



Select Committee on Pension Policy

Merger Study: Policy Update

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Policy Analysis Still Pending

- Trying to avoid repetition and keep consistent with outside analysis
- Policy analysis usually asks questions such as
 - How are benefits impacted?
 - How is governance impacted?
 - What are the legal concerns?
 - Are there tax qualification issues?
 - What are the fiscal impacts of the proposal?
 - How are the various parties impacted?
- Most of these questions are being addressed in other parts of the report

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Forthcoming Draft will try to Cover Two Areas

- Issues not addressed by other agency reports
 - Includes additional analysis and some stakeholder questions
 - Two samples in upcoming slides
 - Other states
 - Possible goals
- Things the legislature might wish to consider
 - Options for what to do with the information you've received
 - How you can utilize the analysis
 - Are there additional questions?



Other States


- No similar mergers
 - At least not in the last ten years or so
- Have been mergers of
 - Small municipal plans into bigger statewide plan
 - Supplemental deferred comp-type plans only
 - Investment functions or administration (i.e., "consolidation")
- Recently made aware that Des Moines Teachers' Retirement System may be merged with IPERS
 - Staff spoke with legislative staff in Iowa, and not a similar proposal
 - Legislature authorized the two fiduciary boards to hash out terms if they choose



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Possible Goals for a Merger

- As before, we're not presuming what sponsors intended, but inferring for analysis
 - Report will go into more depth
- Rate relief and budget savings in TRS 1
 - Infusion of LEOFF 1 assets from merger can bring rate relief without underfunding
- Quicker Amortization of UAAL/improved funded status in TRS 1
 - Flip side of rate relief, can use the infusion of assets to pay off UAAL quicker, but would not include short-term savings



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Possible Goals for a Merger (Continued)

- Establishing a New Funding Method for LEOFF 1
 - Unclear what current funding policy would be if LEOFF 1 ever falls out of full funding
 - No contributions required so long as LEOFF 1 is fully funded
 - Otherwise, statute says 6 percent member and 6 percent employer, over active salaries
 - Less than 100 actives left
 - We presume contributions would come from the general fund consistent with prior policy, but that isn't explicit in statute
 - As drafted, merger proposal would establish certainty by making any future liabilities payable from the TRS 1 fund
- As drafted, SB 6668 would have done all three
 - New funding policy, short-term savings, and quicker payment of UAAL
- Important to note that the goals could be accomplished without a merger, but the implications would be different



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Optional Next Steps for December

- Full, completed report will be available ASAP, but definitely in time for December meeting
- Committee actions are optional in December
 - Forward the report to the Legislature
 - Include committee recommendations or comments
 - Not required by study mandate

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