



Select Committee on Pension Policy

Merger Study: Update

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Today's Presentation

- Website update
- Refresher: Goals for the study and key questions
- Preliminary overview of survey responses
 - Questions/concerns have been identified in the survey results thus far
 - Also includes questions identified by staff

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1

Website Has Been Updated

- As requested, SCPP website now includes a [webpage dedicated to this project](#)
- Work in progress, and will be adjusted as we move forward
- www.leg.wa.gov/SCPP/Publications/Pages/2016MergerStudy.aspx

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High Level Objectives of Merger Study

- 1. Provide the Legislature with thorough analysis of pros and cons to help them decide whether or not to pursue a merger
- 2. Identify what information would be needed to put the state and stakeholders in the best position to succeed if a merger were proposed

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Context/Overarching Study Questions

- In studying a merger of assets and liabilities where the assets of each plan are usable across the merged plan:
 - What is required for a merger of retirement systems to meet IRS requirements and withstand a legal challenge?
 - To what extent does SB 6668 meet those requirements?



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4

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Over 1,200 Responses Received as of July 13

- Survey went out June 28
 - Added recipients as they were brought to our attention
- Sent to
 - SCPP listserv
 - LEOFF 1 representatives
 - LEOFF 2 Board staff
 - Association of Cities, Association of Counties
 - Representatives of teachers and school employees
 - OSPI, WEA, school directors and principals groups
 - Encouraged all to forward to anyone they thought may be interested
- Also received emails and phone calls



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5

Survey Questions

- Plan membership and status (active, retired, employer)
- If the Legislature proposed a merger of LEOFF 1 and TRS 1, then you would be...
 - In favor, opposed, or it depends on the provisions of the merger
- If the Legislature proposed a plan merger
 - What QUESTIONS would you like answered?
 - What CONCERNS would you like to see addressed?
 - What GENERAL COMMENTS would you have?

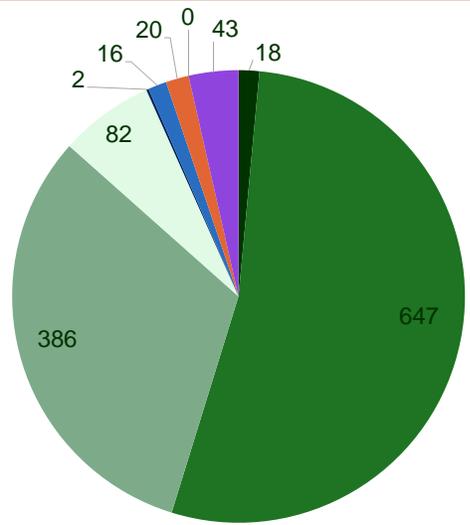
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6

Question 1: Plan Membership and Status (as of July 13)



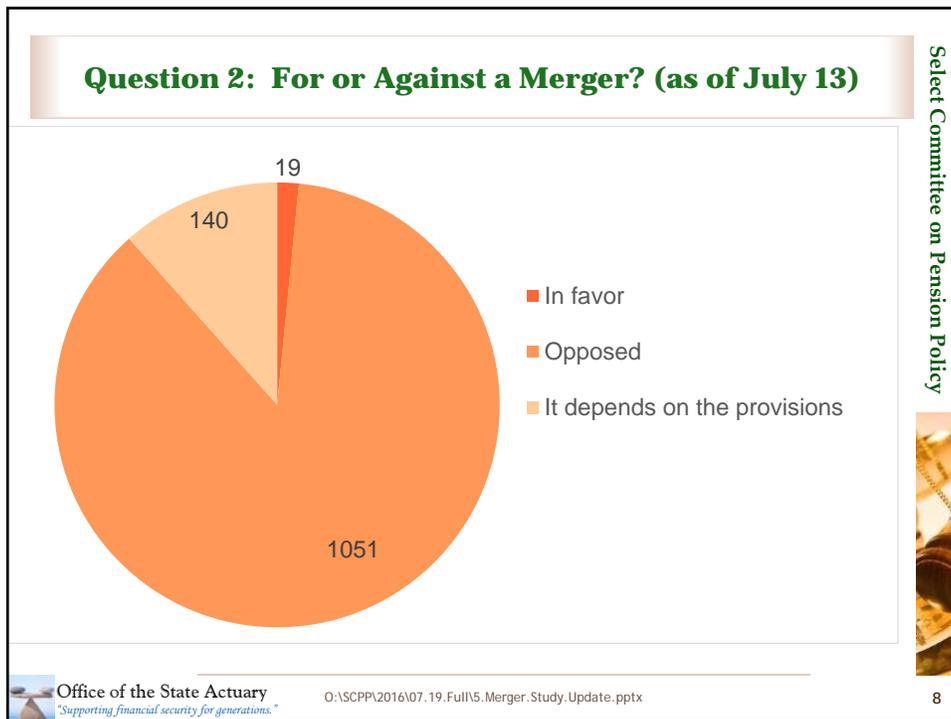
Category	Count
Active LEOFF 1	647
Retired LEOFF 1	386
Active LEOFF 2	82
Retired LEOFF 2	2
Active TRS 1	16
Retired TRS 1	20
Employer LEOFF 1/2	0
Employer TRS 1	43
Other interested stakeholder (or prefer not to say)	18
Unlabeled	18

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7



Questions, Concerns, and Comments

- Reviewed first 550 responses
- Over 40 specific questions thus far (with sub-questions)
- Brief excerpts in next slides
 - See handout for full list
 - Available in meeting materials and on SCPP website
 - All responses will be made available verbatim at a later date
- Where possible, concerns were rewritten as questions
 - For example, if a response says, "I am worried that a merger will impact my benefits", that may be restated for analysis as: "Will a merger impact benefits for members?"
- Responses not limited to LEOFF 1/TRS 1, but also addressed LEOFF 1/LEOFF 2 merger
 - All responses were considered

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9

Most Common Question: What is the Goal of a Merger?

- Included in survey responses, emails, and phone calls
- Only the bill sponsors can say
 - Staff cannot speak for them
- Staff can only identify:
 - What the prior proposals would do
 - What the objective pros and cons of a merger may be
- Often in the past we've used if/then statements, such as
 - If your goal is X, then you may wish to do action Y

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Examples of Questions Related to Legal Issues

- What case law is relevant, and what does it tell us?
- In regard to contractual rights, what are the terms of the contract between LEOFF 1 members and the state?
- Would a merger result in any direct tax impact to the members?
 - Specifically, would a medically disabled retiree lose their individual tax exempt status?

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Example of Questions Related to Funding Policy and Fiscal Impacts

- More details on historical funding of the various plans
- What does the “surplus” represent?
 - Is it guaranteed or just projected?
 - What would it look like under alternate scenarios?

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Two examples of Questions that Can Be Addressed Through Education

- A retiree expressed concern that if the funded status of a plan drops to 87 percent, then the retiree's checks will be reduced to 87 percent of their current amount
 - Benefit payments are not tied to funded status
 - Checks didn't increase when funded status was 127 percent
- Another member asked if a merger of trust funds would reduce the amount of money available to pay LEOFF 1 medical benefits
 - No, or at least not as a direct result of merging the trust funds
 - LEOFF 1 medical benefits are not paid through the plan trust fund

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Preliminary Results Highlight Differing Assumptions

- For example, many members stated that a merger *would* reduce their benefits
 - “Could” and “would” are not the same things
- *Could* a merger reduce benefits?
 - Theoretically, yes
- *Would* a merger reduce benefits?
 - It depends on the proposal
 - SB 6668 expressly said no impact to benefits
 - Legal analysis in 2011 Merger Report stated that any reduction to benefits may run afoul of the IRS rules or contractual rights



Next Steps

- Preliminary responses to be shared with DRS, AGO, and LEOFF 2 Board
- Final compilation of stakeholder responses to be presented in September



Report Timeline

June

- SCPP receives work plan
- Stakeholder input process begins

July

- Staff presents compiled stakeholder input to SCPP
- Forward stakeholder input to agencies to help inform agency reports

August

- Analysis underway

September

- Analysis underway
- Present final version of survey results to SCPP

October

- Agencies present updates or preliminary analysis to SCPP

November

- Analysis and agency reports finalized
- Staff presents compiled report to SCPP

December

- Final SCPP receipt and/or action on compiled report
- Staff sends final report to Legislature

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16

Appendix

- Data for Questions 1 and 2 from the survey

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17

Question 1 Responses as of July 13

Survey Question 1 Responses	
An active member of LEOFF 1	18
A retired member of LEOFF 1	647
An active member of LEOFF 2	386
A retired member of LEOFF 2	82
An active member of TRS 1	2
A retired member of TRS 1	16
An employer of LEOFF 1/2 members	20
An employer of TRS 1 members	0
Other interested stakeholder (or prefer not to say)	43
Total	1214

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18

Question 2 Responses as of July 13

Survey Question 2 Responses	
In favor	19
Opposed	1051
It depends on the provisions	140
Total	1210

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19