

OVERVIEW OF COMPENSATION BUDGETS

January 2013

Compensation represents approximately 20% of the state general fund budget

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- In 2012 the GF-S funding for these components include:
 - ▣ Salaries and Wages -- \$1.9 billion
 - ▣ Employee Health Benefits -- \$0.5 billion
 - ▣ Pension Contributions – \$0.7 billion

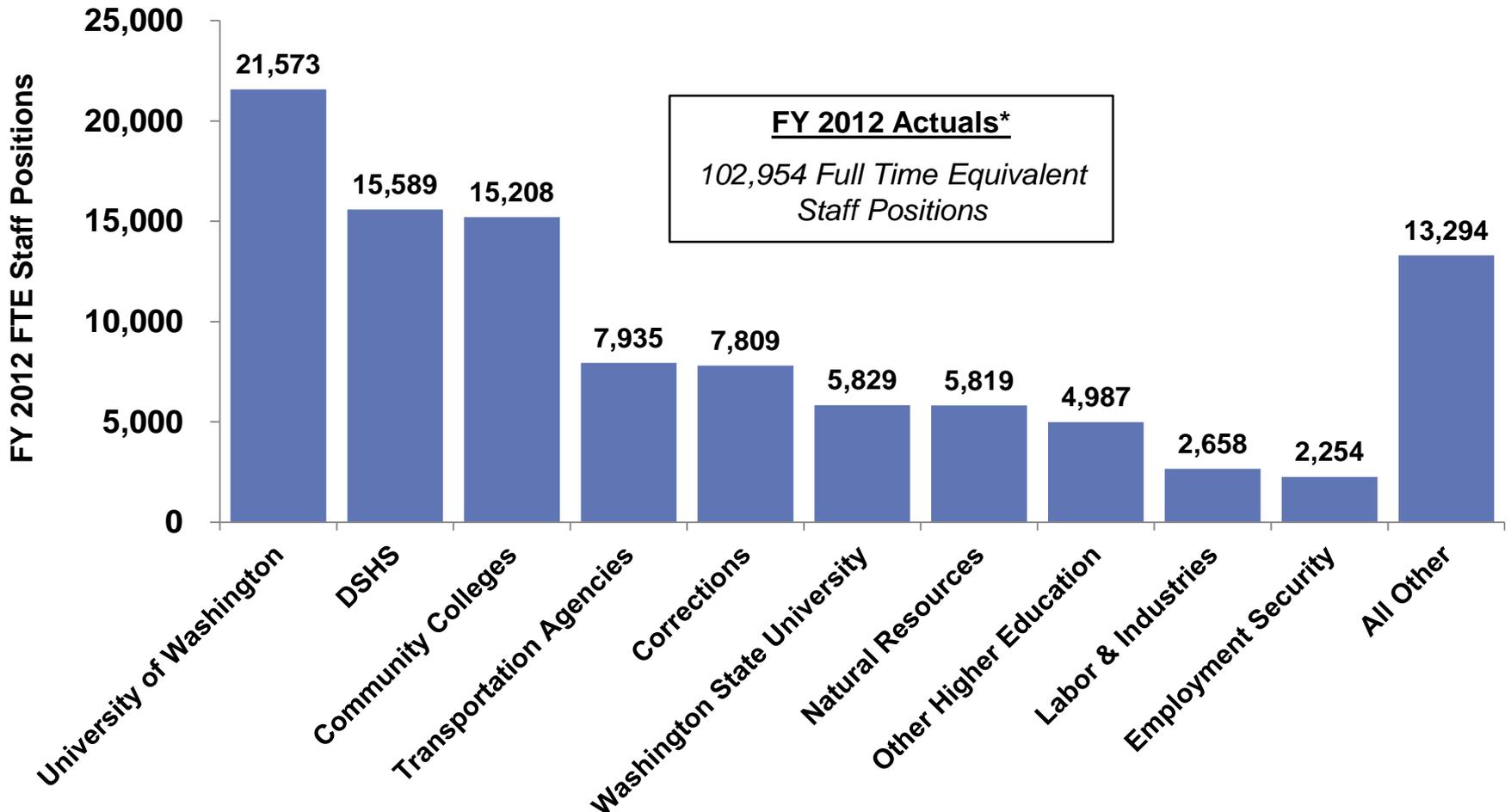
- Policy options to affect these costs are influenced by:
 - ▣ Contract rights affirmed by court decisions
 - ▣ Collective bargaining process

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State Employees

There are approximately 103,000 full time equivalent staff

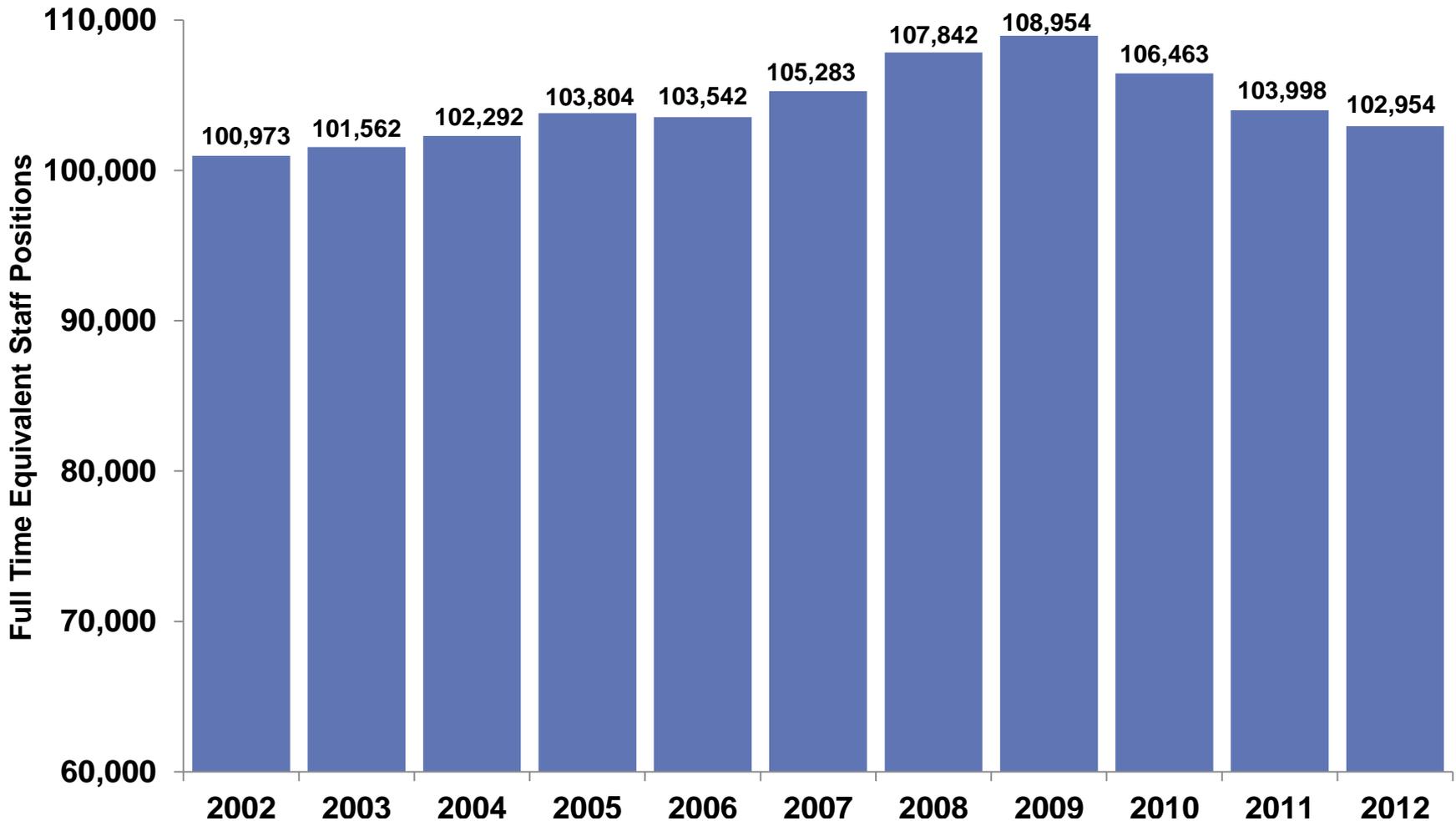
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* Reflects operating omnibus and transportation budgets, excluding the approximately 3,200 positions funded in the capital budget.

The number of state employees continued to increase into the recession, but has declined since then

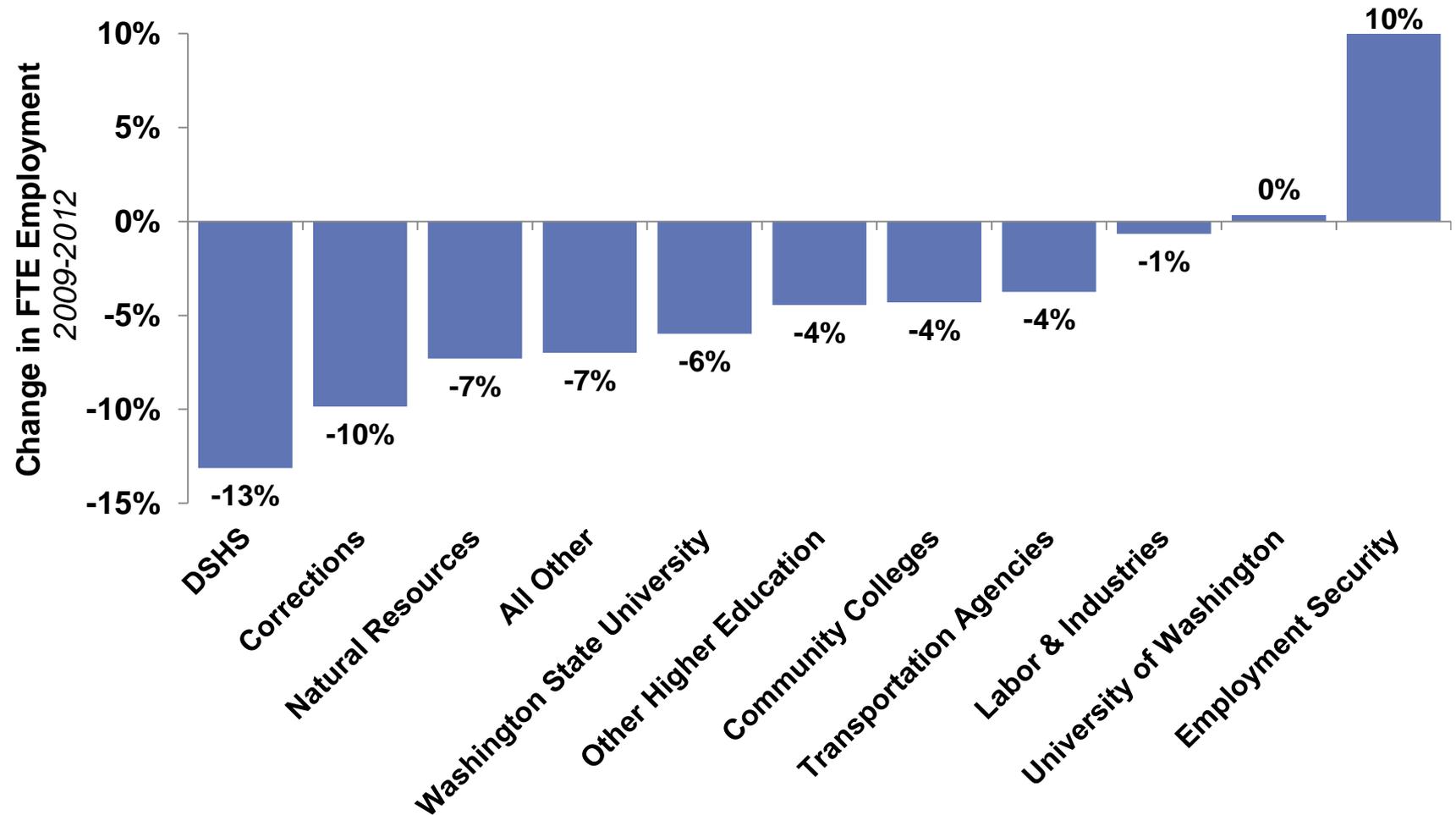
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However, the magnitude of the change during the recessionary time period varied by agency and function of government

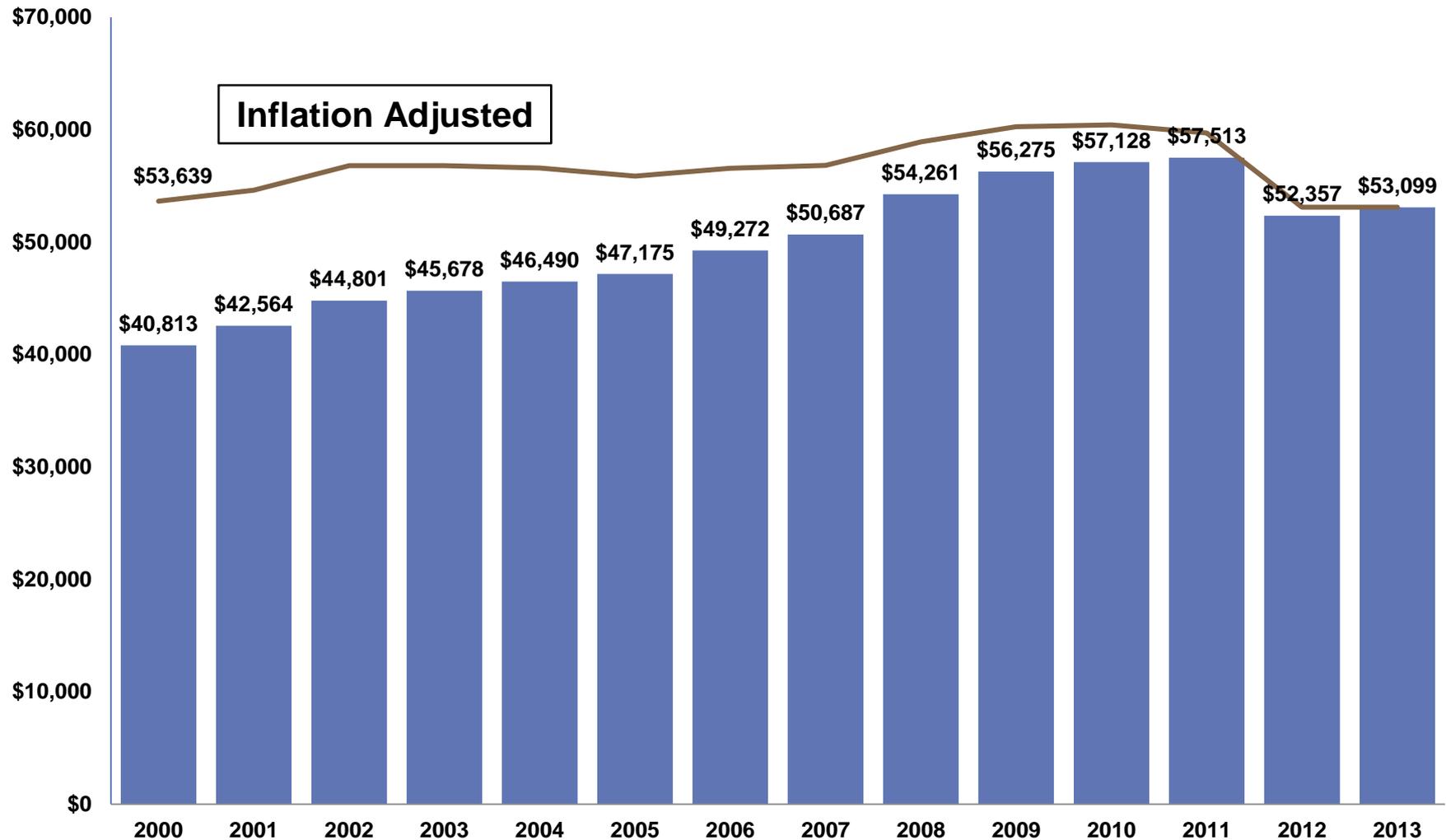
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* Reflects operating omnibus and transportation budgets, excluding the approximately positions funded in the capital budget.

In FY 2013 the average annual salary for state employees is approximately \$53,000; adjusted for inflation, current salaries are close to the FY 2000 average

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Adjusted for inflation with IPD

Senate Ways and Means, January 28, 2013

Governor Gregoire's budget funds the 2013-15 collective bargaining agreements (CBAs)

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	GF-S (millions)	
2011-13 CBAs		
Restore 3% Salary Cut	\$169.4	
Higher Ed	\$81.0	Did not require salary reduction
General Government	\$88.4	Temporary salary reduction
2013-15 CBAs (Gov Gregoire)		
New Step M	\$38.6	
Personal Leave Day	\$1.1	
1% COLA	\$28.0	Contingent on revenue growth

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Employee Health Benefits

Individual costs of state and employee shares and participation

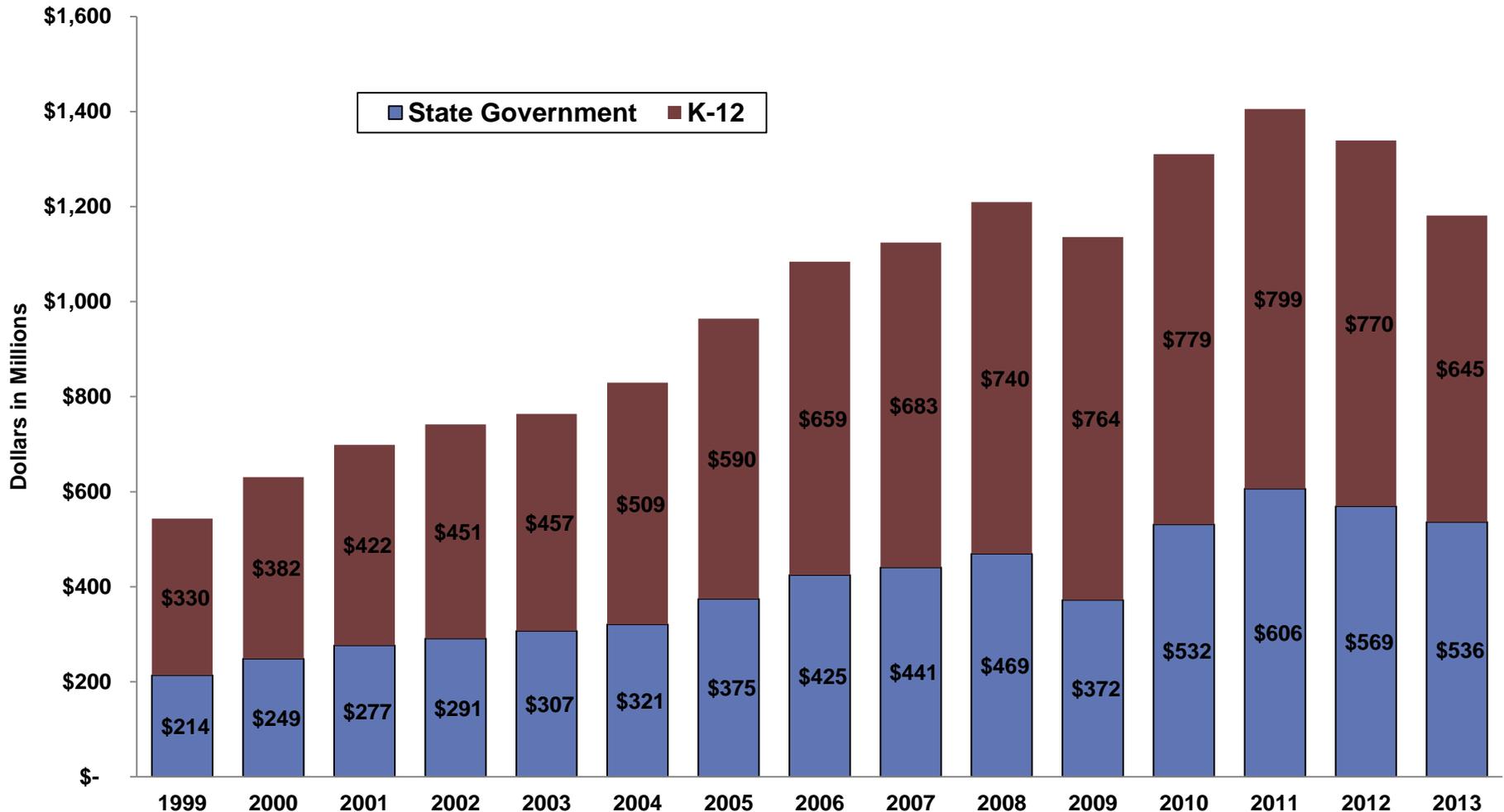
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	Monthly Share		Enrollment	
	State Rate or Subsidy	Employee/Retiree	Subscribers	Members
PEBB				
General Government and Higher Education	\$800	\$139	105,412	226,181
Medicare Retirees	\$150	\$219*	51,318	71,605
Non-Medicare Retirees	\$286	\$562*	8,774	13,971
K-12	\$768	varies	129,817	202,817

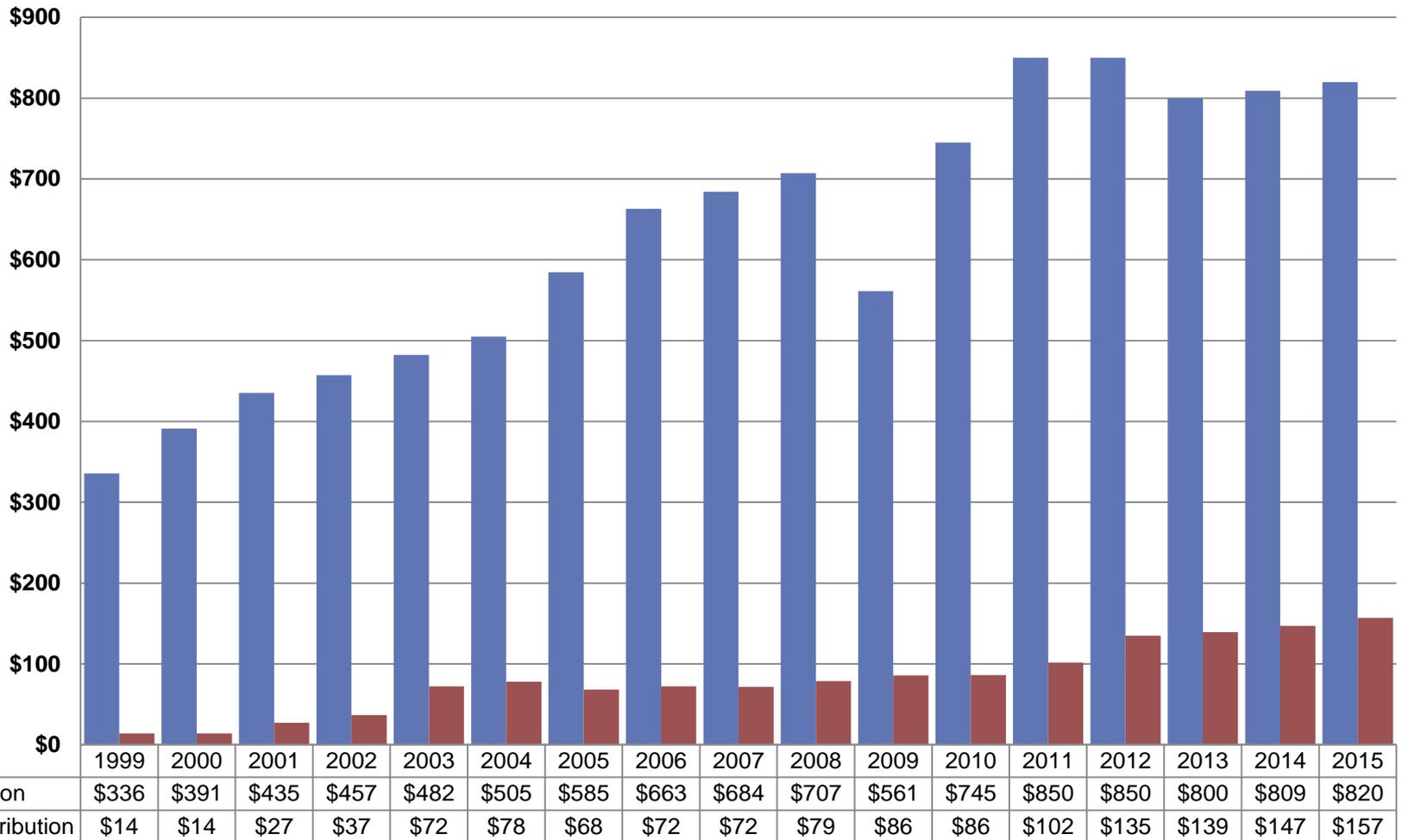
* Example rate: Uniform Medical Plan

In FY 2013, state funding for employee health benefits totals \$1.2 billion GF-S for state agencies, higher education, and school districts

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A favorable health plan procurement process enabled a modest increase in employee and employer costs in 2013-15; Governor Gregoire's budget maintains 15% share for state employees



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Pensions

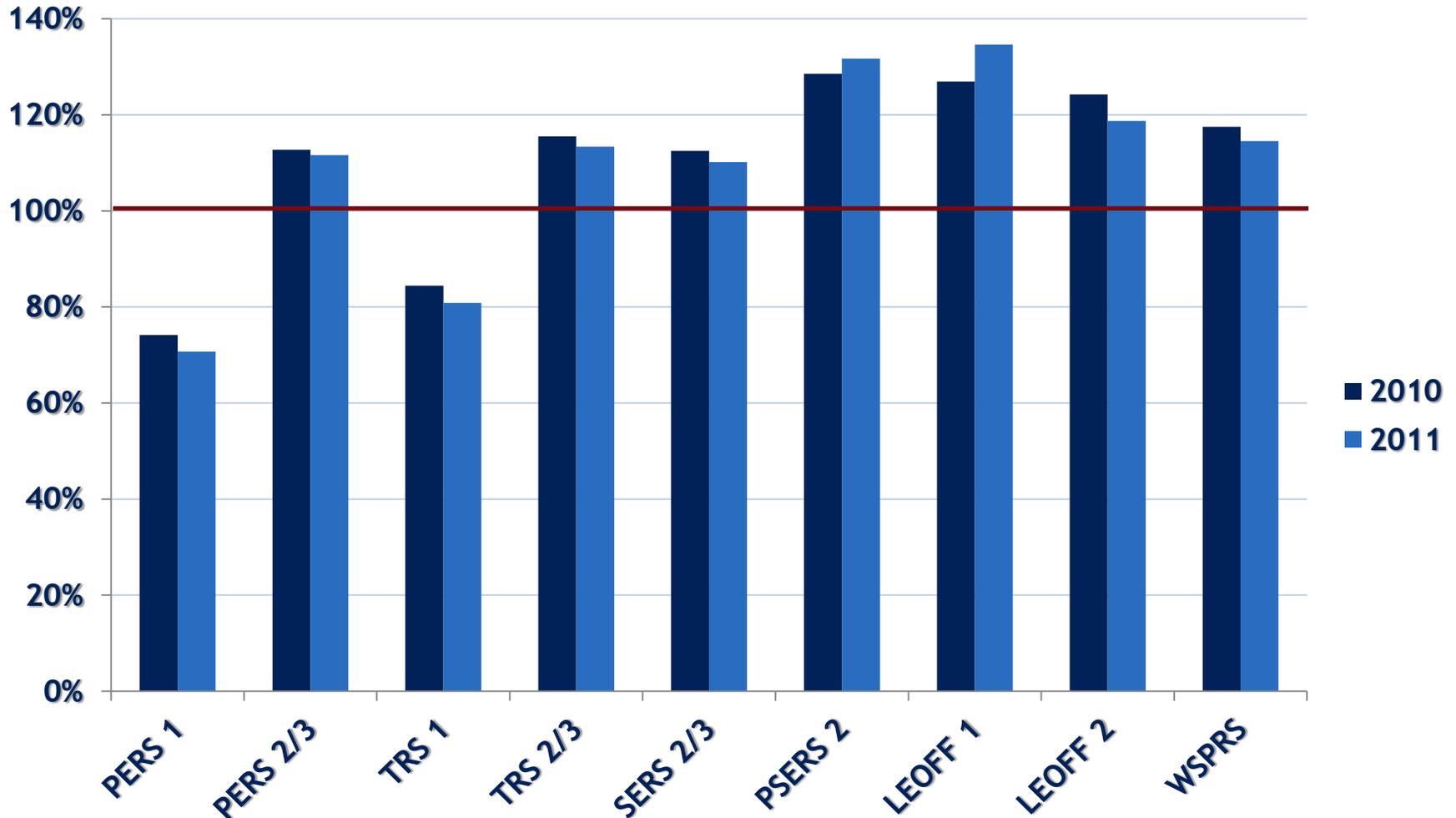
According to PEW, Washington's state-administered public pension plans are among the best-funded in the nation

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<u>State</u>	<u>Size of Fund</u>	<u>Percent of Full Funding</u>
1 Wisconsin	\$80,758,800	100
2 North Carolina	\$79,558,260	96
3 South Dakota	\$7,502,301	96
4 Washington	\$61,747,228	95
5 New York	\$156,572,000	94
6 Delaware	\$7,922,174	92
7 Tennessee	\$35,198,741	90
8 Oregon	\$59,329,500	87
9 Wyoming	\$7,740,611	86
10 Georgia	\$81,093,057	85
46 Oklahoma	\$36,368,239	56
47 Kentucky	\$37,006,999	54
48 Connecticut	\$44,826,900	53
49 Rhode Island	\$13,382,099	49
50 Illinois	\$138,794,302	45

With the exception of PERS and TRS plan 1, all other plans are on track with a systematic funding plan

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Senate Ways and Means, January 28, 2013

Funded Status and Unfunded Liability at June 30, 2011

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Funded Status on an Actuarial Value Basis*

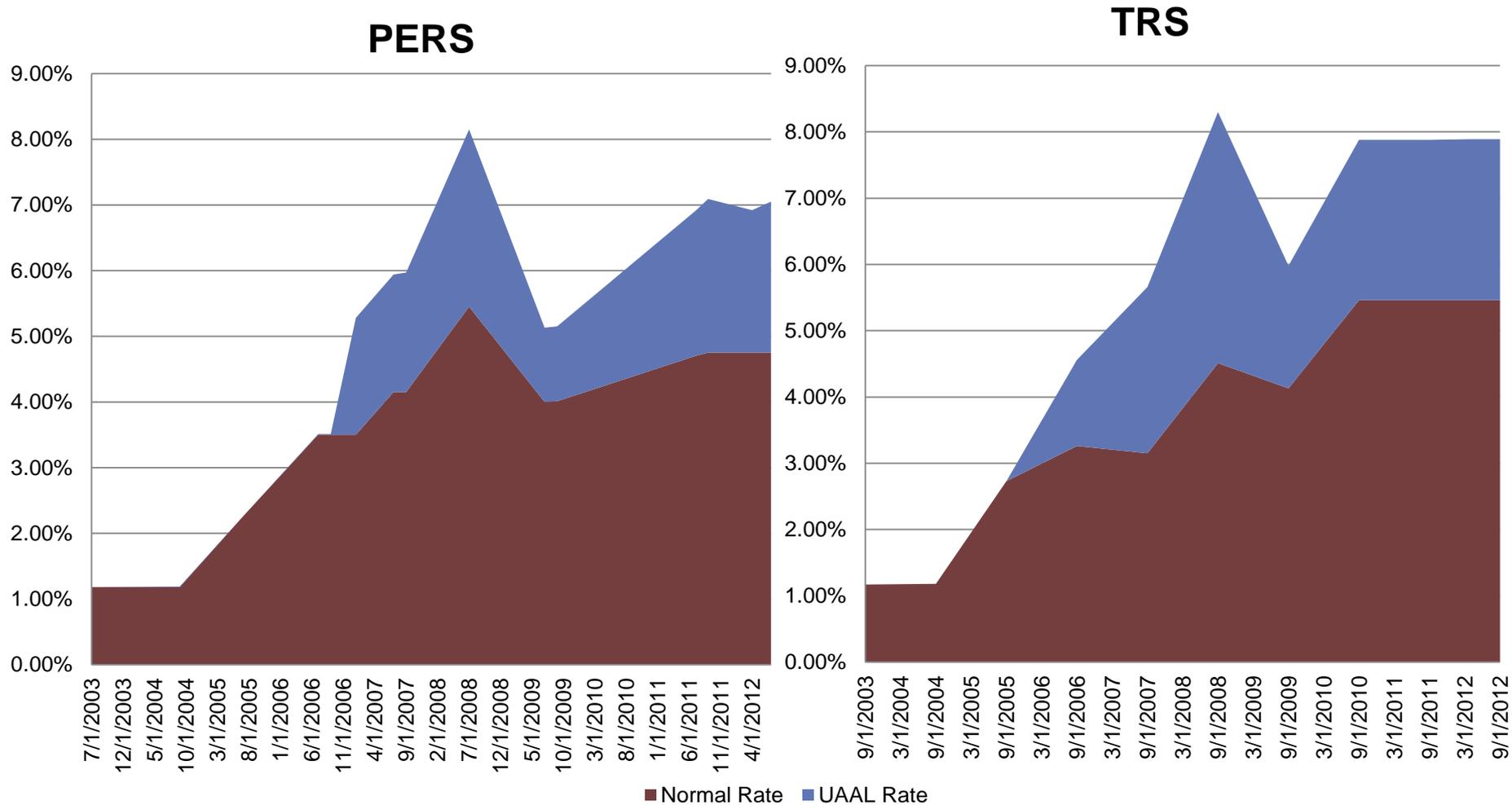
(Dollars in Millions)	PERS		TRS		SERS	PSERS	LEOFF		WSPRS	Total
	Plan 1	Plans	Plan 1	Plans	Plans	Plan 2	Plan 1	Plan 2		
		2/3		2/3						
Accrued Liability	\$12,567	\$18,815	\$9,258	\$6,299	\$2,607	\$107	\$4,135	\$5,576	\$829	\$60,193
Valuation Assets	\$8,883	\$20,997	\$7,485	\$7,141	\$2,872	\$141	\$5,565	\$6,621	\$949	\$60,654
Unfunded Liability	(\$3,684)	\$2,182	(\$1,773)	\$842	\$265	\$34	\$1,430	\$1,044	\$120	\$461
Funded Ratio										
2011	71%	112%	81%	113%	110%	132%	135%	119%	115%	101%

Note: Totals may not agree due to rounding.

*Accrued liabilities represent the present value of future benefits for current members earned at the valuation date assuming an expected rate of return on assets of 7.9% per year (7.5% for LEOFF 2). All assets have been valued under the actuarial asset method (the "smoothing" method).

Beginning in 2006, employer contribution rates have increased to reflect payments toward the Plans 1 unfunded liability

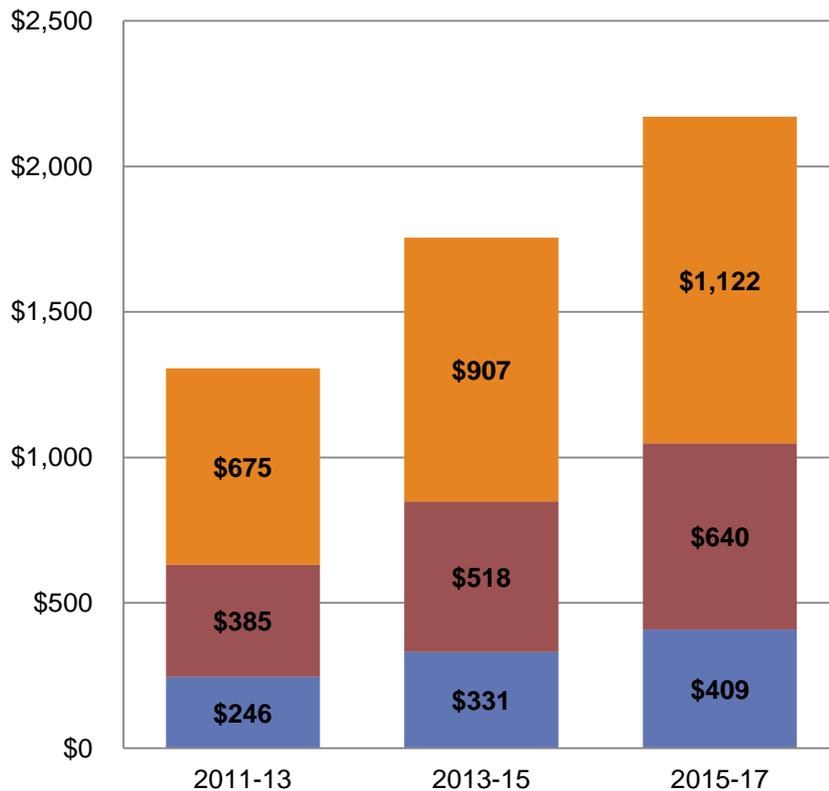
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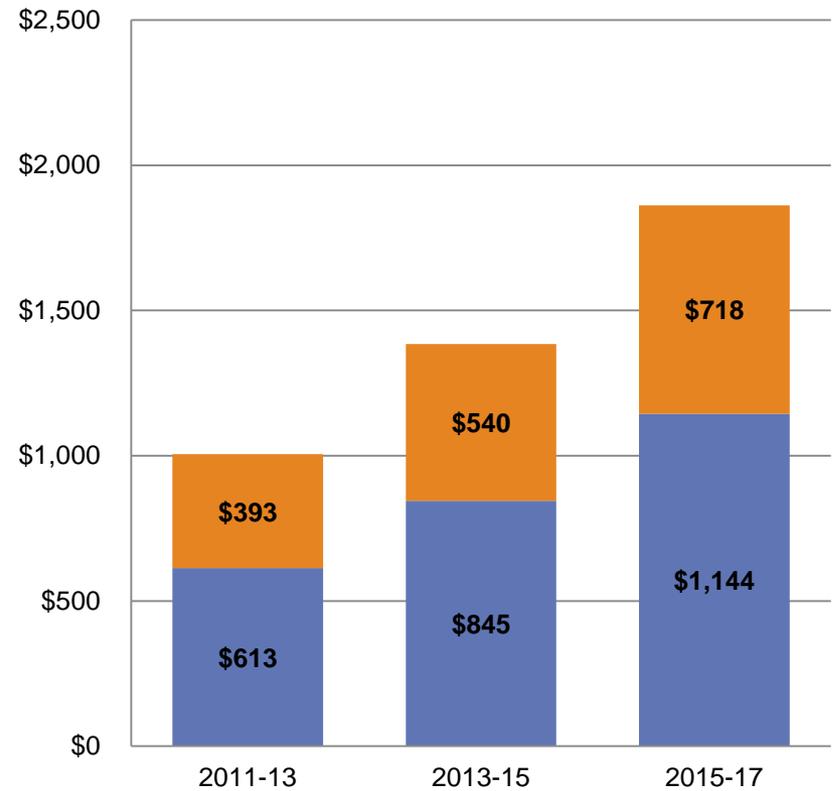
Employer contributions will increase substantially in the next two biennia, especially for local governments

(dollars in millions)

PERS

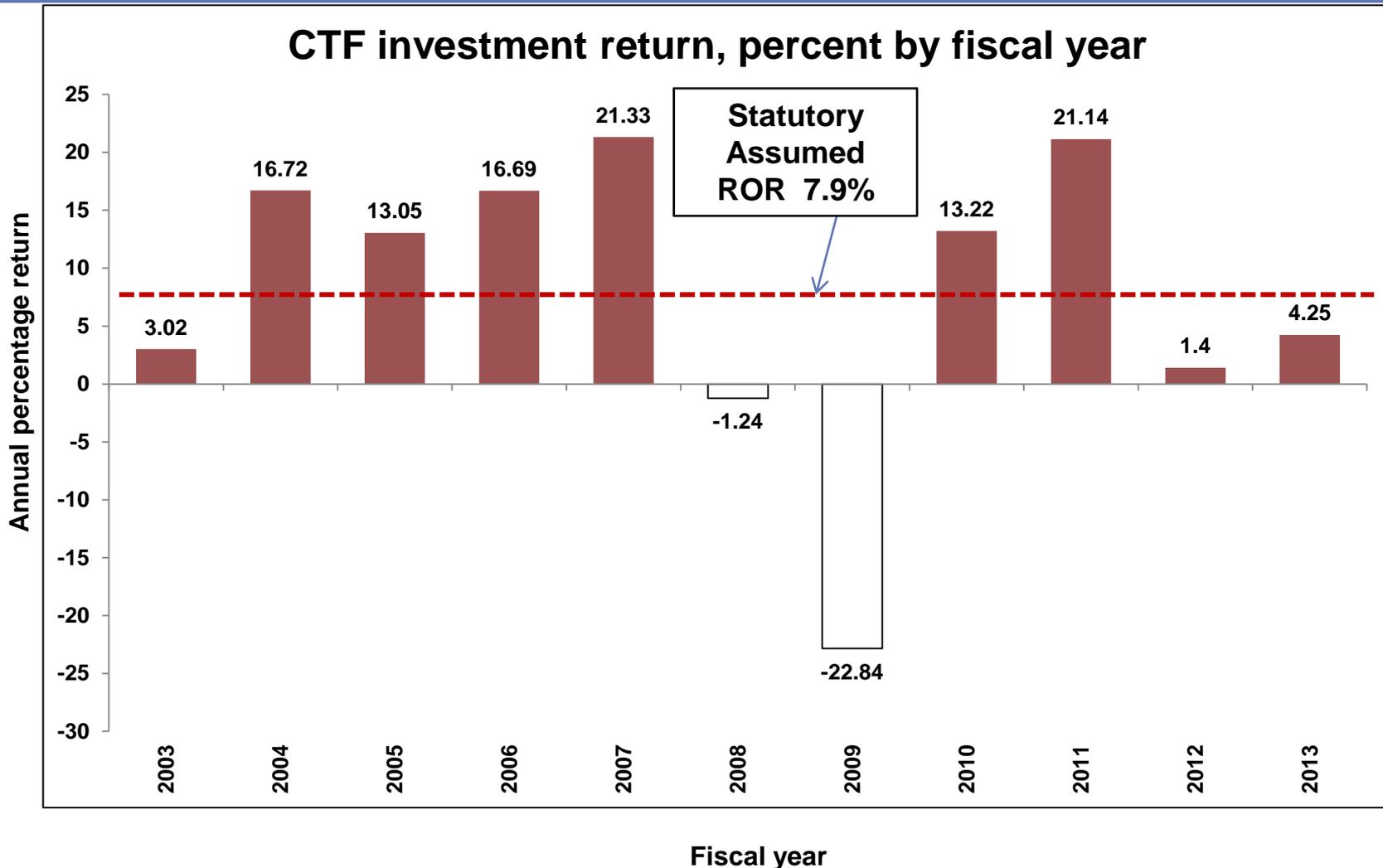


TRS and SERS



■ State GF ■ State Non-GF ■ Local Government

Investment returns for pension funds over the last decade has been volatile



Benefit reductions were enacted for many of the retirement plans by the Legislature in recent years

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- 2007: Elimination of Gain-sharing and the provision of “replacement” enhanced early retirement benefits.
- 2011: Repeal of the uniform COLA; PERS and TRS unfunded liability is reduced by \$4 billion.
- 2012: Reduction of early retirement benefits for new members of PERS, TRS, and SERS plans 2 and 3.