventually moved to the WSIB stock fund. Since they were in CASH in the self-directed PERS 3 portion of the system, we fully expected the funds to remain in CASH when moved to the WSIB portion of the system. The funds actually sat in a cash holding account for some time at ICMA which further reinforced our belief they would stay in cash until we annuitized them or made a decision to move them to the WSIB stock fund.
- We called the PERS 3 plan record keeper – ICMA - and were told that the funds which were in a CASH account in the self-directed plan were only parked temporarily in a cash holding account at the WSIB-managed PERS 3 section and since the WSIB-managed option didn't have a CASH

equivalent (except, apparently for this holding account) the funds had to be moved to the WSIB stock fund. Since we didn't want to experience market volatility, we asked to have the funds moved back to the PERS 3 self-directed account where we could in fact leave the funds in cash. The ICMA representative said they could do that but the move would take place "any time within the next 30 days." That is really not acceptable. As a result of being told the move would take place at some random date in the next thirty days, we decided we were trapped and better off just leaving the funds where they were.

- Our second request is for the PERS 3 plans to introduce a "savings pool" option similar to the Deferred Compensation program. The DCP program does an excellent job of managing the savings pool, essentially laddering CDs, to achieve a reasonably stable rate of return that over time will move up or down but which will smooth out the volatility in interest rates and which guarantees the principle amount. The cash option in the PERS 3 self-directed plan is essentially a money market account that currently pays next to nothing and is not nearly as attractive as an investment option as the savings pool in the DCP program. The cash option in the WSIB portion of PERS 3, as previously pointed out, has no cash option at all.

Sincerely,



Bill & Kathy Storms

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Office of the State Actuary

"Securing tomorrow's pensions today."

November 28, 2011

Mr. and Mrs. Storms
930 East Chestnut
Wall Walla, WA 99362

Dear Mr. and Mrs. Storms

Thank you for your letter to the Select Committee on Pension Policy (SCPP) dated November 21, 2011. This correspondence was received in the Office of the State Actuary (OSA) on November 21, 2011.

OSA has forwarded your request to the Department of Retirement Systems (DRS) for response. Recommending investment options used to be handled by the Employee Retired Benefits Board. That board was recently abolished and its duties transferred to DRS.

Thank you for your interest in the work of the SCPP.

Sincerely,

Keri Wallis

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