

Annual Statement Improvement

Washington State Law Enforcement
Officers' and Fire Fighters' Plan 2
Retirement Board

April 26, 2006

Brief Summary

- Board requested information on improving benefit statements

- Provide more information to members

- Staff met with DRS
 - Determine options
 - Estimate costs

DRS Proposal Summary

- All DRS options have common features:
 - Beneficiary
 - Info on how to designate a beneficiary
 - Total reported salary for last year
 - Explanation of projected FAS calculation
 - Projected service credit
 - Projected monthly benefit w/survivor reduction
 - 150% withdrawal amount
 - Explanation of 150% withdrawal option

DRS Option 1

- DRS Option 1 Unique Feature

- Include projected FAS calculated using total reported salary for past year

DRS Option 1

■ DRS Option 1 Cost:

• Automated Systems	\$90,300
• Member Communications	\$2,048
• <u>Benefits/customer Service</u>	<u>\$7,154</u>
DRS Estimated Total Cost	\$99,502

DRS Option 2

- DRS Option 2 Unique Feature
 - Include projected FAS using highest consecutive 60 months

DRS Option 2

■ DRS Option 2 Costs:

• Automated Systems	\$154,800
• Member Communications	\$2,048
• <u>Benefits/customer Service</u>	<u>\$17,060</u>
DRS Estimated Total Cost	\$173,908

DRS Option 3

- Option 3 Shares Common Features
- Directs members to DRS website

DRS Option 3

- DRS Option 3 Costs:
 - Least expensive of all options
 - Much less time spent programming at \$95/hr
- Exact cost estimate pending from DRS

Annual Statement Improvement

Questions?

DEPARTMENT OF RETIREMENT SYSTEMS
AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
LEOFF Plan 2 Annual Statement Estimate – OPTION 1
03-17-2006

Analysis:

The LEOFF Plan 2 Retirement Board has requested cost estimate to revise the LEOFF Plan 2 active member annual statements. The request includes the following modifications:

1. Include beneficiary designations. (Needs further definition since space will be an issue)
2. Include instructions on how to designate a beneficiary or change an existing designation.
3. Include a total of the reported salary for past calendar year.
4. Include a projected Final Average Salary (FAS) calculated using the total of the reported salary for the past calendar year.
5. Include an explanation of the projected FAS calculation method.
6. Include a projected service credit total. Current service credit will be increased by 1 for each month until age 53.
7. Include a projected monthly retirement benefit including survivor reductions if the member has a beneficiary designation.
8. Include a 150% withdrawal amount if the member is eligible.
9. Include an explanation of the 150% withdrawal option.

Assumptions:

The estimate presented below is based on the following assumptions:

1. This estimate includes active LEOFF Plan 2 members only. Additional systems, plans, and LEOFF Plan 2 inactive members would require additional resources.
2. Statements will continue to be mailed to the employers.
3. The new statements will remain on one page, using a new variation of the current annual statement forms. The front page will contain all variable data. The back will continue to be a standard text display of pre-printed information.
4. Active members will receive an annual statement. Inactive members must request an annual statement. Inactive members will receive the current annual statement format.
5. Legal Order Split members will receive annual statements using the existing process.
6. The LEOFF Plan 2 annual statements will be produced on the current schedule with all other non-educational member statements.
7. All existing data will continue to be displayed in the current annual statement format.
8. The 150% withdrawal amount will not be projected. This amount will be 150% of the total member contributions for eligible members as of December 31.
9. The retirement calculations will be for a normal service retirement at age 53. No early-retirement, disability, portability, or death-in-service options will be displayed.
10. This estimate does not include full retirement calculations, which require additional account item record retrieval. The AFC for the estimate will be based on current non-archived data (i.e. usually the last 2 years). The retirement calculation (estimate) will be similar to the former Online Retirement Benefit Estimator (ORBE), which is extremely simple compared to the actual estimates that are produced by the Estimate System. ORBE was deleted the summer of 2005.
11. The redevelopment effort will include the redesign of the annual statement and corresponding changes to batch processing, changes to the display screens to accommodate additional data, and modifications to the Defined Benefit Account Access web application.
12. The display and re-print processes will need to distinguish between old and new annual statements formats.
13. A date for the final draft of the new annual statement will be established prior to the start of system

**DEPARTMENT OF RETIREMENT SYSTEMS
 AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
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 03-17-2006**

development.

Possible Issues:

1. Beginning Summer 2005, members are able to self-generate estimates from the Defined Benefit Account Access web application in addition to requesting a formal estimate from DRS. This effort would introduce a third estimate process and may reflect benefit differences since archived earnings are not being used in this option for determination of the FAS.
2. The new annual statement project will require a comprehensive business requirements phase to finalize the statement design as well as methodology for projecting Final Average Salary (FAS) using the last years reported salary.
3. An account can have multiple beneficiary designations. Space may be an issue.
4. DRS' Retirement Services Division staff will need to key into MIS any missing beneficiary information for active LEOFF Plan 2 member accounts. This information may be stored in the Electronic Document Imaging Management System (EDIMS).

Major Tasks:

1. Design the new LEOFF Plan 2 annual statement.
2. Modify the Annual Statement Process to produce new LEOFF Plan 2 statements.
3. Modify the Annual Statement Process to print the new active member LEOFF Plan 2 statements.
4. Modify the re-print process to print new active member LEOFF Plan 2 statements.
5. Modify the web applications to display the new LEOFF Plan 2 statements.
6. Test modifications.

Automated Systems Costs:

840 hours at \$95 per hour	\$79,800
DIS* cost of \$500 per week for 21 weeks	<u>\$10,500</u>
Total Estimated Costs for Automated Systems	\$90,300

**cost for mainframe computer processing time and resources at the Department of Information Services*

Member/Retiree Communications

Printing costs (15,000 copies)	\$ 875
Communications Cnslt 3 – 40 hours (salaries/benefits)	<u>\$1,173</u>
Total Estimated Member/Retiree Communications Costs	\$2,048

Benefits/Customer Service

Retirement Services Analyst 3 – 260 hours (salaries/benefits)	<u>\$7,154</u>
Total Estimated Benefits/Customer Service Costs	\$7,154

ESTIMATED TOTAL COST TO IMPLEMENT THIS ESTIMATE:

AUTOMATED SYSTEMS	\$90,300
MEMBER COMMUNICATIONS	\$ 2,048
BENEFITS/CUSTOMER SERVICE	<u>\$ 7,154</u>
ESTIMATED TOTAL COSTS	\$99,502

DEPARTMENT OF RETIREMENT SYSTEMS
AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
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03-17-2006

Systems Development Detailed Task List

Project Management:

- Build and maintain task plan and schedule in MS Project (for IS tasks only).
- Project reporting.
- Time is estimated at 106 hours.

Analysis/Design:

- Identify business requirements.
- Design of new annual statement
- Analyze and design changes to the WEB.
- Analysis/Design time is estimated at 110 hours.

Modify the WEB Systems:

- Redesign of the web annual statement.
- Modify files and programs for the web.
- Test all web modifications.
- Programming time is estimated at 80 hours.

Modify the Benefit System:

- Create retirement estimate data for the annual statement.
- Programming time is estimated at 56 hours.

Modify the Member Information System (MIS):

- Modify online and batch annual statement files.
- Retrieve/calculate additional MIS data.
- Create prototype annual statement
- Create processes to display, print and re-print new statements.
- Modify existing online and batch processes.
- Programming time is estimated at 300 hours.

Integration Testing:

- Testing will be required between:
 1. MIS and the Benefit System
 2. MIS and the WEB
- Create integration test plan and test cases.
- Programming time is estimated at 20 hours.

User Acceptance Testing:

- Assist in creation of test plan and test script.
- Support user acceptance testing.
- Analyst and programmer time is estimated at 130 hours.

Documentation:

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AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
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03-17-2006**

- Update system documentation.
- Programming time is estimated at 20 hours.

Training:

- Screen and process modifications
- Analyst time is estimated at 8 hours.

Post implementation maintenance:

- Monitor, support and troubleshoot as required.
- Programming time is estimated at 10 hours.

ON-GOING PRODUCTION COSTS:

- Production run cost (per annual statement) would increase approximately by \$0.30.
- LEOFF 2 currently has 15,259 active members and 1,724 inactive members.
- Total increase to Production Run is approximately \$5,000.

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DEPARTMENT OF RETIREMENT SYSTEMS
AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
LEOFF Plan 2 Annual Statement Estimate with Archived Data – OPTION 2
03-17-2006

Analysis:

The LEOFF Plan 2 Retirement Board has requested a cost estimate to revise the LEOFF Plan 2 active member annual statements. The request includes the following modifications:

1. Include beneficiary designations. (Needs further definition since space will be an issue)
2. Include instructions on how to designate a beneficiary or change an existing designation.
3. Include a total of the reported salary for past calendar year.
4. Include a projected Final Average Salary (FAS) calculated using the highest consecutive 60 months.
5. Include an explanation of the projected FAS calculation method.
6. Include a projected service credit total. Current service credit will be increased by 1 for each month until age 53.
7. Include a projected monthly retirement benefit including survivor reductions if the member has a beneficiary designation.
8. Include a 150% withdrawal amount if the member is eligible.
9. Include an explanation of the 150% withdrawal option.

Assumptions:

The estimate presented below is based on the following assumptions:

1. This estimate includes active LEOFF Plan 2 members only. Additional systems, plans and LEOFF Plan 2 inactive member statements will require additional resources.
2. Statements will continue to be mailed to the employers.
3. The new statements will remain on one page, using a new variation of the current annual statement forms. The front page will contain all variable data. The back will continue to be a standard text display of pre-printed information.
4. Active members will receive an annual statement. Inactive members must request an annual statement. LEOFF Plan 2 inactive members will receive the current annual statement format.
5. Legal Order Split members will receive annual statements using the existing process.
6. The LEOFF Plan 2 annual statements will be produced on the current schedule with all other non-educational member statements.
7. All existing data will continue to be displayed in the current annual statement format.
8. The 150% withdrawal amount will not be projected. This amount will be 150% of the total member contributions for eligible members as of December 31.
9. The retirement calculations will be for a normal service retirement at age 53. No early-retirement, disability, portability, or death-in-service options will be displayed.
10. The estimate provided is the projected retirement based on earliest non-reduced retirement date (age 53 with 5 years of service) e.g. member has 20 years of service and is 50 years old, projected total years of service would be 23. Some current estimate filters will be applicable.
11. The redevelopment effort will include the redesign of the annual statement and corresponding changes to batch processing, changes to the display screens to accommodate additional data, and modifications to the Defined Benefit Account Access web application.
12. The display and re-print processes will need to distinguish between old and new annual statements formats.
13. A date for the final draft of the new annual statement will be established prior to the start of system development.

Possible Issues:

**DEPARTMENT OF RETIREMENT SYSTEMS
AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
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03-17-2006**

1. Using archived data to compute the FAS based on the highest consecutive 60 months will use the estimate filter processing. The filter process is used to determine which accounts may have anomalies. The Retirement Services Analysts (RSA) will need a couple of weeks prior to the printing of the statements to clean up any accounts with anomalies. These accounts will be identified by batch reports. Exception report resolution is estimated at 2% of LEOFF Plan 2 membership that will not pass the automated filters.
2. The new annual statement project will require a comprehensive business requirements phase to finalize the statement design.
3. An account can have multiple beneficiary designations. Space may be an issue.
4. DRS' Retirement Services Division staff will need to key into MIS any missing beneficiary information for active LEOFF Plan 2 member accounts. This information may be stored in the Electronic Document Imaging Management System (EDIMS).

Major Tasks:

1. Design the new LEOFF Plan 2 annual statement.
2. Create a new program module to compute FAS based on highest consecutive 60 months.
3. Create a new estimate filter process to edit for account anomalies.
4. Modify the Annual Statement Process to produce new active member LEOFF Plan 2 statements.
5. Modify the Annual Statement Process to print the new active member LEOFF Plan 2 statements.
6. Modify the re-print process to print new LEOFF Plan 2 statements.
7. Modify the web applications to display the new LEOFF Plan 2 statements.
8. Test of modifications.

Automated Systems Costs:

1440 hours at \$95 per hour	\$136,800
DIS* cost of \$500 per week for 36 weeks	<u>\$ 18,000</u>
Total Estimated Costs for Automated Systems	\$154,800

**cost for mainframe computer processing time and resources at the Department of Information Services*

Member/Retiree Communications

Printing costs (15,000 copies) - calculated by difference	\$ 875
Communications Cnslt 3 – 40 hours (salaries/benefits)	<u>\$1,173</u>
Total Estimated Member/Retiree Communications Costs	\$2,048

Benefits/Customer Service

Retirement Services Analyst 3 – 620 hours (salaries/benefits)	\$17,060
Total Estimated Benefits/Customer Service Costs	\$17,050

ESTIMATED TOTAL COST TO IMPLEMENT THIS ESTIMATE:

AUTOMATED SYSTEMS	\$154,800
MEMBER COMMUNICATIONS	\$ 2,048
BENEFITS/CUSTOMER SERVICE	<u>\$ 17,060</u>
ESTIMATED TOTAL COSTS	\$173,908

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Systems Development Detailed Task List

Project Management:

- Build and maintain task plan and schedule in MS Project (for IS tasks only).
- Project reporting.
- Time is estimated at 180 hours.

Analysis/Design:

- Identify business requirements.
- Design of new annual statement
- Analyze and design changes to the WEB.
- Analysis/Design time is estimated at 170 hours.

Modify the WEB Systems:

- Redesign of the web annual statement.
- Modify files and programs for the web.
- Test all web modifications.
- Programming time is estimated at 80 hours.

Modify the Benefit System:

- Create retirement estimate data for the annual statement.
- Programming time is estimated at 56 hours.

Modify the Member Information System (MIS):

- Modify online and batch annual statement files.
- Retrieve/calculate additional MIS data.
- Create prototype annual statement
- Create processes to display, print and re-print new statements.
- Modify existing online and batch processes.
- Programming time is estimated at 400 hours.

Create Modules to Retrieve and Use Archived Records:

- Program/Sort for unique Mbr-ids of active L2 members receiving statements
- Program to pull data from online and put into expected format
- Program to pull data from archive database
- Program to reformat archive data
- Program/Sort to merge archive data with online data
- Program to check for and eliminate duplicate earn moyrms
- Programming time is estimated at 80 hours.

Create a New Estimate Module for Benefits:

- Create module to compute AGC based on highest 60 months.
- Modify MIXPXXXX to handle partial service credits.
- Programming time is estimated at 96 hours.

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AUTOMATED SYSTEMS/INTEGRATED DATABASE IMPACTS
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Create a New Estimate Filter Process:

- Batch reports for RSAs to work, to clean up account a couple of weeks prior to printing statements
- Programming time is estimated at 40 hours.

Integration Testing:

- Testing will be required between:
 1. MIS and the Benefit System
 2. MIS and the WEB
- Create integration test plan and test cases.
- Programming time is estimated at 20 hours.

User Acceptance Testing:

- Create test plans and test scripts.
- Support user acceptance testing.
- Analyst and programmer time is estimated at 280 hours.

Documentation:

- Update system documentation.
- Programming time is estimated at 20 hours.

Training:

- Screen and process modifications
- Analyst time is estimated at 8 hours.

Post implementation maintenance:

- Monitor, support and troubleshoot as required.
- Programming time is estimated at 10 hours.

ON-GOING PRODUCTION COSTS:

- Production run cost (per annual statement) would increase approximately by \$0.60.
- LEOFF 2 currently has 15,259 active members and 1,724 inactive members.
- Total increase to Production Run is approximately \$9,500.