Supplemental Rate Adoption SHB 1953 – Fish and Wildlife Enforcement Officers (FWEO)

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Associate Pension Actuary

June 23, 2009

Today's Presentation

- Supplemental rate adoption process
- SHB 1953 – impact on LEOFF 2
- How we came to this cost

What Are Supplemental Rates?

- Rate increase to fund new benefit improvements
- Rolls into ongoing rates with next rate-setting cycle
- Typically audited by an outside actuary

Supplemental Rate Adoption

- Supplemental rate effective September 1, 2009
- Board adopts supplemental rates by July 31
  - Law requires DRS to provide 30-day notice to employers
- Additional time for audit

SHB 1953

- FWEO allowed to move prior eligible PERS service credit to LEOFF 2
  - Includes Plan 3 members
- Transfer PERS savings funds to LEOFF 2
- Members pay accumulated difference between PERS and LEOFF contributions
- LEOFF 2 subsidizes resulting increase in unfunded liability
  - Original bill had Department of Fish and Wildlife paying the increase

How Does This Bill Impact LEOFF 2?

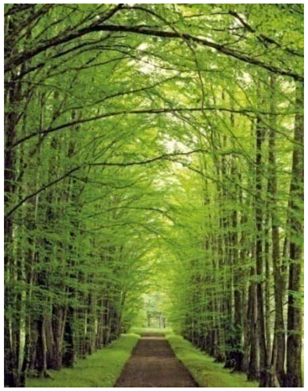
- Estimated net increase in unfunded liability of almost $3 million
- Results in supplemental contribution rate
  - 0.01 percent Member
  - 0.01 percent Local Government
  - 0.00 percent State

How Did OSA Develop This Cost?

- We determined which FWEO officers could benefit from a transfer
  - Sixty-three of 108 in 2007 valuation data
- Cost driven by FWEO who benefit most
  - Fifteen who benefit most result in supplemental rate increase
  - Forty-Nine who benefit least result in supplemental rate increase
- Service not moved into LEOFF 2 until June 30, 2014
  - Decreases members participating and limits cost

Next Steps

- Audit of fiscal note – in progress
- Adopt rates – July meeting
- Communicate with DRS – required to notify employers 30 days prior to rate change



Questions?

Multiple Agency Fiscal Note Summary

Bill Number: 1953 S HB	**Title:** Fish & wildlife officers

Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

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

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	100,000	100,000	.0	0	0
Department of Retirement Systems	.1	0	34,813	.0	0	0	.0	0	0
Department of Fish and Wildlife	.0	0	0	.0	0	0	.0	0	0
Total	**0.1**	**$0**	**$34,813**	**0.0**	**$100,000**	**$100,000**	**0.0**	**$0**	**$0**

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

Prepared by: Jane Sakson, OFM	**Phone:** 360-902-0549	**Date Published:** Pending Distribution

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 23552

Individual State Agency Fiscal Note

Bill Number: 1953 S HB	Title: Fish & wildlife officers	Agency: 035-Office of State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
Fund					
General Fund-State 001-1	0	0	0	100,000	0
Total $	0	0	0	100,000	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: 03/04/2009
Agency Preparation:	Nelsen Dave	Phone: 360-786-6144	Date: 03/09/2009
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 03/09/2009
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 03/09/2009

Request # -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.

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.

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.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
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					
9-					
Total:	$0	$0	$0	$0	$0

Part IV: Capital Budget 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.

ACTUARY'S FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER
Office of the State Actuary	**035**	**3/06/09**	**SHB 1953**

WHAT THE READER SHOULD KNOW

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 2009 Legislative Session only.

We advise 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.

SUMMARY OF RESULTS

This bill would allow enforcement officers for the Department of Fish & Wildlife (DFW) to convert prior Public Employees' Retirement System (PERS) Plan 2 or PERS Plan 3 service to Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2.

Impact on Pension Liability

(Dollars in Millions)	**Current**	**Increase**	**Total**
Today's Value of All Future Pensions	$26,784	$4.4	$26,788
Earned Pensions Not Covered by Today's Assets	$0	$0	$0

Impact on Contribution Rates: (Effective 09/01/2009)

2009-2011 State Budget	**PERS**	**LEOFF**
Employee (Plan 2)	0.00%	0.01%
Employer:		
Current Annual Cost	0.00%	0.01%
Plan 1 Past Cost	0.00%	0.00%
Total	0.00%	0.01%
State		0.00%

Budget Impacts

(Dollars in Millions)	**2009-2011**	**2011-2013**	**25-Year**
General Fund-State	$0.0	$0.1	$0.9
Total Employer	$0.3	$0.2	$2.3

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

WHAT IS THE PROPOSED CHANGE?

Summary Of Benefit Improvement

This bill impacts Plan 2 of the LEOFF Retirement System, as well as Plans 2 and 3 of PERS. This bill allows LEOFF Plan 2 members to transfer into LEOFF Plan 2 their prior PERS Plan 2 or PERS Plan 3 service credit for periods of employment as enforcement officers for DFW. The bill specifies Department of Retirement Systems (DRS) may not transfer the service credit prior to June 30, 2014, except for members who become disabled or die during the waiting period. Members have until June 30, 2014, to make their payments. The bill also specifies DRS may only transfer service credit after members complete their payments.

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 Plan 2 or PERS Plan 3. Furthermore, upon transfer this bill permanently excludes members from using service related to time served as an enforcement officer with the DFW in PERS Plan 2 or PERS Plan 3.

The substitute bill differs from the original bill in that it removes the requirement that DFW will pay an additional amount sufficient to ensure the contribution level to LEOFF Plan 2 will not increase due to this transfer.

Effective Date: 90 days after session.

What Is The Current Situation?

Currently, LEOFF Plan 2 members who were members of PERS Plan 2 or PERS Plan 3 while serving as enforcement officers for DFW cannot transfer their prior PERS service to LEOFF Plan 2. They are dual members of PERS Plan 2 or PERS Plan 3 and LEOFF Plan 2 and can retire under portability provisions (Chapter 41.54 RCW).

Who Is Impacted And How?

We estimate this bill could affect 81 members out of the total 104 active DFW enforcement officers because they have eligible prior service credit in PERS. Furthermore, we expect 63 members will actually receive improved benefits. We expect the remaining members would not elect to transfer service credit because it would not be financially advantageous for them. This bill would not affect inactive members in LEOFF Plan 2.

We estimate that for a typical member impacted by this bill, 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 percent for each year under age 53.

This bill requires Plan 3 members who elect to transfer their eligible service to transfer their entire defined contribution (DC) account balances attributable to the transferred service.

The terms of this bill include transfer payments made by members and the employer from PERS to LEOFF Plan 2.

This bill would also impact all LEOFF Plan 2 members through increased contribution rates.

Please see Appendix A for more details.

WHY THIS PROPOSL HAS A COST AND WHO PAYS FOR IT

Why This Bill Has A Cost

This bill has a cost because service credit in LEOFF Plan 2 is more valuable than service credit in PERS. While the original bill provided that there should be no impact to LEOFF Plan 2 contribution rates, this version of the bill removes that provision.

This bill results in a slight savings in PERS because the reduction in liability from the service credit transfer exceeds the value of assets transferred from PERS to LEOFF Plan 2.

Who Will Pay For These Costs?

Members electing to transfer eligible service pay the difference between the PERS contributions they paid while earning the service credit and the contributions they would have paid as a member of LEOFF Plan 2. Members with past service in PERS Plan 3 must pay the balance in their DC accounts attributable to service credit earned as an enforcement officer in DFW, plus an additional amount, if any, to cover the difference between that balance and the contributions they would have paid in LEOFF Plan 2. These amounts are increased with interest as determined by the director of DRS. DRS will transfer the assets associated with the PERS Plan 2 member and PERS employer contributions with interest from PERS to LEOFF Plan 2.

The remaining cost of this bill will be divided between members, local employers, and the state according to LEOFF Plan 2's standard funding method:

- 50 percent member.
- 30 percent employer.
- 20 percent state.

HOW WE VALUED THESE COSTS

Assumptions We Made

We assumed this bill makes all past PERS service with DFW eligible for transfer to LEOFF Plan 2, and only active DFW enforcement officers may transfer prior service. We assumed members eligible to transfer service credit would elect to transfer that service if the increase in benefits exceeds the additional costs they must pay. See Appendix A for more detail.

We assumed members who transfer service will not receive additional benefits from the transfer until after June 30, 2014.

We assumed DRS would charge 8 percent interest when calculating additional contributions due from members electing to transfer their service to LEOFF Plan 2. We also assumed an 8 percent rate of return on DC accounts for Plan 3 members.

Otherwise, we developed these costs using the same assumptions as disclosed in the 2007 Actuarial Valuation Report (AVR).

How We Applied These Assumptions

We calculated the additional contributions for each member with prior eligible PERS Plan 2 service by finding the difference between historical LEOFF Plan 2 and PERS Plan 2 contribution rates and multiplying that difference by their estimated past salaries. We estimated salaries at the time the service was earned. We accumulated those contributions with interest to the present. For members with past PERS Plan 3 service, we calculated the contributions they would have paid if they had been in LEOFF Plan 2, accumulated the contributions with interest to the present, and subtracted their DC account balances.

We estimated the assets transferred from PERS Plan 2 to LEOFF Plan 2 as twice the members' contribution account balances. The assets transferred from PERS Plan 3 to LEOFF Plan 2 equal the employer contributions made during the PERS Plan 3 service, with interest.

To estimate the liability in LEOFF Plan 2, we projected members' age, service, and salary to June 30, 2014, or their LEOFF Plan 2 normal retirement age, whichever was later. Then we calculated the members' final average salary at retirement and multiplied it by a deferred annuity factor.

This bill also affects PERS by decreasing liabilities and assets when members transfer their service to LEOFF. We used a similar method to find the liability savings in PERS, except we found age, service, and salary for these members under PERS rules for retirement.

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

Special Data Needed

We relied in part on information from the LEOFF Plan 2 Retirement Board and DRS to determine members eligible for the improved benefits under this bill. The PERS Plan 3 DC balances for eligible members came from annual data provided by DRS.

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

Please see Appendix A for a detailed description of how we determined who we expect to transfer service under this bill.

ACTUARIAL RESULTS

How The Liabilities Changed

This bill would increase the liability in LEOFF Plan 2 by about $7.4 million. Assets transferred from PERS and additional member contributions will partially offset this cost. This results in an increase in LEOFF contributions.

The liability in PERS would decrease by about $3 million under this bill. The estimated transfer of assets from PERS to LEOFF Plan 2, which consists of the member and employer contributions, with interest, would not completely offset this gain to PERS. This results in a small contribution decrease in PERS.

The members eligible to transfer service credit are currently dual members eligible for portability benefits. The transfer could result in additional experience gains for PERS Plans 2 and 3.

The next table shows a summary of costs/(savings) for all parties:

Summary of Costs/(Savings) for All Parties

(Dollars are in Millions)	**PERS**	**LEOFF 2**	**Total**
Change in Present Value of Fully Projected Benefits			
(The Value of the Total Commitment to all Current Members)	($3.0)	$7.4	$4.4
Assets Transferred from PERS to LEOFF 2	$2.3	($2.3)	$0.0
Additional Member Contributions	$0.0	($2.3)	($2.3)
Net Change in Present Value of Unfunded Fully Projected Benefits	($0.7)	$2.8	$2.1

Note: Totals may not agree due to rounding.

We based these costs on the assumption that 63 out of 81 eligible DFW enforcement officers will transfer past PERS service credit to LEOFF Plan 2. The actual cost of this bill will depend on the number of affected members who elect to transfer past service.

Impact on Pension Liability			
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits			
(The Value of the Total Commitment to all Current Members)			
PERS 2/3	**$20,634**	**($3.0)**	**$20,631**
LEOFF 2	**$6,149**	**$7.4**	**$6,156**
Unfunded Actuarial Accrued Liability			
(The Portion of the Plan 1 Liability that is Amortized to 2024)			
PERS 2/3	**N/A**	**N/A**	**N/A**
LEOFF 2	**N/A**	**N/A**	**N/A**
Unfunded PUC Liability			
(The Value of the Total Commitment to all Current Members Attributable to Past Service that is not covered by current assets)			
PERS 2/3	**($2,470)**	**($0.7)**	**($2,470)**
LEOFF 2	**($974)**	**$2.8**	**($971)**

How Contribution Rates Changed

The rounded increase/decrease in the required actuarial contribution rate results in the supplemental contribution rate shown on page 1 that applies in the current biennium. However, we will use the un-rounded rate increase/decrease to measure the budget changes in future biennia.

Impact on Contribution Rates: (Effective 09/01/2009)		
System/Plan	**PERS**	**LEOFF**
Current Members		
Employee (Plan 2)	(0.0006%)	0.0092%
Employer:		
Normal Cost	(0.0006%)	0.0055%
Plan 1 UAAL	0.0000%	0.0000%
Total	(0.0006%)	0.0055%
State		0.0037%
New Entrants*		
Employee (Plan 2)	0.0000%	0.0000%
Employer:		
Normal Cost	0.0000%	0.0000%
Plan 1 UAAL	0.0000%	0.0000%
Total	0.0000%	0.0000%
State		0.0000%

**Rate change applied to future new entrant payroll and used to determine budget impacts only. Current members and new entrants pay the same contribution rate.*

How This Impacts Budgets And Employees

Budget Impacts *(Dollars in Millions)*	PERS	LEOFF	Total
2009-2011			
General Fund	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0
Total State	**$0.0**	**$0.0**	**$0.0**
Local Government	0.0	0.3	0.3
Total Employer	**$0.0**	**$0.3**	**$0.3**
Total Employee	**$0.0**	**$0.3**	**$0.3**
2011-2013			
General Fund	$0.0	$0.1	$0.1
Non-General Fund	0.0	0.0	(0.0)
Total State	**$0.0**	**$0.1**	**$0.1**
Local Government	0.0	0.2	0.1
Total Employer	**($0.1)**	**$0.3**	**$0.2**
Total Employee	**($0.1)**	**$0.3**	**$0.2**
2009-2034			
General Fund	($0.1)	$1.1	$0.9
Non-General Fund	(0.2)	0.0	(0.2)
Total State	**($0.3)**	**$1.1**	**$0.8**
Local Government	(0.3)	1.9	1.6
Total Employer	**($0.6)**	**$3.0**	**$2.3**
Total Employee	**($0.5)**	**$3.0**	**$2.4**

Note: Totals may not agree due to rounding.

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.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

The liabilities under this bill are sensitive to the number of members we assume will transfer their PERS service to LEOFF Plan 2. For this pricing exercise we assumed the members who benefit financially from making the transfer would do so. For the sensitivity analysis, we assumed that the members who benefit the most would be the members most likely to transfer their service.

If only the 14 most costly members transfer, the cost to LEOFF Plan 2 would be $1 million. If between 15 and 32 of the most expensive transfers occur, the cost would be about $2 million. If the top 33 or more members transfer, the cost would go to around

$3 million. We assumed 63 members would transfer and this generates a $3 million estimated cost.

Plan 3 members' DC accounts can be impacted by poor stock market performance. We found our estimated Plan 3 transfer count by comparing their DC account balances to the increased value of their benefits if they were to transfer to LEOFF (see Appendix A for more detail). Therefore, given recent economic events, the number of members electing to transfer their past service from PERS to LEOFF could differ from our assumptions.

To model this sensitivity we decreased the DC account balance for each Plan 3 member by 25 percent and compared the new balances to the increased value of benefits under this bill. We expect that all nine PERS Plan 3 members would transfer under these conditions. The table below shows that under this scenario, the liability in LEOFF Plan 2, member contributions, asset transfers from PERS to LEOFF, and the net LEOFF Plan 2 liability would all increase. The net liability decrease in PERS would also grow slightly.

Summary of Costs/(Savings) for All Parties if PERS 3 DC Balances were 25% Lower

(Dollars are in Millions)	**PERS**	**LEOFF 2**	**Total**
Change in Present Value of Fully Projected Benefits			
(The Value of the Total Commitment to all Current Members)	($3.5)	$8.4	$4.9
Assets Transferred from PERS to LEOFF 2	$2.6	($2.6)	$0.0
Additional Member Contributions	$0.0	($2.7)	($2.7)
Net Change in Present Value of Unfunded Fully Projected Benefits	($0.9)	$3.1	$2.2

Note: Totals may not agree due to rounding

ACTUARY'S 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. We prepared this fiscal note for the Legislature during the 2009 Legislative Session.
6. We prepared this fiscal note and provided opinions 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

APPENDIX A – Additional Information About the Data We Used

Of the 104 DFW enforcement officers active as of June 30, 2007, we found 81 who had prior service credit in PERS Plans 2 and 3. Among the DFW active records we found a few members with more than the approximately four years of service they could have earned in their current positions since joining LEOFF Plan 2 in 2003. These members probably have past service with other LEOFF agencies. We also observed some active members with no past service in PERS because they began employment after July 2003. Of the LEOFF members with prior PERS service, we found 63 who would likely transfer that service. To determine which members we expect to transfer prior service, we compared estimated liabilities in LEOFF Plan 2 under this bill with liabilities under current benefit provisions.

We excluded members who become eligible for normal retirement in PERS by June 30, 2014. These members would get the same benefits under portability as provided in this bill. We also excluded members who become eligible for alternate early retirement in PERS by June 30, 2014. These members would receive smaller reductions in their benefits for early retirement than members with less than 30 years of service. The reduction in PERS benefits would be less costly than the additional contributions they would pay to transfer their PERS service to LEOFF Plan 2.

We excluded members with prior PERS Plan 3 service whose DC account balances were more valuable than the increased lifetime LEOFF benefits they would get under this bill. These members received a transfer bonus of about 100 percent when they moved their service to Plan 3. Investment returns for these accounts had also been higher than expected from 2003 through 2007. As a result, we found that only six of nine eligible members with past Plan 3 service would likely transfer that service.

If we consider the current market volatility in our analysis, we realize this estimate could change. Recent losses in the stock market could translate to lower future DC account balances. If so, more Plan 3 members might elect to transfer their past service to LEOFF. Please see the section "How the Results Change When the Assumptions Change" for a more thorough description.

The table on the following page shows a demographic summary of the affected members under our best estimate analysis.

Demographic Summary of the Affected Members				
	Count	**Average Service (Years)**	**Average Savings Fund***	**Average Current Salary****
LEOFF Actives	104	4.42	$19,657	$68,776
LEOFF Actives with PERS Service	63	7.93	$26,359	$71,369
PERS Service Range (Rounded, in years)				
0 - 2	17	1.11	$607	$66,981
3 - 5	14	3.38	$2,624	$70,273
6 - 10	8	7.82	$12,916	$71,322
11 - 15	14	13.85	$52,408	$74,481
16+	10	17.71	$77,651	$76,045

**PERS 3 amounts are DC account balances effective June 30, 2008.*

***LEOFF 2 salary, effective June 30, 2007, is used for all records, including PERS inactive records.*

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 on 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:

- 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.

Projected Unit Credit (PUC) Liability: 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 PUC Liability: The excess, if any, of the Present Value of Benefits calculated under the PUC cost method 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

Bill Number: 1953 S HB	Title: Fish & wildlife officers	Agency: 124-Department of Retirement Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.2	0.0	0.1	0.0	0.0
Fund					
Department of Retirement Systems Expense Account-State 600-1	34,813	0	34,813	0	0
Total $	34,813	0	34,813	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: 03/04/2009
Agency Preparation:	Michelle Hardesty	Phone: 360-664-7193	Date: 03/06/2009
Agency Approval:	Cathy Cale	Phone: 360-664-7305	Date: 03/06/2009
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 03/06/2009

Request # 09-053-1

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 (F&W) Enforcement Officer in Plan 2 and Plan 3 of the Public Employees' Retirement System (PERS) to be transferred to Plan 2 of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System. The member must make the election to transfer their time, in writing, to the Department of Retirement Systems (DRS) no later than December 31, 2009. The transfer of service credits will not take place until July 1, 2014.

In addition, the legislation provides options for the surviving spouse or eligible minor child should a member die or retire for disability prior to the transfer.

The substitute bill removes a requirement that F&W make a payment, no later than June 30, 2015, sufficient to ensure that the contribution rates for LEOFF Plan 2 would not increase as a result of the transfer of service credit under the bill. This change does not impact DRS' cost to implement the legislation.

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.

ADMINISTRATIVE ASSUMPTIONS

- This bill affects approximately 70 current LEOFF Plan 2 members.
- 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.
- 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 2 Enforcement Officer service credit has been withdrawn, it must be restored before it can be transferred to LEOFF.
- The entire dollar amount in the member's Plan 3 Defined Contribution account will be transferred to LEOFF 2 upon election. The member will be billed for any amount under the required contributions.
- The service credit will remain in PERS until June 30, 2014.

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

BENEFITS/CUSTOMER SERVICE

In order to implement the legislation, the following tasks will be accomplished:

- Send a letter to those members affected, notifying them when the transfer election is available
- Provide individual cost estimates for the affected members
- Modify the Election to Transfer Membership form
- 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 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) = $8,483
Total Estimated Benefits/Customer Service Costs = $8,483

AUTOMATED SYSTEMS
The billings for contributions will require modifications in 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) = $7,955
Programmer time of 150 hours @ $95 per hour = $14,250
DIS* cost of $500 per week for 8.25 programmer weeks = $4,125
Total Estimated Automated Systems Costs = $26,330

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

ESTIMATED TOTAL COST TO IMPLEMENT THIS BILL:

BENEFITS/CUSTOMER SERVICE = $8,483
AUTOMATED SYSTEMS = $26,330

ESTIMATED TOTAL COSTS = $34,813

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	12,451		12,451		
B-Employee Benefits	3,987		3,987		
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					
9-					
Total:	$34,813	$0	$34,813	$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*

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
Info Tech Specialist 4	71,496	0.1		0.1		
Retirement Services Analyst 3	49,368	0.1		0.1		
Total FTE's	120,864	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.

Individual State Agency Fiscal Note

Bill Number: 1953 S HB	**Title:** Fish & wildlife officers	**Agency:** 477-Department of Fish and Wildlife

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: 03/04/2009
Agency Preparation:	Garret Ward	Phone: 360-902-2794	Date: 03/06/2009
Agency Approval:	Jeff Olsen	Phone: 3609022204	Date: 03/06/2009
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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 service credit in PERS Plan 2 and 3 to LEOFF Plan 2. Officers must request transfer of their service credit by December 31, 2009.

Section 1(2)(a) - WDFW Enforcement Officers who elect to transfer service credit shall make payments required prior to having their credits transferred.

Section 1(2)(b) and (c) - WDFW Enforcement Officers who choose to transfer credit shall pay the difference between the contributions he or she paid in PERS 2 or PERS 3 and the contributions he or she would have paid to LEOFF 2. This payment must be made no earlier than June 30, 2014, and must be completed prior to retirement.

Section 2(g) - This subsection explains the process for calculating the member's benefits if he or she dies or retires for disability prior to June 30, 2014.

The substitute bill removes a requirement that WDFW make a payment, no later than June 30, 2015, sufficient to ensure that the contribution rates for LEOFF Plan 2 would not increase as a result of the transfer of service credit under the bill.

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.

N/A

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