

# Fish & Wildlife Enforcement Officers Service Credit Transfer Preliminary Report

LEOFF Plan 2 Retirement Board

April 30, 2008

# Key Issues

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- Allowing Fish & Wildlife Enforcement Officers the Opportunity to Transfer Service Credit
- Cost of the Service Credit Transfer

# Service Credit Transfer

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- Only group excluded
  - EMTs in 2003 & 2005
  - Fire fighters at higher education in 1996
  - Police at State Universities and Ports in 1993

# Costs

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- OSA Fiscal Note
  - Estimated \$3 million cost to Department of Fish & Wildlife
  - Assumes between 41-60 members will transfer
  - No increase in contribution rates

# Options

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- Reintroduce 2008 Bill
- Include PERS 3 Members in Transfer Group
  - Billing members
  - Excess contributions & interest

# FWEO Service Credit Transfer

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QUESTIONS?

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

## Fish and Wildlife Service Credit Transfer Preliminary Report

April 30, 2008

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### 1. Issue

Fish & Wildlife Enforcement Officers mandated into LEOFF Plan 2 beginning July 27, 2003 were not allowed to transfer their Public Employees' Retirement System (PERS) service as Fish & Wildlife Enforcement Officers to LEOFF Plan 2 as similar groups have been.

### 2. Staff

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### 3. Members Impacted

The original fiscal note prepared by the Office of the State Actuary (OSA) 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 who would be eligible to transfer into LEOFF Plan 2. Any former Fish and Wildlife Officers who become re-employed after July 23, 2003, could also be affected when they return.

### 4. Current Situation

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 or after July 27, 2003 are mandated into LEOFF Plan 2. Service earned prior to July 27, 2003 remains in PERS and the employee becomes a dual member. Employees who are members of PERS Plan 1 are excluded from LEOFF Plan 2 membership.

## **5. Background Information and Policy Issues**

### **History**

In 2002, the Legislature passed a bill 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, legislation was passed which added the Department of Fish and Wildlife as a LEOFF employer. Additionally a new section was added to the PERS statutes 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.

In 2006 the Board submitted a bill to the Legislature that would allow enforcement officers to transfer their PERS Plan 2 service credit as enforcement officers from PERS to LEOFF Plan 2. The bill did not pass and it was reintroduced by the Board in 2007. This bill also did not pass. In 2008, the Board endorsed a similar bill introduced by the SCPP. This bill passed the Senate but never received a hearing in the House.

### **Background**

Moving service credit from PERS Plan 2 to LEOFF Plan 2 creates a liability to LEOFF Plan 2 which is greater than the money received from the member for paying the difference between the member contribution rates in PERS Plan 2 and LEOFF Plan 2, plus interest, and from the employer who pays the difference between employer contribution rates plus interest.

The original proposals the Board reviewed dealt with the transfer of service for PERS Plan 2 members only. The difference between the two proposals was how the increased liability of the transfer would be funded. One option was for the Department of Fish and Wildlife to pay an amount sufficient to ensure contribution rates would not increase as a result of the transfer. The second option would have socialized the costs by increasing contribution rates. The option chosen for all three Legislative sessions was to have the Department of Fish and Wildlife pay for the increase.

### **Policy Issue**

The policy issue examined by the Board was if LEOFF Plan 2 Fish and Wildlife Enforcement Officers, who have service credit in PERS Plan 2, should be given the opportunity to transfer that service to LEOFF Plan 2 as prior groups have had the opportunity to do.

A secondary issue involves PERS Plan 3 members. Since the creation of PERS Plan 3 in March of 2002, the Department of Retirement Systems has excluded PERS Plan 3 members from being able to transfer their PERS Plan 3 service credit to LEOFF Plan 2. This includes both bills permitting emergency medical technicians to transfer PERS service credit to LEOFF Plan 2 (SHB 1202 in 2003, and SHB 1936 in 2005).

## **6. Options**

### **Option 1: Reintroduce the same bill as last year**

Under this option the Board would update the current proposed bill and submit it to the 2009 Legislative session. The Board would need updated cost estimates from OSA.

### **Option 2: Introduce a bill similar to last year's bill, but include PERS Plan 3 members**

Under this option the Board would update the current proposal to include PERS Plan 3 service credit and submit it to the 2009 Legislative session. Some of the issues surrounding this option include how to manage the transfer from a defined contribution account to a defined benefit account. There is also the issue of what to do if a member has more funds in their defined contribution account than are necessary to pay for the transfer.

## **7 Supporting Information**

**Appendix A – Bill Comparison Chart.**

**Appendix B – 2008 Bill**

**Appendix C – Office of the State Actuary Fiscal Note – 2008 Session**

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

<b>Year and Bill Number</b>	<b>Description</b>	<b>Member Options</b>	<b>Member Costs by Option</b>	<b>Employer Costs by Option</b>
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

<b>Year and Bill Number</b>	<b>Description</b>	<b>Member Options</b>	<b>Member Costs by Option</b>	<b>Employer Costs by Option</b>
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

<b>Year and Bill Number</b>	<b>Description</b>	<b>Member Options</b>	<b>Member Costs by Option</b>	<b>Employer Costs by Option</b>
SHB 2191 1996	Allowed fire fighters at institutions of higher education with fully operational fire departments to apply for membership in LEOFF Plan 2	<ol style="list-style-type: none"> <li>1. Remain in PERS</li> <li>2. Join LEOFF Plan 2 retroactively</li> </ol>	<ol style="list-style-type: none"> <li>1. None</li> <li>2. Difference in member contribution rates between PERS and LEOFF Plan 2, plus interest</li> </ol>	<ol style="list-style-type: none"> <li>1. None</li> <li>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</li> </ol>
SHB 1744 1993	Allowed police employed by the state's universities and port districts to apply for membership in LEOFF Plan 2	<ol style="list-style-type: none"> <li>1. Remain in PERS</li> <li>2. Join LEOFF Plan 2 retroactively</li> </ol>	<ol style="list-style-type: none"> <li>1. None</li> <li>2. Difference in member contribution rates between PERS and LEOFF Plan 2, plus interest</li> </ol>	<ol style="list-style-type: none"> <li>1. None</li> <li>2. Difference in employer contribution rates in PERS and the combined employer and state contribution rates in LEOFF Plan 2, plus interest</li> </ol>

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HOUSE BILL 3023

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State of Washington

60th Legislature

2008 Regular Session

By Representatives Crouse, Conway, Fromhold, VanDeWege, Hurst, Simpson, Kretz, and Linville; by request of Select Committee on Pension Policy and LEOFF Plan 2 Retirement Board

Read first time 01/21/08. Referred to Committee on Appropriations.

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

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

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

7 (1) A member of plan 2 who was a member of the public employees'  
8 retirement system plan 2 while employed as an enforcement officer for  
9 the department of fish and wildlife has the option to make an election  
10 no later than June 30, 2013, filed in writing with the department of  
11 retirement systems, to transfer service credit previously earned as an  
12 enforcement officer in the public employees' retirement system plan 2  
13 to the law enforcement officers' and firefighters' retirement system  
14 plan 2. Service credit that a member elects to transfer from the  
15 public employees' retirement system to the law enforcement officers'  
16 and firefighters' retirement system under this section shall be  
17 transferred no earlier than June 30, 2013, and only after the member  
18 completes payment as provided in subsection (2) of this section.

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

7 (b) A member who elects to transfer service credit under this  
8 subsection shall pay, for the applicable period of service, the  
9 difference between the contributions the employee paid to the public  
10 employees' retirement system plan 2 and the contributions that would  
11 have been paid by the employee had the employee been a member of the  
12 law enforcement officers' and firefighters' retirement system plan 2,  
13 plus interest on this difference as determined by the director. This  
14 payment must be made no later than June 30, 2013, and must be made  
15 prior to retirement.

16 (c) No later than June 30, 2014, the department of fish and  
17 wildlife shall pay an amount sufficient to ensure that the contribution  
18 level to the law enforcement officers' and firefighters' retirement  
19 system will not increase due to this transfer. Payments made prior to  
20 June 30, 2014, are authorized as determined by the department and  
21 coordinated with the state actuary.

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

33 (e) If a member who elected to transfer pursuant to this section  
34 dies or retires for disability prior to five years from their election  
35 date, the member's benefit is calculated as follows:

36 (i) All of the applicable service credit, accumulated  
37 contributions, and interest is transferred to the law enforcement

1 officers' and firefighters' retirement system plan 2 and used in the  
2 calculation of a benefit.

3 (ii) If a member's obligation under (b) of this subsection has not  
4 been paid in full at the time of death or disability retirement, the  
5 member, or in the case of death the surviving spouse or eligible minor  
6 children, have the following options:

7 (A) Pay the bill in full;

8 (B) If a continuing monthly benefit is chosen, have the benefit  
9 actuarially reduced to reflect the amount of the unpaid obligation  
10 under (b) of this subsection; or

11 (C) Continue to make payment against the obligation under (b) of  
12 this subsection, provided that payment in full is made no later than  
13 five years from the member's original election date.

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

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# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 3023 HB	<b>Title:</b> Fish/wildlife service credit
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## Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
<b>Total \$</b>						

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.1	0	34,777	.0	0	0	.0	0	0
Department of Fish and Wildlife	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total</b>	<b>0.1</b>	<b>\$0</b>	<b>\$34,777</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

For cost information for years beyond those on the fiscal note form, please see the second page of the fiscal note from the Department of Fish and Wildlife.

<b>Prepared by:</b> Jane Sakson, OFM	<b>Phone:</b> 360-902-0549	<b>Date Published:</b> Final 1/31/2008
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 3023 HB	<b>Title:</b> Fish/wildlife service credit	<b>Agency:</b> 035-Office of State Actuary
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## Part I: Estimates

**No Fiscal Impact**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/23/2008
Agency Preparation: Nelsen Dave	Phone: 360-786-6144	Date: 01/24/2008
Agency Approval: Matthew M. Smith	Phone: 360-786-6140	Date: 01/24/2008
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 01/25/2008

# FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBERS:
<b>Office of the State Actuary</b>	<b>035</b>	<b>1/23/08</b>	<b>HB 3023 / SB 6653</b>

## INTENDED USE

The Office of the State Actuary (“we”) prepared this fiscal note based on our understanding of the bill as of the date shown above. We intend this fiscal note to be used by the Legislature during the 2008 Legislative Session only.

We advise other readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of or reliance on only parts of this fiscal note could result in its misuse, and may mislead others.

## EXECUTIVE SUMMARY

This proposal would allow enforcement officers for the Department of Fish & Wildlife to convert prior PERS 2 service to LEOFF 2 by paying the difference in contribution rates.

<b>Increase in Actuarial Liabilities</b>			
<i>(Dollars in Millions)</i>	<b>Current</b>	<b>Increase</b>	<b>Total</b>
<b>Actuarial Present Value of Projected Benefits</b>	\$24,970	5	\$24,975
<b>Unfunded Actuarial Accrued Liability</b>	2,494	0	2,494
<b>Unfunded Liability (PVC PB)</b>	(\$2,859)	5	(\$2,854)

<b>Total Increase in Contribution Rates</b>		
<b>Current Biennium</b>	<b>PERS</b>	<b>LEOFF</b>
Employee (Plan 2)	0.00%	0.00%
Employer	N/A	N/A
State		0.00%

<b>Fiscal Costs</b>			
<i>(Dollars in Millions)</i>	<b>2008-2009</b>	<b>2009-2011</b>	<b>25-Year</b>
General Fund-State	\$0.0	\$0.0	\$0.0
Total Employer	\$0.0	\$0.0	\$0.0

See the Actuarial Results section of this fiscal note for additional detail.

## **BENEFIT IMPROVEMENT**

### **Summary of Benefit Improvement**

This bill impacts Plan 2 of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System and Plan 2 of the Public Employees' Retirement System (PERS). This bill allows LEOFF 2 members to transfer into LEOFF 2 their prior PERS 2 service credit for periods of employment as enforcement officers for the Department of Fish and Wildlife (DFW). There is a waiting period for transferring the service credit, as the bill provides that it shall be transferred no earlier than June 30, 2013, and only after the member completes payment, which must be made no later than June 30, 2013. Allowances for early transfer are provided for members who become disabled or die during the waiting period.

Finally, the bill provides that members who elect to transfer their service credit must transfer all their service as an Enforcement Officer with DFW under PERS 2. Furthermore, these members are thereafter permanently excluded from membership in PERS for all service related to time served as an enforcement officer with the DFW in PERS 2.

Effective Date: 90 days after session

### **Current Situation**

Currently, LEOFF 2 members who transferred from PERS 2 while serving as enforcement officers for DFW have no ability to transfer their prior PERS 2 service to LEOFF 2; rather, they are dual members of PERS 2 and LEOFF 2 and can retire under provisions of the portability chapter (RCW 41.54).

### **Members Impacted**

We estimate that 67 members out of the total 108 active DFW enforcement officers have eligible prior service credit in PERS 2 and could be affected by this bill. Furthermore, we expect 60 members will actually receive improved benefits. The remaining seven members would not elect to transfer service credit since they will be retiring prior to culmination of the waiting period. Thus the option to transfer their service credit is not financially advantageous for their situation. This bill would not affect inactive members.

We estimate that for a typical member impacted by this proposal, the increase in benefits would be the opportunity for a full retirement at age 53 instead of 65, or a benefit at age 50 with 20 years of service reduced 3% for each year under age 53.

See the Data Used section of this fiscal note for more details.

## **WHY THIS BENEFIT HAS A COST AND WHO PAYS FOR IT**

### **Why this Bill Has a Cost**

As this bill provides, there shall be no fiscal costs or change in contribution rates to the affected plans. Therefore, the affected members would be required to pay the difference in the member contribution rates as though they had been in LEOFF 2 instead of PERS 2 for the period of service they transfer, with interest. Furthermore, the Department of Fish and Wildlife would be required to pay an amount sufficient to ensure that the contribution rate in LEOFF 2 will not increase due to the specified transfer of funds and service credit.

### **Who will Pay for these Costs**

The member cost for the service credit is the difference between the PERS 2 contributions paid by the member, and the contributions that the member would have paid as a member of LEOFF 2. These amounts are then subject to interest as determined by the director of the Department of Retirement Systems (DRS). The assets associated with the PERS 2 member and employer contributions will be transferred from the PERS 2 assets to LEOFF 2 and will be used to further offset the cost to the DFW.

The bill also provides that no later than June 30, 2014 the DFW would be required to pay an amount sufficient to ensure that the contribution rate in LEOFF 2 will not increase due to the specified transfer of funds and service credit. The proposal also allows for payments prior to 2014 as determined by DRS in consultation with the Office of the State Actuary.

## **HOW WE VALUED THESE COSTS**

### **Change in Methods**

The bill provides that there shall be no increase in unfunded liability to LEOFF 2 resulting from the additional service being transferred from PERS 2. This is accomplished by requiring that DFW would pay any additional cost to LEOFF 2 not covered by the asset transfer from PERS and the additional member contributions and interest paid by the members. The purpose of this pricing exercise was to isolate the total cost to DFW which is equal to the amount of remaining LEOFF 2 liability after the associated PERS 2 assets and member contributions are subtracted from the total transferred liability. The PERS 2 assets are equal to two times the members' PERS savings funds which were provided in the data.

The liability increase to LEOFF 2 resulting from this bill is equal to the present value of the additional benefits resulting from the transferred service credit.

Otherwise, we developed these costs using the same methods as those disclosed in the September 30, 2006 Actuarial Valuation Report (AVR).

## **Assumptions Made**

We assumed for this pricing exercise that all past PERS 2 service is eligible for transfer to LEOFF 2. We also assumed that only members of PERS 2 are eligible to transfer. We assumed that this service transfer is only available to active DFW enforcement officers. We assumed that all PERS 2 members who are eligible to transfer service credit would elect to transfer that service if the value of the additional benefit is greater than the sum of double their PERS 2 member account plus the contributions required from the member (that is true for approximately 60 out of the 67 members with eligible service to transfer). It is assumed that members who transfer service will not receive additional benefits as a result of the transfer until after June 30, 2013. We assume that the calculation of the cost to DFW will be administered using annuity factors that assume no pre-retirement decrements other than mortality.

Otherwise, we developed these costs using the same assumptions as disclosed in the AVR.

## **Data Used**

Of the 108 DFW enforcement officers active as of September 30, 2006, we were provided information for 67 who had eligible prior service credit in PERS 2. Among the DFW active records were a handful of members with more than the approximately 3.2 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 a few active members with no past service in PERS because they entered after July 2003. Of the 67 LEOFF members with prior PERS service, we found that 60 members were vested in their respective plans under the provisions of portability. The remaining seven Plan 2 members were not vested. The vested status for these members was determined utilizing their total service from both the PERS and LEOFF retirement systems. A demographic summary of the affected members is shown below:

<b>Demographic Summary of the Affected Members</b>				
	<b>Count</b>	<b>Average Service (Years)</b>	<b>Average Savings Fund</b>	<b>Average Current Salary*</b>
<b>LEOFF Actives</b>	108	3.52	\$14,212	\$63,468
<b>LEOFF Actives with PERS Service</b>	60	8.58	\$20,749	\$68,215
<b>PERS 2 Service Range (Rounded, in years)</b>				
0 - 2	15	1.22	\$551	\$63,324
3 - 5	14	3.38	2,519	67,031
6 - 10	8	7.82	12,398	68,938
11 - 15	11	13.71	34,468	72,240
16 - 20	8	17.96	53,810	72,126
21+	4	22.98	\$73,144	\$70,362

*\*LEOFF 2 salary, effective September 30, 2006, is used for all records, including PERS inactive records.*

Otherwise, we developed these costs using the same assets and data as disclosed in the AVR.

## **ACTUARIAL RESULTS**

### **Liability Changes**

This bill will not change the actuarial funding of LEOFF 2 and PERS 2 and will have no impact on the required actuarial contribution rate as shown below.

This bill would increase the liability in LEOFF 2 by about \$7 million. This would be offset by the approximately \$2 million transferred from the PERS 2 assets, \$2 million in additional contributions from Fish and Wildlife members, and a \$3 million contribution from DFW.

The liability reduction in PERS 2 due to the proposed service transfer is about \$2 million. This amount is offset by the estimated transfer of assets from PERS 2 to LEOFF 2 of about \$2 million, which consists of the member and employer contributions, with interest. The PERS 2 contribution rates will not be affected by this service credit transfer. The members eligible to transfer service credit are currently dual members eligible for portability. The transfer could result in additional experience gains for PERS Plan 2.

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

<b>Summary of Costs/(Savings) for All Parties</b>			
<i>(Dollars are in Millions)</i>	<b>PERS 2</b>	<b>LEOFF 2</b>	<b>Total</b>
<b>Change in Present Value of Fully Projected Benefits</b>			
(The Value of the Total Commitment to all Current Members)	(\$2)	\$7	\$5
<b>Assets Transferred from PERS to LEOFF 2</b>	\$2	(\$2)	\$0
<b>Additional Member Contributions</b>	\$0	(\$2)	(\$2)
<b>Payment from Department of Fish and Wildlife</b>	\$0	(\$3)	(\$3)
<b>Net Change in Present Value of Unfunded Fully Projected Benefits</b>	\$0	\$0	\$0

These costs are based on the assumption that 60 out of 67 eligible DFW enforcement officers will transfer past PERS 2 service credit to LEOFF 2. The actual cost of this bill will be determined by the actual number of affected members who elect to transfer past service.

### Contribution Rate Changes

The bill will not increase the present value of **unfunded** fully projected benefits of the affected systems.

<i>(Dollars in Millions)</i>	<b>Current</b>	<b>Increase</b>	<b>Total</b>
<b>Actuarial Present Value of Projected Benefits</b>			
<i>(The Value of the Total Commitment to all Current Members)</i>			
PERS 2/3	\$18,966	(\$2)	\$18,964
LEOFF 2	\$6,004	\$7	\$6,011
<b>Unfunded Actuarial Accrued Liability</b>			
<i>(The Portion of the Plan 1 Liability that is Amortized at 2024)</i>			
PERS 1	\$3,196	\$0	\$3,196
LEOFF 1	(\$702)	\$0	(\$702)
<b>Unfunded Liability (PVCPB)</b>			
<i>(The Value of the Total Commitment to all Current Members Attributable to Past Service)</i>			
PERS 2/3	(\$2,338)	\$0	(\$2,338)
LEOFF 2	(\$521)	\$0	(\$521)

**Note:** Totals may not agree due to rounding.

<b>Increase in Contribution Rates: (Effective 9/1/2008)</b>		
<b>System/Plan</b>	<b>PERS</b>	<b>LEOFF</b>
<b>Current Members</b>		
Employee (Plan 2)	0.00%	0.00%
Employer	N/A	N/A
State		0.00%
<b>New Entrants*</b>		
Employee (Plan 2)	0.00%	0.00%
Employer	N/A	N/A
State		0.00%

*\*Rate change applied to future new entrant payroll, and used for fiscal budget changes only. A single supplemental rate increase equal to the increase for current members would apply in the current biennium for all members or employers.*

### **Fiscal Budget Changes**

There is no fiscal impact to members or employers in the affected systems with the exception of members electing to transfer service and the estimated \$3 million payment required from DFW.

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the systems could exceed the sum of each proposed change considered individually.

As with the costs developed in the actuarial valuation, the emerging costs of the systems will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from the actuarial assumptions.

### **SENSITIVITY ANALYSIS**

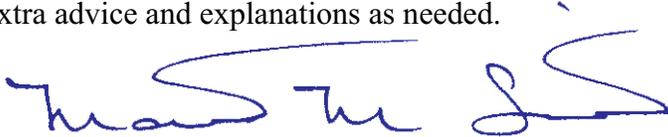
The amount that DFW will be responsible to pay is sensitive to the assumption regarding the number of members who transfer. For this pricing exercise, we assumed the members that benefit from making the transfer would be the members who elect to transfer their past service. For the sensitivity analysis, we assumed that the members with the greatest benefit from making the transfer would be the members who elect to transfer their past service. If between 41 and 60 members with the greatest benefit transfer, the cost to DFW would still be about \$3 million. If between 18 and 40 members with the greatest benefit transfer, the cost to DFW would be about \$2 million. If less than 18 members transfer, the cost to DFW would be about \$1 million. More likely than not, the number of members who transfer will be between 41 and 60, and the cost to DFW would be about \$3 million.

## CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods, assumptions, and data may also be reasonable, and might produce different results.
5. This fiscal note has been prepared for the Legislature during the 2008 Legislative Session.
6. This fiscal note has been prepared, and opinions given, in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page 1 of this fiscal note.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Matthew M. Smith, FCA, EA, MAAA  
State Actuary

## GLOSSARY OF ACTUARIAL TERMS

**Actuarial Accrued Liability:** Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

**Actuarial Present Value:** The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

**Aggregate Funding Method:** The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

**Entry Age Normal Cost Method (EANC):** The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components – the:

- Normal cost.
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

**Normal Cost:** Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

**Present Value of Credited Projected Benefits (PVCBP):** The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

**Projected Benefits:** Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

**Unfunded Liability (Unfunded PVCBP):** The excess, if any, of the Present Value of Credited Projected Benefits over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

**Unfunded Actuarial Accrued Liability (UAAL):** The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 3023 HB	<b>Title:</b> Fish/wildlife service credit	<b>Agency:</b> 124-Department of Retirement Systems
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	0.2	0.1	0.0	0.0
<b>Fund</b>					
Department of Retirement Systems Expense Account-State 600-1	0	34,777	34,777	0	0
<b>Total \$</b>	0	34,777	34,777	0	0

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/23/2008
Agency Preparation: Cathy Cale	Phone: (360)664-7305	Date: 01/24/2008
Agency Approval: Sandra J. Matheson	Phone: (360) 664-7312	Date: 01/24/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 01/26/2008

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill allows service credit earned as a Department of Fish and Wildlife Enforcement Officer in the Public Employees' Retirement System (PERS) Plan 2 to be transferred to the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement System. It provides that:

- Eligible Enforcement Officers elect to transfer their PERS service credit by June 30, 2013.
- Enforcement Officers pay the difference in contributions between the two plans for the time being transferred, no later than June 30, 2013, or prior to retirement if sooner.
- The Department of Fish and Wildlife must pay an amount sufficient to ensure that the contribution level of LEOFF Plan 2 will not increase as a result of the transfer of service.
- The Department of Fish and Wildlife payment must be made no later than June 30, 2014, but can be made periodically prior to this date based upon transfers paid in full at the time of billing.
- Service credit will be transferred no earlier than June 30, 2013.

In addition, the legislation provides options should a member die or retire for disability prior to the transfer.

### II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

### II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		0.2	0.1		
A-Salaries and Wages		12,451	12,451		
B-Employee Benefits		3,951	3,951		
C-Personal Service Contracts					
E-Goods and Services		18,375	18,375		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	\$0	\$34,777	\$34,777	\$0	\$0

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>
Info Tech Specialist 4	71,496		0.1	0.1		
Retirement Services Analyst 3	49,368		0.1	0.1		
<b>Total FTE's</b>			0.2	0.1		0.0

**Part IV: Capital Budget Impact**

No impact.

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

New rules will need to be created.

## II. C - Expenditures

### Administrative Assumptions

- This bill affects approximately 70 current LEOFF Plan 2 members.
- The Department of Fish and Wildlife will provide DRS with the applicable time served as an Enforcement Officer.
- If the invoice is not paid in full by the deadline, all payments made by the member will be refunded.
- An ex-spouse's benefit is not impacted by the member's decision to transfer service credit.
- The Office of the State Actuary will determine the amount of the employer contribution required to ensure that the contribution level to LEOFF Plan 2 will not increase as a result of this transfer.
- Only full months of service can be transferred to LEOFF Plan 2. Partial service transfers are not allowed.
- The option for actuarial reduction of a retirement benefit is only available to members who die or retire for disability prior to five years from their election date.
- If the PERS Enforcement Officer service credit has been withdrawn, it must be restored before it can be transferred to LEOFF.

The assumptions above were used in developing the following workload impacts and cost estimates.

### Benefits/Customer Service

DRS will send an initial letter to Enforcement Officers notifying them when the transfer election is available, and provide detailed individual cost estimates once information on prior service is received from the Department of Fish and Wildlife. In order to implement the legislation, the following tasks will be accomplished:

- Modify the Election to Transfer Membership form
- Prepare estimated member billings
- Create content material for the informational packet provided to each eligible member (e.g., Service Credit Worksheet, Benefit Comparison, Estimate of Benefits)
- Update policies and procedures
- Update the Retirement Services Division (RSD) Online Operations Manual
- Participate in the business requirements definition for the agency's automated systems
- Conduct user acceptance testing of automated system modifications
- Conduct staff training
- Process the transfer of service credit

Retirement Services Analyst 3 – 266 hours (salaries/benefits)	<u>\$8,455</u>
<b>Total Estimated Benefits/Customer Service Costs</b>	<b>\$8,455</b>

### Automated Systems

The billings for contributions will require modifications to DRS' automated Member Information System (MIS) to create a new optional bill type in order to distinguish those eligible for this legislation. Resources required for development, modification and testing are:

Information Technology Specialist 4 – 180 hours (salaries/benefits)	\$7,947
Programmer time of 150 hours @ \$95	\$14,250
DIS* cost of \$500 per week for 8.25 weeks	<u>\$4,125</u>
<b>Total Estimated Automated Systems Costs</b>	<b>\$26,322</b>

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

### ESTIMATED TOTAL COST TO IMPLEMENT THIS BILL:

	<u>2007-09</u>	<u>2009-11</u>	<u>2011-13</u>
<b>BENEFITS/CUSTOMER SERVICE</b>	<b>\$8,455</b>	<b>\$0</b>	<b>\$0</b>
<b>AUTOMATED SYSTEMS</b>	<b><u>\$26,322</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>ESTIMATED TOTAL COSTS</b>	<b>\$34,777</b>	<b>\$0</b>	<b>\$0</b>

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 3023 HB	<b>Title:</b> Fish/wildlife service credit	<b>Agency:</b> 477-Department of Fish and Wildlife
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

**Non-zero but indeterminate cost. Please see discussion.**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/23/2008
Agency Preparation: Kim Hoang	Phone: 360-902-2528	Date: 01/31/2008
Agency Approval: Ron McQueen	Phone: 360-902-2204	Date: 01/31/2008
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 01/31/2008

Request # 08-FN033-2

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1 (1) - This bill allows WDFW Enforcement Officers to transfer their service credit in the Public Employees' Retirement System (PERS) Plan 2 to the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plan 2. Officers must request to transfer their service credit by June 30, 2013.

Section 1 (2) (a) - WDFW Officers who elect to transfer service credit must make the payments prior to having service credit earned as an officer with WDFW under PERS 2 transferred to LEOFF 2.

Section 1 (2) (b) - WDFW Officers who choose to transfer service credit must pay the difference between the contributions he or she paid to PERS 2 and the contributions he or she would have paid to LEOFF 2. This payment must be made no earlier than June 30, 2013, and must be completed prior to retirement.

Section 1 (2) (c) - No later than June 30, 2014, WDFW must pay an amount sufficient to ensure that the contribution level to LEOFF will not increase due to this transfer.

Section 1 (2) (d) - Upon completion of payment required in (b), WDFW must transfer from PERS 2 to LEOFF 2 all employee's/employer contributions plus interest and all of his or her applicable months of service.

Section 1 (2) (e) - This subsection explains the process of calculating the member's benefit if he or she dies or retires for disability prior to five years from his or her election date.

Section 1 (2) (f) - Upon transfer of service credit, the employee is permanently excluded from membership in PERS for all service as a fish and wildlife officer.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

N/A

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

State Actuary's assumptions:

-67 members out of the total 108 active WDFW enforcement officers have eligible prior service credit in PERS 2 and could be affected by this bill.

-60 out of 67 eligible WDFW enforcement officers will transfer past PERS 2 service credit to LEOFF 2.

-Estimated payments required from WDFW could be about \$3 million.

Prior to FY14, it is unknown how many officers will opt to transfer their service credit. Therefore, the fiscal impact is indeterminate. After FY13, the Agency would pay the remainder of its share of the cost, approximately \$3 million total.

## Part III: Expenditure Detail

## Part IV: Capital Budget Impact

N/A

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

N/A