



**Fish & Wildlife Service
Credit Transfer
Preliminary Follow-up Report**

**WASHINGTON STATE
Law Enforcement Officers' and Fire Fighters'
Plan 2 Retirement Board**

December 8, 2005

Outline

- Proposal
- Cost
- Payment options

Proposal

- Five-year window to elect to transfer service earned as a Fish & Wildlife Enforcement Officer in PERS Plan 2 to LEOFF Plan 2

Proposal

- Member pays difference in contribution rates plus interest
- Member and employer contributions and interest transfer from PERS Plan 2 to LEOFF Plan 2

Cost

- Approximately \$0.7 million
- Two payment options

Payment Option 1

- Fish & Wildlife pay lump sum
 - Pay in five years after all transfers are complete
 - Cost is known

Payment Option 2

- Contribution rate increase
 - Pre-funds liability
 - Cost is an estimate
 - Members and State each pay 1 basis point
 - No cost to employers

Questions?

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

Fish and Wildlife Service Credit Transfer Preliminary Follow-up Report

December 8, 2005

1. Issue

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board requested a follow-up on the transfer of service credit for fish and wildlife officers from the Public Employees' Retirement System (PERS) Plan 2 to LEOFF Plan 2.

2. Staff

Greg Deam, Senior Research and Policy Manager
(360) 586-2325
greg.deam@leoff.wa.gov

3. Members Impacted

The original fiscal note for HB 1205 in January 2003, estimated there were 72 PERS members (66 in PERS Plan 2 & 6 in PERS Plan 3) actively employed by the Department of Fish and Wildlife and recognized as general authority peace officers, who would be affected by this legislation. The current number of active LEOFF Plan 2 Fish and Wildlife Enforcement Officers with service credit in PERS Plan 2 or 3 is 77. Any former Fish and Wildlife Officers who become re-employed after July 23, 2003, could also be affected when they return.

4. Current Situation

In 2003, legislation was passed (HB 1205), which required Fish and Wildlife Enforcement Officers who were members of PERS Plan 2 or Plan 3 on or before January 1, 2003, and were employed on July 27, 2003, to become a member of LEOFF Plan 2, effective July 27, 2003.

Service earned prior to July 27, 2003 remained in PERS and the employee became a dual member. The bill also required new employees hired on or after July 27, 2003, to enter LEOFF Plan 2 membership. The bill specifically excluded employees who were members of PERS Plan 1 from LEOFF Plan 2 membership and required them to continue to be reported in PERS Plan 1.

5. Background Information and Policy Issues

History

In 2002, the Legislature passed ESSB 6076, which expanded the definition of general law enforcement officer to include Fish & Wildlife Enforcement Officers. However, the same legislation also excluded the Department of Fish and Wildlife as a LEOFF employer.

In 2003, HB 1205 was passed which removed the exclusion of the Department of Fish and Wildlife as a LEOFF employer. In addition, HB 1205 added a new section to PERS (RCW 41.40.096) which mandated PERS Plan 2 or 3 members employed as Fish & Wildlife Enforcement Officers into LEOFF Plan 2, and specifically stated PERS service credit could not be transferred. It further required PERS Plan 1 members employed as Fish and Wildlife Enforcement Officers to remain in PERS Plan 1.

Policy Issue

Should LEOFF Plan 2 Fish and Wildlife Enforcement Officers who have service credit in PERS Plan 2 have the opportunity to transfer that service to LEOFF Plan 2? Some points to consider are:

- Prior groups that were allowed membership into LEOFF Plan 2 have been given the option of moving prior PERS service in those positions into LEOFF Plan 2
- Members who had previously transferred to PERS Plan 3 from PERS Plan 2 were not allowed to transfer their PERS Plan 3 service credit to LEOFF Plan 2¹.

7. Policy Options

Moving service credit from PERS Plan 2 to LEOFF Plan 2 creates a liability to LEOFF Plan 2. The cost is partially offset by three payment sources. The first source comes from billing the member for the contribution rate differential between LEOFF Plan 2 and PERS Plan 2 rates plus interest. The second payment source comes from transferring member contributions and interest from their PERS account associated with the transferred service. The final source comes from transferring the employer contributions and interest in PERS for the service associated with the transferred service. Any additional cost or liability left would be paid for under one of the following options:

- **Option 1: Department of Fish & Wildlife would pay the additional cost**
This option would require the Department of Fish and Wildlife to pay into the LEOFF Plan 2 retirement fund a lump-sum amount sufficient to fund the service credit transfer from PERS Plan 2 to LEOFF Plan 2.

- **Option 2: The additional cost would be paid by a rate contribution rate increase**
This option would require a one basis point increase in both the member and state contribution rates.

7. Supporting Information

Endnotes

- 1 Department of Retirement Systems' fiscal note under Administrative Assumptions for SHB 1202 in 2003, and SHB 1936 in 2005..

Appendix A – Bill Comparison Chart.

APPENDIX A – Bill History of Groups Allowed into LEOFF Plan 2

Year and Bill Number	Description	Member Options	Member Costs by Option	Employer Costs by Option
HB 1205 2003	Requires Fish & Wildlife Enforcement Officers to become members of LEOFF Plan 2 on the effective date of the bill	None	None	None

Year and Bill Number	Description	Member Options	Member Costs by Option	Employer Costs by Option
HB 1936 2005	Allows emergency medical technicians who are members of PERS providing emergency medical services for a city, town, county, or district to apply for membership in LEOFF Plan 2	1. Transfer past PERS EMT service to LEOFF Plan 2	1. Difference in member contribution rates between PERS and LEOFF Plan 2, plus interest	1. An amount sufficient to ensure the contribution level of current members of LEOFF Plan 2 will not increase due to the transfer plus an employer rate increase of one basis point
SHB 1202 2003	Allowed emergency medical technicians who were members of PERS providing emergency medical services for a city, town, county, or district whose job was relocated to a fire district to transfer PERS Plan 2 service credit as an EMT into LEOFF Plan 2	1. Transfer past PERS EMT service to LEOFF Plan 2	1. Difference in member contribution rates between PERS and LEOFF Plan 2, plus interest	1. None
SHB 2191	Allowed fire fighters at	1. Remain in PERS	1. None	1. None

Year and Bill Number	Description	Member Options	Member Costs by Option	Employer Costs by Option
1996	institutions of higher education with fully operational fire departments to apply for membership in LEOFF Plan 2	2. Join LEOFF Plan 2 retroactively	2. Difference in member contribution rates between PERS and LEOFF Plan 2, plus interest	2. Difference in employer contribution rates in PERS and the combined employer and state contribution rates in LEOFF Plan 2, plus interest; and an amount sufficient to ensure the contribution rate level of current members of LEOFF Plan 2, would not increase due to the transfer
SHB 1744 1993	Allowed police employed by the state's universities and port districts to apply for membership in LEOFF Plan 2	1. Remain in PERS 2. Join LEOFF Plan 2 retroactively	1. None 2. Difference in member contribution rates between PERS and LEOFF Plan 2, plus interest	1. None 2. Difference in employer contribution rates in PERS and the combined employer and state contribution rates in LEOFF Plan 2, plus interest

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0897.1/06 ROUGH DRAFT

ATTY/TYPIST: LL:mos

BRIEF DESCRIPTION: Allowing department of fish and wildlife enforcement officers to transfer service credit.

AN ACT Relating to allowing department of fish and wildlife enforcement officers to transfer service credit; and adding a new section to chapter 41.26 RCW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

1. NEW SECTION. **Sec.** A new section is added to chapter 41.26 RCW to read as follows:

(1) A member of plan 2 who was a member of the public employees' retirement system plan 2 while employed as an enforcement officer for the department of fish and wildlife has the option to make an election no later than June 30, 2011, filed in writing with the department of retirement systems, to transfer service credit previously earned as an enforcement officer in the public employees' retirement system plan 2 to the law enforcement officers' and fire fighters' retirement system plan 2. Service credit that a member elects to transfer from the public employees' retirement system to the law enforcement officers' and fire fighters' retirement system under this section shall be transferred no earlier than June 30,, and only after the member completes payment as provided in subsection (2) of this section.

(2)(a) A member who elects to transfer service credit under subsection (1) of this section shall make the payments required by this subsection prior to having service credit earned as an enforcement officer with the department of fish and wildlife under the public employees' retirement system plan 2 transferred to the law enforcement officers' and fire fighters' retirement system plan 2.

(b) A member who elects to transfer service credit under this subsection shall pay, for the applicable period of service, the difference between the contributions the employee paid to the public employees' retirement system plan 2 and the contributions that would have been paid by the employee had the employee been a member of the law enforcement officers' and fire fighters' retirement system plan 2, plus interest on this difference as determined by the director. This payment must be made no later than June 30, 2011, and must be made prior to retirement.

(c) No later than June 30, 2012, the department of fish and wildlife shall pay an amount sufficient to ensure that the contribution level to the law enforcement officers' and fire fighters' retirement system will not increase due to this transfer.

(d) Upon completion of the payment required in (b) of this subsection, the department shall transfer from the public employees' retirement system to the law enforcement officers' and fire fighters' retirement system plan 2: (i) All of the employee's applicable accumulated contributions plus interest and all of the applicable employer contributions plus interest; and (ii) all applicable months of service, as defined in RCW 41.26.030(14)(b), credited to the employee under this chapter for service as an enforcement officer with the department of fish and wildlife as though that service was rendered as a member of the law enforcement officers' and fire fighters' retirement system plan 2.

(e) Upon transfer of service credit, contributions, and interest under this subsection, the employee is permanently excluded from membership in the public employees' retirement system for all service related to time served as an enforcement officer with the department of fish and wildlife under the public employees' retirement system plan 2.

BILL REQUEST - CODE REVISER'S OFFICE

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ATTY/TYPIST: LL:mos

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(2)(a) A member who elects to transfer service credit under subsection (1) of this section shall make the payments required by this subsection prior to having service credit earned as an enforcement officer with the department of fish and wildlife under the public employees' retirement system plan 2 transferred to the law enforcement officers' and fire fighters' retirement system plan 2.

(b) A member who elects to transfer service credit under this subsection shall pay, for the applicable period of service, the difference between the contributions the employee paid to the public employees' retirement system plan 2 and the contributions that would have been paid by the employee had the employee been a member of the law enforcement officers' and fire fighters' retirement system plan 2, plus interest on this difference as determined by the director. This payment must be made no later than June 30, 2011, and must be made prior to retirement.

(c) Upon completion of the payment required in (b) of this subsection, the department shall transfer from the public employees' retirement system to the law enforcement officers' and fire fighters' retirement system plan 2: (i) All of the employee's applicable accumulated contributions plus interest and all of the applicable employer contributions plus interest; and (ii) all applicable months of service, as defined in RCW 41.26.030(14)(b), credited to the employee under this chapter for service as an enforcement officer with the department of fish and wildlife as though that service was rendered as a member of the law enforcement officers' and fire fighters' retirement system plan 2.

(d) Upon transfer of service credit, contributions, and interest under this subsection, the employee is permanently excluded from membership in the public employees' retirement system for all service related to time served as an enforcement officer with the department of fish and wildlife under the public employees' retirement system plan 2.

(e) The state shall contribute both the state and employer share of any remaining cost to the system following the transfer of contributions and service credit under this section.



WASHINGTON STATE LEGISLATURE
Office of the State Actuary

December 7, 2005

TO: Steve Nelsen, Executive Director
 LEOFF 2 Retirement Board

FROM: Marty McCaulay, FSA, EA, MAAA, Senior Pension Actuary *PMM*
 Office of the State Actuary

CC: Matt Smith, FCA, EA, MAAA, State Actuary
 Office of the State Actuary

RE: **UPDATED MEMO ON PROPOSED CHANGES FOR FISH AND
 WILDLIFE ENFORCEMENT OFFICERS TRANSFER PAST PERS PLAN
 2 SERVICE TO LEOFF PLAN 2**

This memo is an update of the memo dated October 25, 2005, and presents the results of pricing the proposed transfer of past service credit from the Public Employees' Retirement System (PERS) Plan 2 to LEOFF Plan 2 for Fish and Wildlife enforcement officers who were granted prospective membership effective July 2003. The Board is considering two options to pay for the cost of transferring past PERS 2 credit to LEOFF 2 and both options include a transfer of assets from PERS and member contributions. Under Option 1, there would be an additional payment from the department of Fish and Wildlife and no impact on contribution rates. Under Option 2, there would be no additional Fish and Wildlife contributions, resulting in an impact on contribution rates.

Cost Summary

Cost Summary		
Rate Increase	Option 1	Option 2
Employee	0.00%	0.01%
Employer	0.00%	0.00%
State	0.00%	0.01%
2007-2009 Costs		
(In Millions)		
Employee	\$0.0	\$0.2
Employer	\$0.0	\$0.1
State	\$0.0	\$0.1

2100 Evergreen Park Drive S.W., Suite 150
 P.O. Box 40914
 Olympia, WA 98504-0914
 (360) 786-6140

Fax: (360) 586-8135
 TDD: 1-800-635-9993

E-Mail: actuary.state@leg.wa.gov

Summary of the Proposal

To move eligible past-service credit from PERS 2 to LEOFF 2, an employee would be required to make a payment to the retirement system to make up for the difference in contributions, plus interest, that the employee would have made had they been in LEOFF 2 for the period of PERS service that is eligible for transfer. This payment would be made no later than June 30, 2011. Upon completion of the employee's required differential payment, double the employee's PERS contributions plus interest, up to an amount equal to the reduction in PERS fully projected liability from the transfer of service to LEOFF 2, would then be moved from PERS 2 to LEOFF 2. Under Option 1, Fish and Wildlife would make an additional contribution to LEOFF 2, based on procedures to be defined or to be established by the Department of Retirement Systems. Option 2 would not include the Fish and Wildlife contribution. The most recent version of the proposal indicates that the state shall contribute both the state and employer share of the cost under Option 2.

Members Impacted

This description of members impacted includes PERS 2 members based on data provided by the Department of Fish and Wildlife to the LEOFF 2 board. Of the 95 Fish and Wildlife enforcement officers active as of September 30, 2004, we were provided information for 70 who had eligible prior service credit in PERS Plan 2. Among the Fish and Wildlife active records were a handful of members with more than the approximately 1.2 years of service they could have earned in their current positions since joining LEOFF 2. These members most likely have past service with other LEOFF agencies. There are also active members with no past service in PERS 2 because they entered after July 2003 or they were members of PERS Plan 1 or Plan 3. Forty two PERS 2 members were vested in their respective plans. The remaining 28 PERS 2 members were not vested. A demographic summary of the affected members is shown below:

Demographic Summary of the Affected Members				
	Count	Average Service (Years)	Average Savings Fund	Average Current Salary*
LEOFF actives	95	1.7	\$5,961	\$54,750
LEOFF actives with PERS service	70	10.6	\$25,804	\$55,374
PERS Service Range (Rounded, in years)				
0 - 2	15	1.2	\$494	\$49,363
3 - 5	14	3.4	\$2,258	\$52,257
6 - 10	8	7.8	\$11,115	\$55,495
11 - 15	11	13.7	\$30,901	\$60,745
16 - 20	10	18.1	\$48,949	\$56,445
21 +	12	23.6	\$70,743	\$60,626

*LEOFF 2 salary, effective September 30, 2004, is used for all records, including PERS inactive records.

Costs

The liability reduction in PERS due to the proposed transfer is \$4.6 million. This amount is offset by an estimated transfer of assets from PERS to LEOFF 2 of \$3.6 million, which consists of double the member contributions, with interest, for past PERS service up to the amount of the liability reduction from transferring the past service to LEOFF 2. Overall, this proposal would result in a slight savings to PERS. The PERS contribution rates are not affected by this savings.

Adding past service for these members would result in a fully projected liability increase in LEOFF 2 of \$6.4 million. This increase would be mitigated by the \$3.6 million asset transfer from PERS 2, mentioned above, plus an additional \$2.1 million in contributions by Fish and Wildlife members to make up for the differences between PERS and LEOFF historical member contributions. Under Option 1, there would be additional contributions from Fish and Wildlife of \$0.7 million, with no increase in the net projected liability. Under Option 2, there would be no Fish and Wildlife contribution and the net projected liability would increase by \$0.7 million resulting in an increase in contribution rates.

A summary of costs/(savings) for all parties appears below:

Summary of Costs (Savings)			
(Dollars are in millions)	PERS 2/3	LEOFF 2	Total
Change in present value of fully projected benefits (The value of the total commitment to all current members)	(4.6)	6.4	1.8
Assets transferred from PERS 2 to LEOFF 2	3.6	(3.6)	0.0
Subtract additional member contributions	n/a	(2.1)	(2.1)
Subtract payment from Department of Fish and Wildlife			
Option 1	n/a	(0.7)	(0.7)
Option 2	n/a	0	0
Net change in present value of fully projected benefits			
Option 1	n/a	0	0
Option 2	n/a	0.7	0.7

The total contribution rate increase would be 0.00 percent under Option 1 and 0.02 percent under Option 2, as shown below. We included only PERS 2 members in our analysis. The fiscal impact will depend on which option is selected and how the rate increase, if any, is split. For the fiscal costs, Option 2 is shown as Option 2A or 2B. Option 2A is based on the state contributing both the state and employer share of the supplemental rate increase. Option 2B is based on the state contributing both the state and employer share of the cost of the supplemental rate increase, and any future basic rate increase.

Increase in Contribution Rates*		
(Effective 09/01/2006)		
Current Members	Option 1	Option 2

Employee	0.00%	0.01%
Employer	0.00%	0.00%
State	0.00%	0.01%
New Entrants		
Employee	0.00%	0.01%
Employer	0.00%	0.00%
State	0.00%	0.01%

**If optional Department of Fish and Wildlife payment is not made. It is assumed that the employer cost is assigned to the state.*

Fiscal Costs (in Millions):	LEOFF 2		
	Option 1	Option 2A	Option 2B
2006-2007			
State:			
General Fund	\$0.0	\$0.1	\$0.1
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.1	\$0.1
Local Government	\$0.0	\$0.0	\$0.0
Total Employer	\$0.0	\$0.1	\$0.1
Total Employee	\$0.0	\$0.1	\$0.1
2007-2009			
State:			
General Fund	\$0.0	\$0.1	\$0.2
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.1	\$0.2
Local Government	\$0.0	\$0.1	\$0.0
Total Employer	\$0.0	\$0.2	\$0.2
Total Employee	\$0.0	\$0.2	\$0.2
2006-2031			
State:			
General Fund	\$0.0	\$0.8	\$2.0
Non-General Fund	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total State	\$0.0	\$0.8	\$2.0
Local Government	\$0.0	\$1.2	\$0.0
Total Employer	\$0.0	\$2.0	\$2.0
Total Employee	\$0.0	\$2.0	\$2.0

Assumptions

We assume for this pricing exercise that all past PERS service is eligible for transfer to LEOFF. We also assume that only members of PERS 2 are eligible to transfer. We assume that this service transfer is only available to active Fish and Wildlife enforcement officers and that every active member who is eligible to transfer past PERS service credit to LEOFF 2 will do so. It is also assumed that once a member elects to transfer service from PERS to LEOFF,

he or she will not retire or otherwise voluntarily terminate for the following five years. Option 2 resulted in a total rate increase of 0.01 percent before rounding. The member rate increase is 0.01 percent and employer rate is the same to ensure equal cost sharing under option 2A. We assumed that the split of the total 0.02 percent rate increase would be with 0.01 percent for the employee and 0.01 percent for the state for the 2006-2007 supplemental and the split would return to the usual 50/30/20 split as part of the overall basic rate thereafter. Under option 2B, we assume that the supplemental rate would be split as in Option 2A and there would be a change to the basic table split thereafter using a method to be determined and for a period to be determined.

All other assumptions are consistent with the assumptions disclosed in the 2004 LEOFF 2 Actuarial Valuation Report.