

Compensation Items in Governor Gregoire's Proposed Budget



**Senate Ways & Means Committee
January 11, 2007**

<http://www.leg.wa.gov/Senate/Committees/WM/>

Compensation Items in the Budget

- Salary increases
 - Individual unions' contracts
 - Non-represented employees
 - K-12 employees
- Health benefits
 - “Supercoalition” health benefits contract
 - Non-represented health benefits
 - K-12 employee health benefits
- Pension funding

The Governor's Salary Proposals

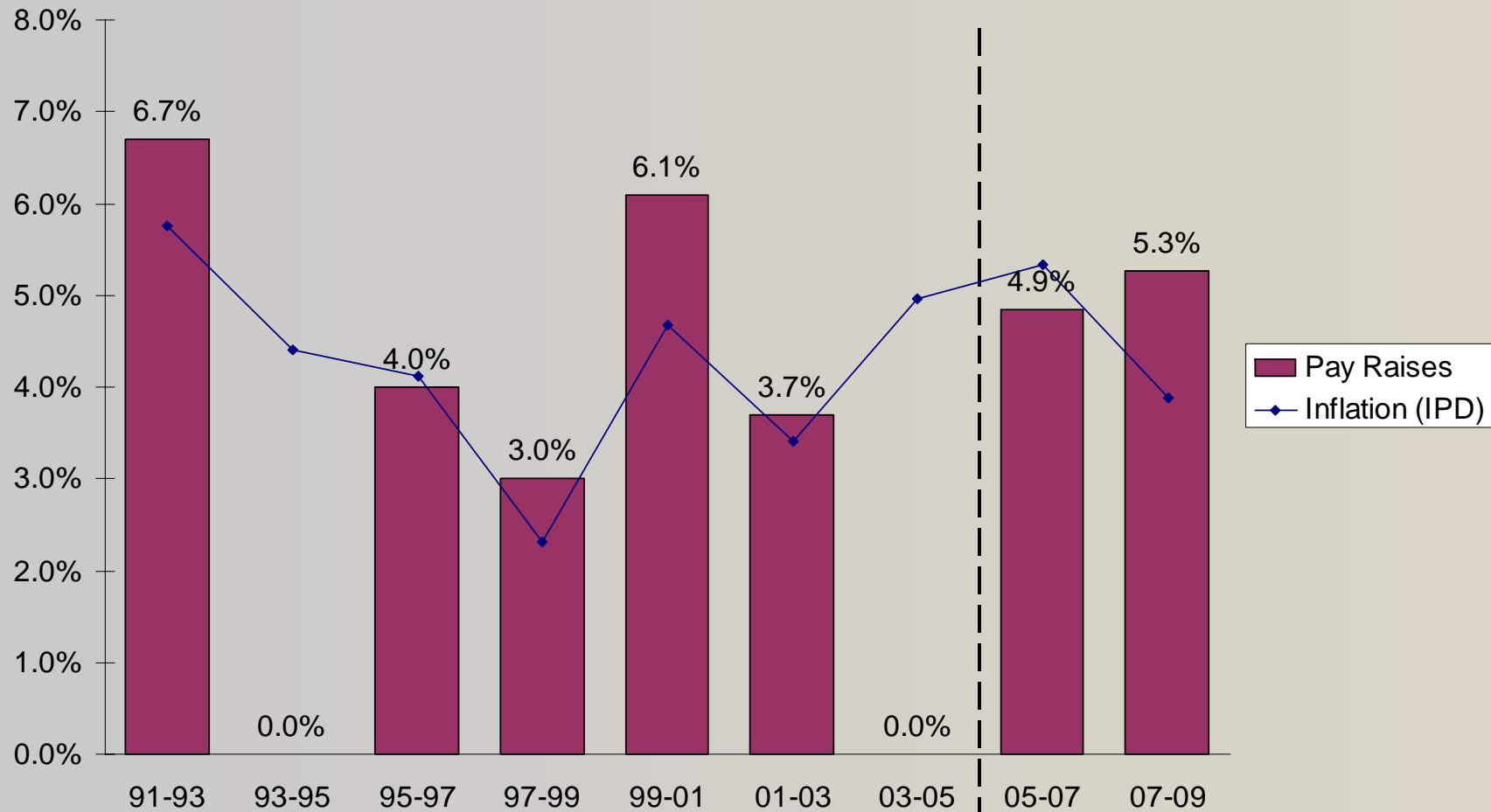
Employee Group	Across-the-Board Pay Increases	Other Salary Items	GF-S Cost
Represented Employees*	3.2% on 7/1/07 2.0% on 7/1/08	Salary survey to 25%, new steps, Other	\$315M
Non-represented Employees	3.2% on 9/1/07 2.0% on 9/1/08	Salary Survey to 25%, new steps, Other	\$130M
K-12 Employees (Initiative 732)	3.4% on 9/1/07 2.6% on 9/1/08	Additional funding for some districts/subjects	\$380M

Total

\$825M

*Terms are representative. Exact terms vary by contract.

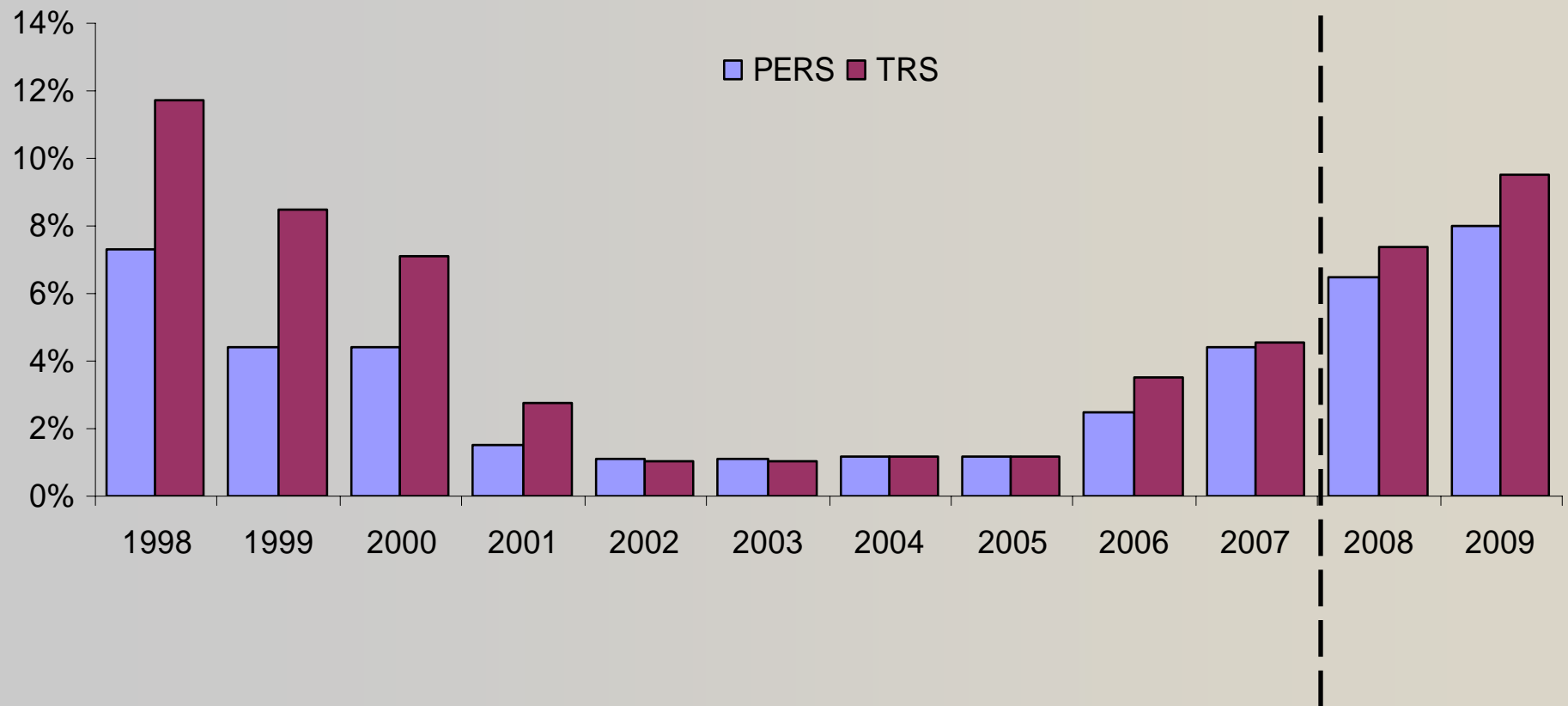
Across-the-Board Salary Increases in General Government, 1991-2009



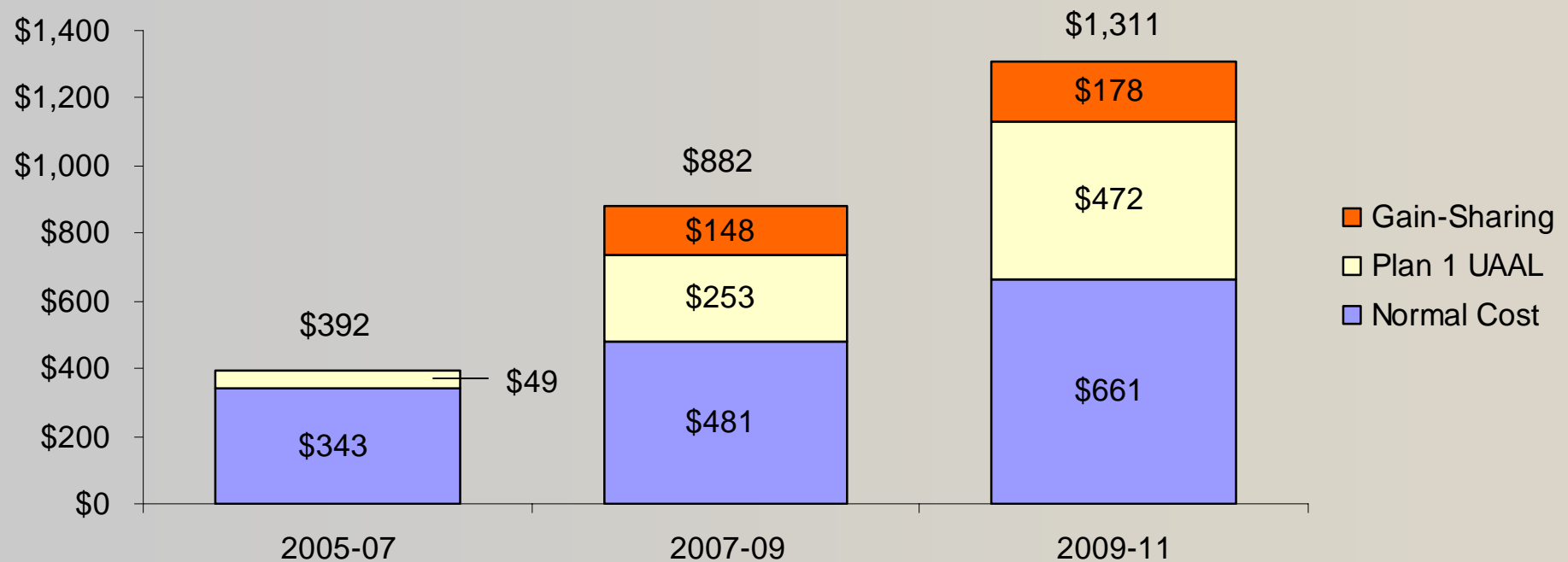
The Governor's Health Benefits Proposal

- The health care contract for all unions calls for employees to pay 12% of premium costs
- OFM estimates resulting funding rates of:
 - \$707 per employee per month in FY 08
 - \$732 per employee per month in FY 09
- The Governor's budget includes funding for health benefits for all employees at these rates at a General Fund-State cost of approximately \$40 million

Employer Contribution Rates in PERS and TRS



Projected GF-S Contributions to State Retirement Systems (in millions)

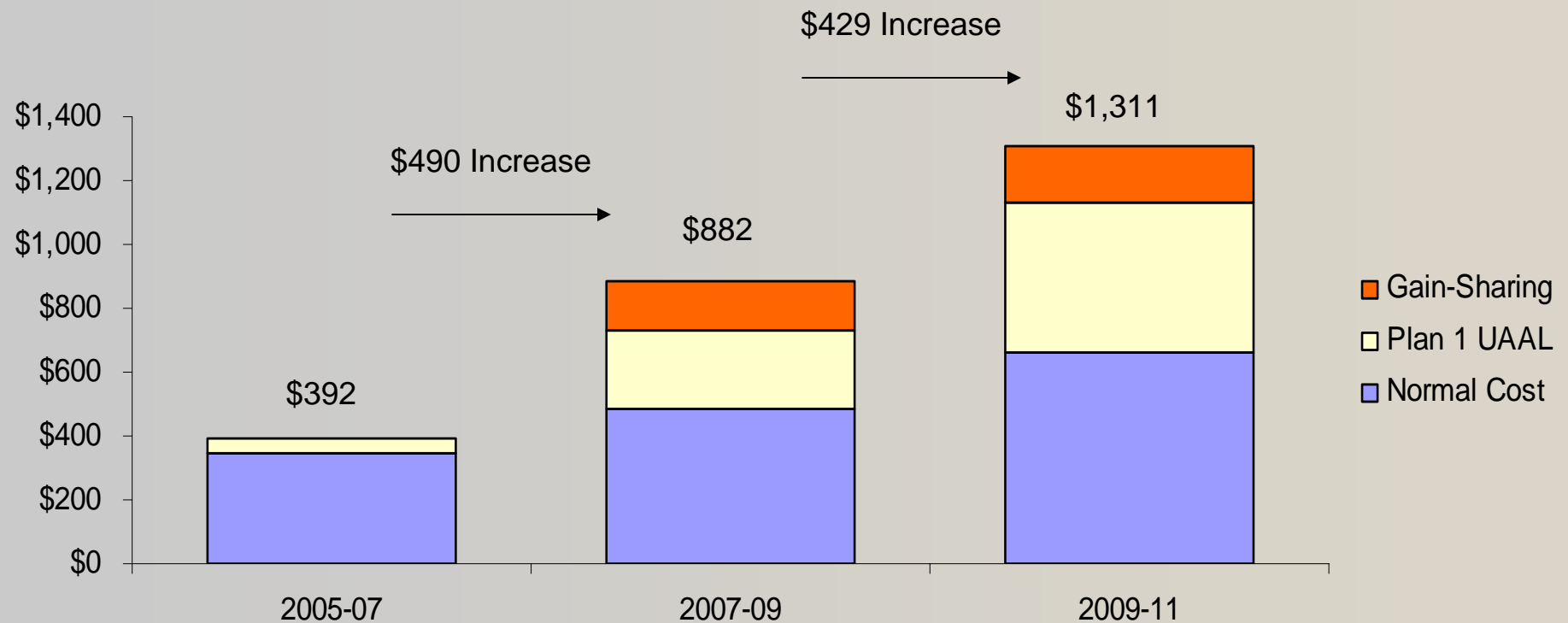


The Governor's Proposal Pension Funding Proposals

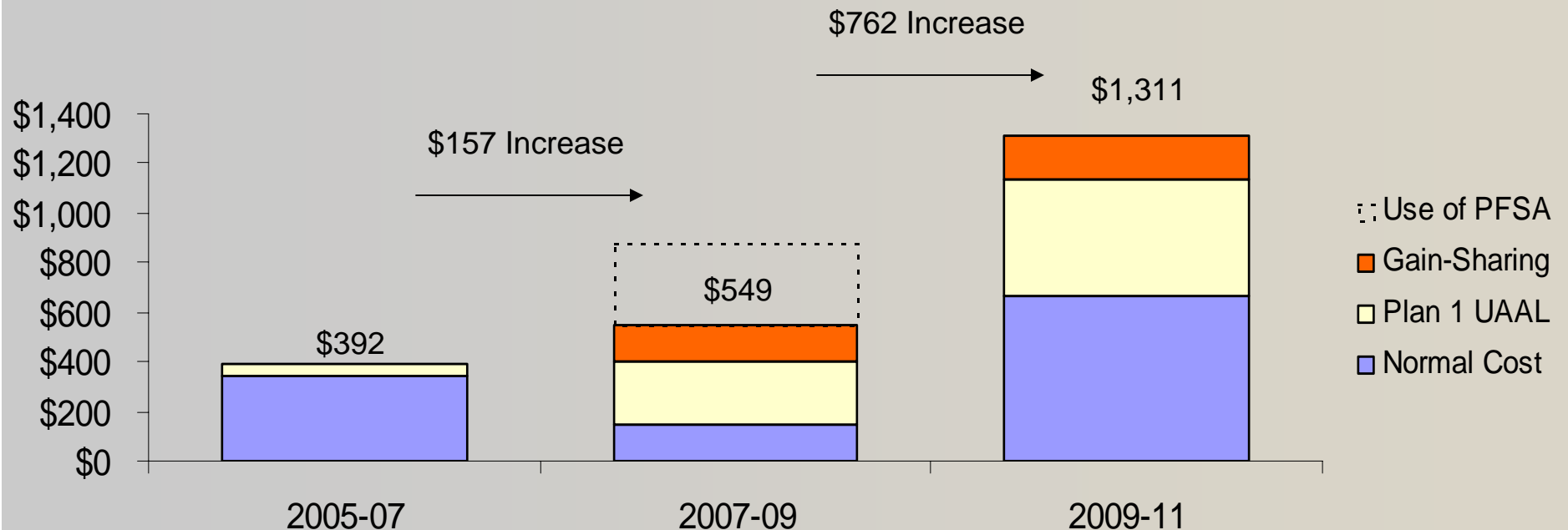
The Governor's proposed budget:

- Funds contributions based on the rates adopted by the Pension Funding Council (PFC)
- Uses approximately \$330 million from the Pension Funding Stabilization Account (PFSA) in place of General Fund-State contributions
- Includes roughly \$105 million in General Fund-State savings resulting from revisions to gain-sharing

Projected GF-S Contributions to State Retirement Systems (in millions)



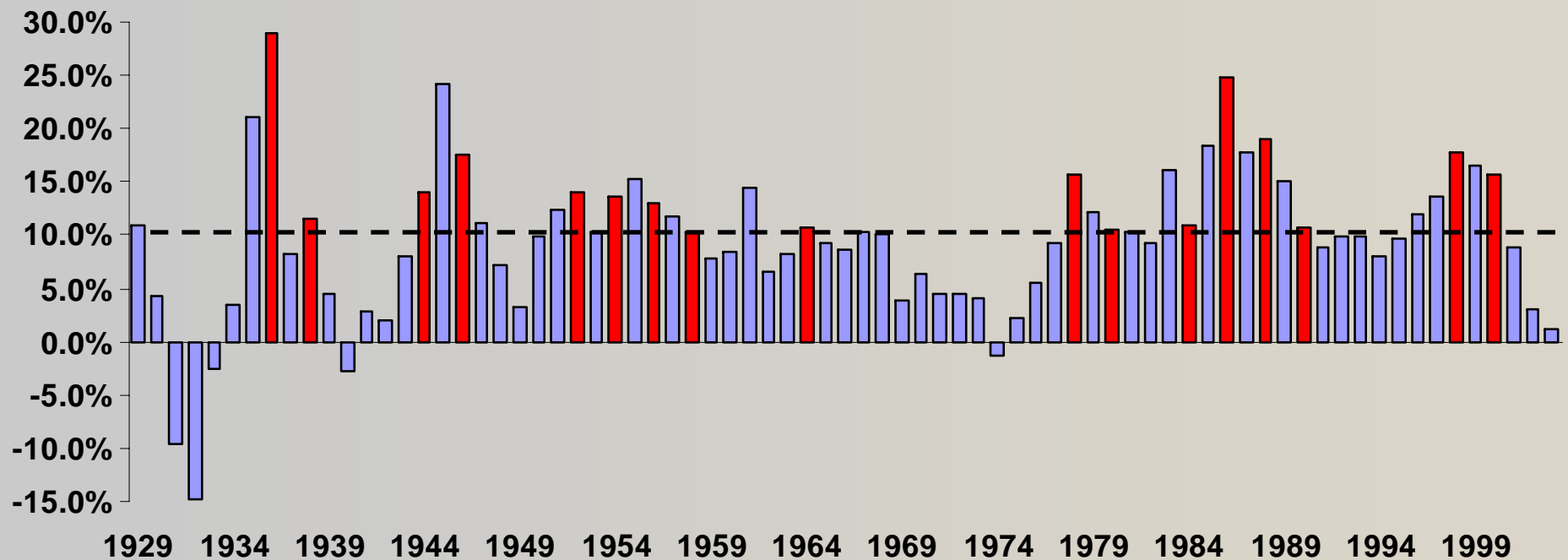
Projected GF-S Contributions to State Retirement Systems (in millions)



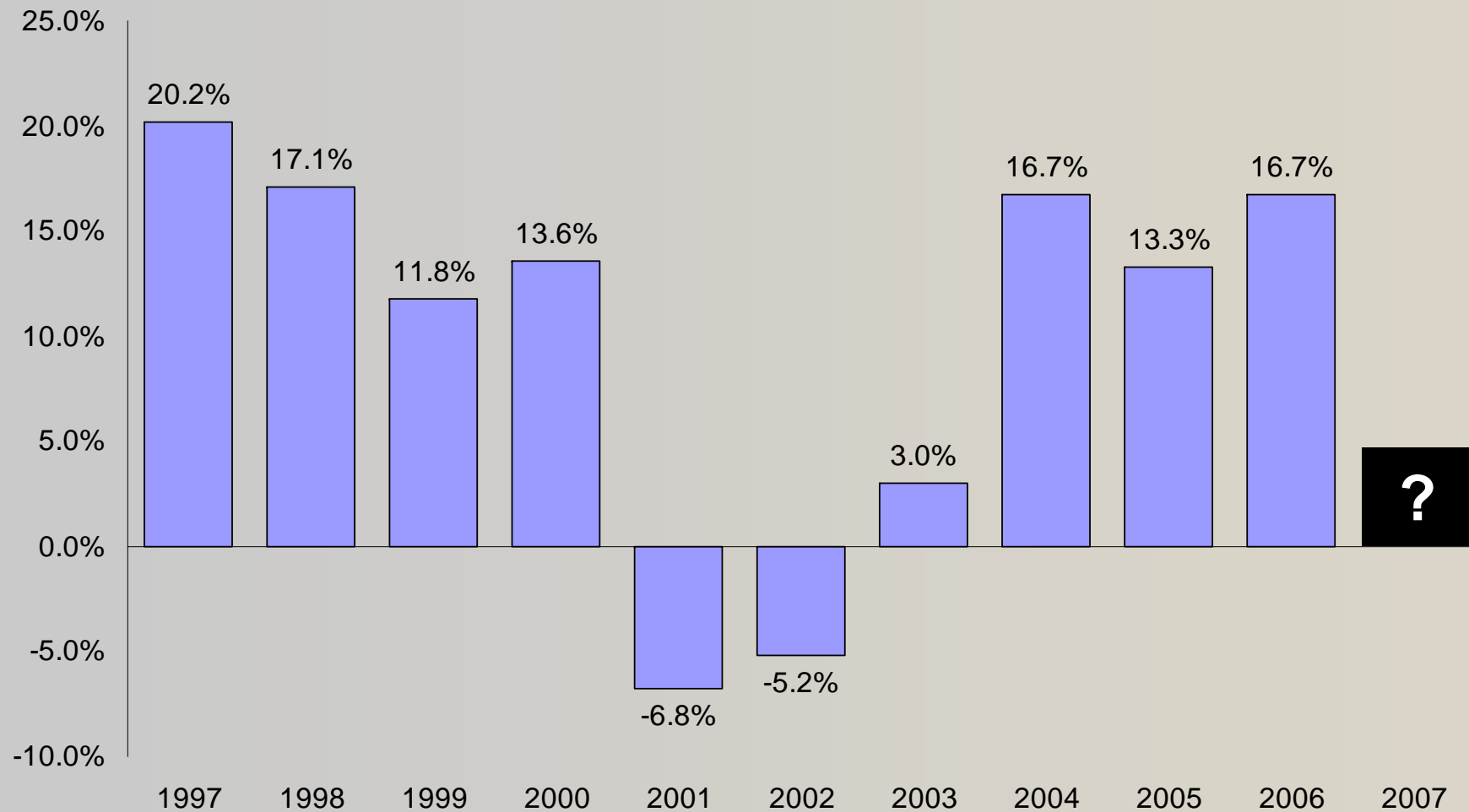
Gain-Sharing

- Gain-sharing is an additional benefit in Plan 1 & Plan 3 that was created in the 1998 session
- When four-year average returns exceed 10%, half of the “extraordinary” gains are used to enhance benefits
 - Plan 1 cost-of-living adjustments are increased
 - Plan 3 members receive additional defined contributions
- Since 1998, \$1.1 billion has been paid out through gain sharing

Simulated Historical 4-year Average Returns on Pension Investments



Return on Combined Trust Fund Investments, 1997-2007



The Governor's Gain-Sharing Proposal

The Governor's proposal for gain-sharing:

- Allows the expected gain sharing distribution on January 1, 2008
- Repeals gain-sharing after 2008
- Saves \$105 million General Fund-State in the 2007-09 fiscal biennium
- Reduces the unfunded liabilities in PERS 1 and TRS 1 from approximately \$5.7 billion to approximately \$4.8 billion