

# BOARD MEETING AGENDA

JULY 24, 2013 • 9:30AM TO 3:00PM



## LOCATION

STATE INVESTMENT BOARD  
Large Conference Room, STE 100  
2100 Evergreen Park Drive S.W.  
Olympia, WA 98502  
Phone: 360.586.2320  
Fax: 360.586.2329  
[recep@leoff.wa.gov](mailto:recep@leoff.wa.gov)

## TRUSTEES

KELLY FOX, CHAIR  
Olympia Fire Department

JACK SIMINGTON, VICE CHAIR  
Kennewick Police Department

REP. JEFF HOLY  
Spokane Police Department (Ret)

MARK JOHNSTON  
Vancouver Fire Department

PAT HEPLER  
Snohomish County Fire District 1

GLENN OLSON  
Deputy Clark County Administrator

PAUL GOLNIK  
WA Fire Commissioners Association

DAVID CLINE  
City of Tukwila Administrator

SEN. JIM HONEYFORD  
WA State Senator

REP. KEVIN VAN DE WEGE  
WA State Representative

## STAFF

Steve Nelsen, Executive Director  
Tim Valencia, Deputy Director  
Jessica Burkhart, Executive Assistant  
Greg Deam, Sr. Research & Policy Mgr  
Paul Neal, Sr. Legal Counsel  
Tammy Harman, Admin Services Mgr  
Dawn Cortez, Assistant Attorney General

*They keep us safe,  
we keep them secure.*

- |     |   |          |
|-----|---|----------|
| 1.  | <b>Approval of Minutes</b><br>June 19, 2013   | 9:30 AM  |
| 2.  | <b>Paperless Board Meeting Training</b><br>Tim Valencia, Deputy Director  | 9:35 AM  |
| 3.  | <b>DRS Administrative Update</b><br>Marcie Frost, Director  | 11:15 AM |
| 4.  | <b>CEM Benchmarking Results</b><br>Mark Feldhausen, Budget and Benchmarking Director  | 11:45 AM |
| 5.  | <b>Administrative Update</b> <ul style="list-style-type: none"><li>• SCPP Update</li><li>• Outreach Activities</li><li>• Ombudsman Update</li></ul> | 12:15 PM |
| 6.  | <b>October Meeting Date</b>   | 12:45 PM |
| 7.  | <b>Background on Economic Experience Study</b><br>Lisa Won, Senior Actuary  | 12:50 PM |
| 8.  | <b>Annual Board Member Training</b><br>Dawn Cortez, Assistant Attorney General  | 1:20 PM  |
| 9.  | <b>Orientation Manual</b><br>Tim Valencia, Deputy Director  | 2:00 PM  |
| 10. | <b>Agenda Items for Future Meetings</b>   | 2:45 PM  |

*\*Lunch is served as an integral part of the meeting.*

*In accordance with RCW 42.30.110, the Board may call an Executive Session for the purpose of deliberating such matters as provided by law. Final actions contemplated by the Board in Executive Session will be taken in open session. The Board may elect to take action on any item appearing on this agenda.*

# Paperless Board Meeting Solution Board Member Training

July 24, 2013

# Overview

- Using an iPad
- Using NovusAgenda

# Using an iPad

- Basic Use
  - Getting Started: Power and Passcode
  - Navigation
- Basic Features
- Change Passcode
- Applications
- Usage Tips
- Problems & Troubleshooting

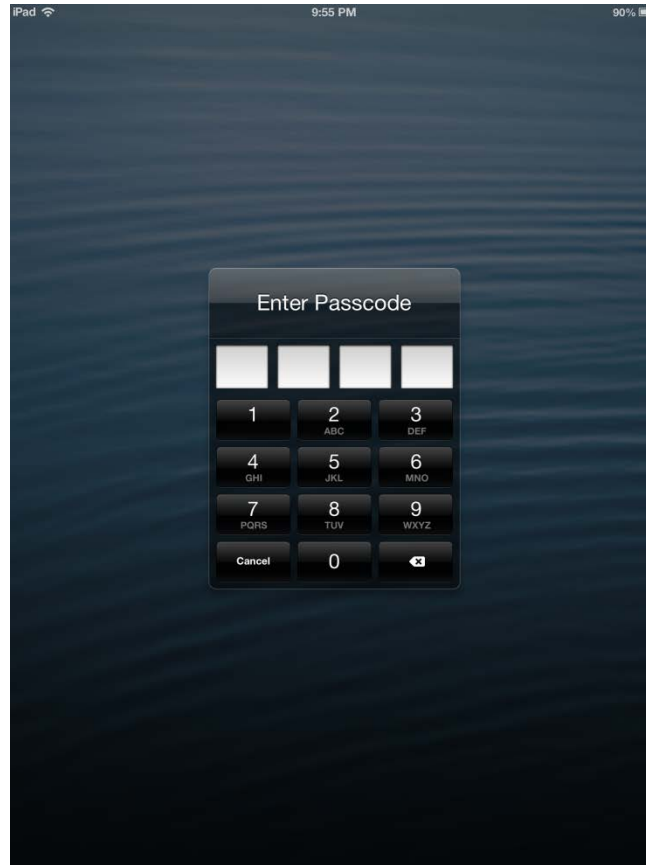
# Basic Use - Power

***Power  
Button***

- Press and hold the Power button on the top right edge
- Release when Apple Logo appears
- This will take you to the Passcode log in screen



# Basic Use: Log In with Passcode



# Navigation

- “Multi-touch Interface”
- Tap
- Pinch
  - Two-Finger
  - Four-Finger
- Swipe

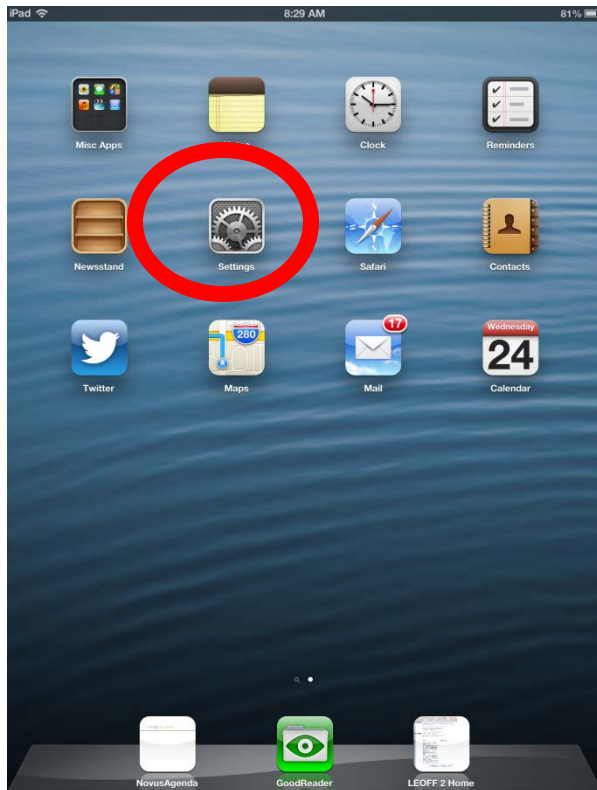
# Basic Features





# Change Passcode

1. Tap *Settings* Icon



2. Tap *Passcode Lock*



# Change Passcode

3. Enter your passcode



4. Tap Change *Passcode*



# Change Passcode

5. Enter your old Passcode    6. Enter a new Passcode

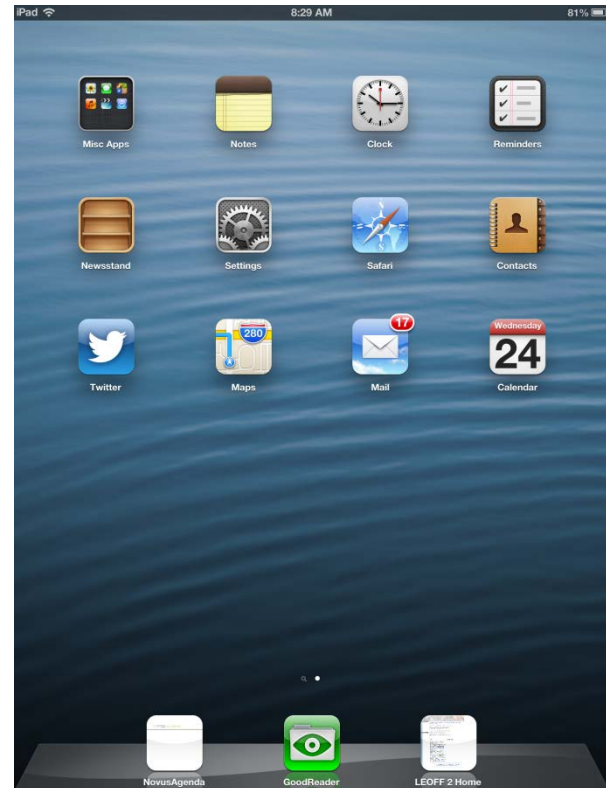


# Change Passcode

7. Re-enter your new Passcode

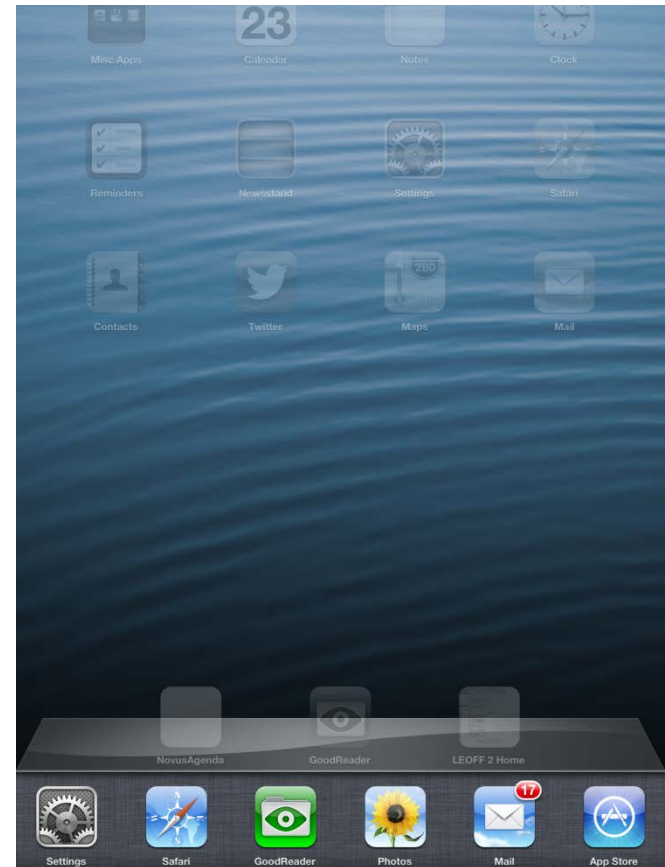


8. Passcode is changed;  
Press Home Button



# Multi-Task Bar

- Swipe up from the bottom with 4 fingers to access or double-press HOME
- Swipe down with 4 fingers to close OR press HOME

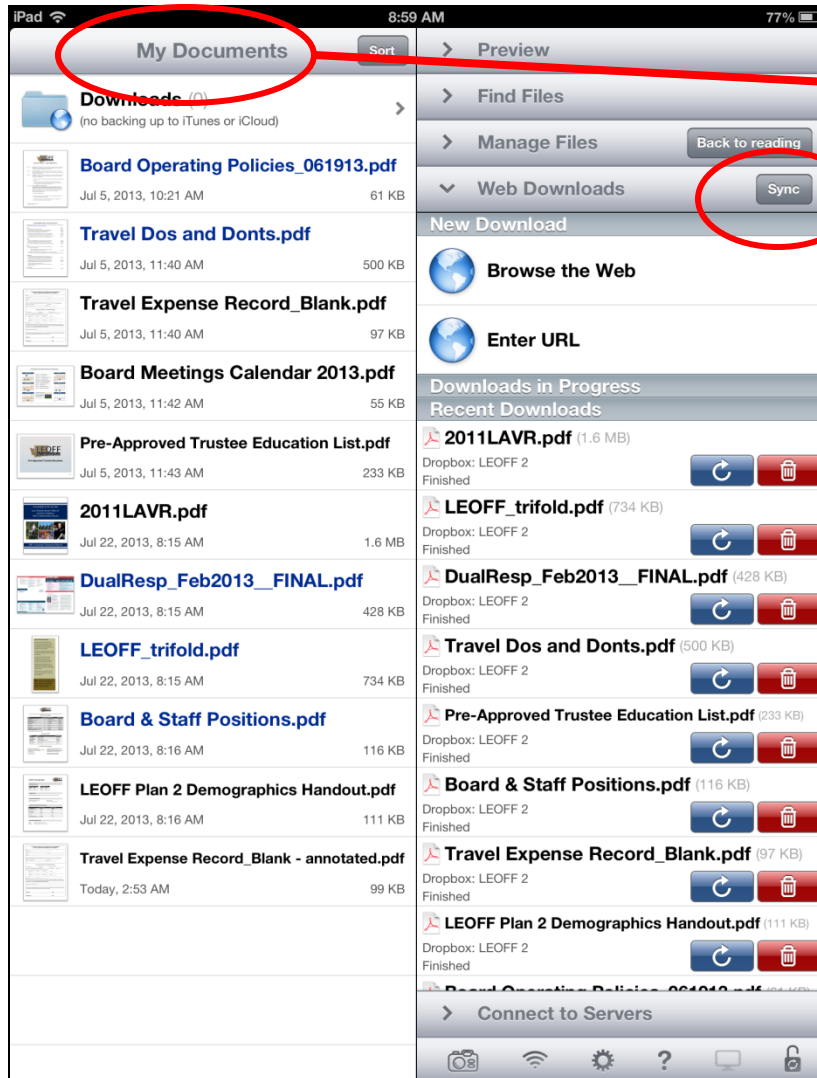


# Key Applications

- NovusAgenda
  - Meetings
- GoodReader
  - Documents
- LEOFF 2 Home
  - Website



# Key Applications - GoodReader



- Store and access documents
- “Sync” to get updates



# Other Applications

- Safari
- Contacts
- Calendar





# Usage Tips

- Force an App to Close
- Mute Volume
- Hard Boot
- Removing Apps
- Moving Apps

# Problems & Troubleshooting

- Contact Staff
- Send device to Staff
- Leave device with Staff

# iPad Device

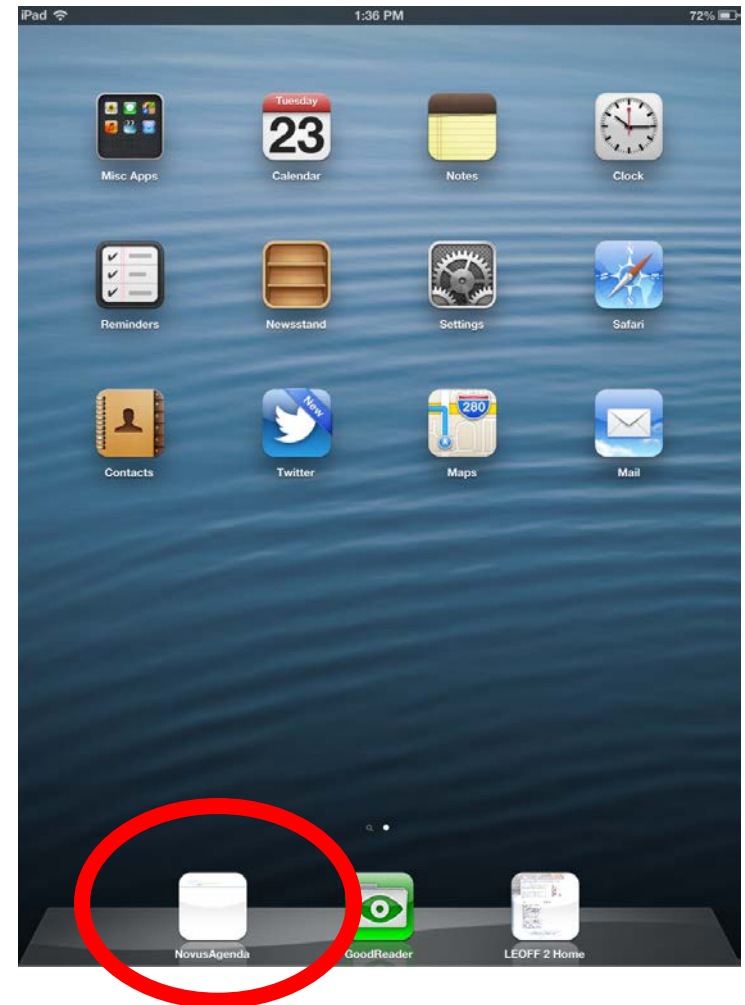


# Using NovusAgenda

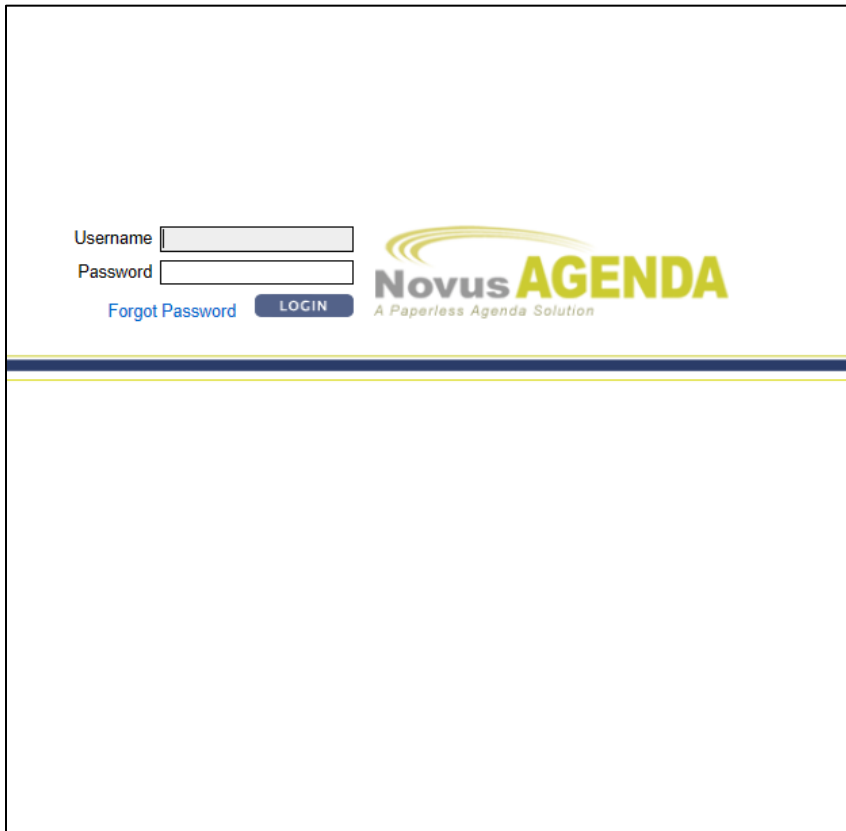
- Logging into the System
- Find Meetings and Review Materials
- Make Notes on Items
- During a meeting
  - Following
  - Researching Previous Meeting
  - Voting
- After a Meeting

# Launch NovusAgenda

- Tap on the NovusAgenda icon located on the Dock
- This will take you to the NovusAgenda log in screen.



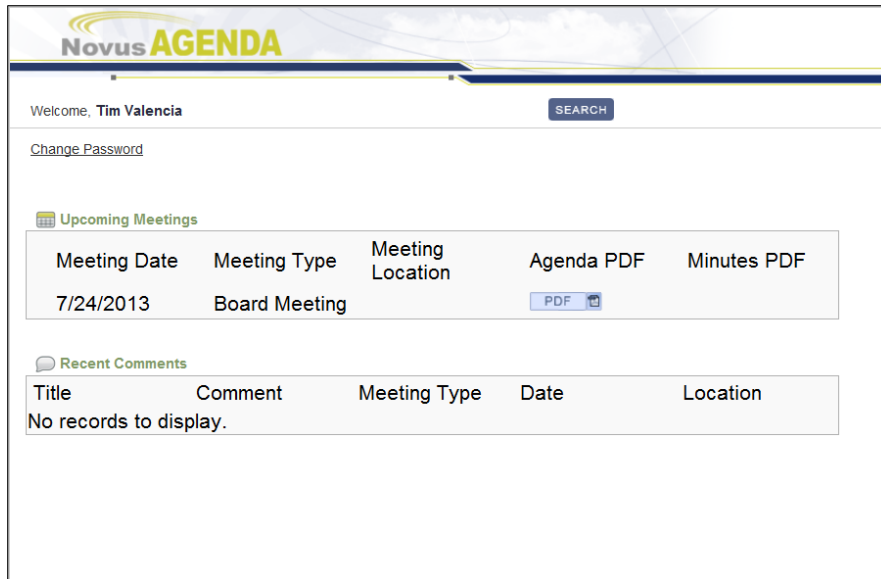
# Logging In



The image shows a login interface for Novus AGENDA. It features a white background with a dark blue horizontal line. On the left, there are two input fields: 'Username' and 'Password'. Below the 'Password' field is a blue link that says 'Forgot Password'. To the right of the input fields is a dark blue button with the word 'LOGIN' in white. Further right is the Novus AGENDA logo, which consists of a stylized yellow and green swoosh above the text 'Novus AGENDA' in bold, with 'A Paperless Agenda Solution' in smaller text below it.

- Enter in your username and password then tap the login button or the Go button the keyboard.
- This will take you to the Home screen.

# Home Screen



The screenshot shows the Novus AGENDA Home Screen. At the top, there is a header with the logo and a navigation bar. Below the header, a welcome message "Welcome, Tim Valencia" is displayed next to a "SEARCH" button. A link for "Change Password" is also visible. The main content area is divided into two sections: "Upcoming Meetings" and "Recent Comments".

**Upcoming Meetings**

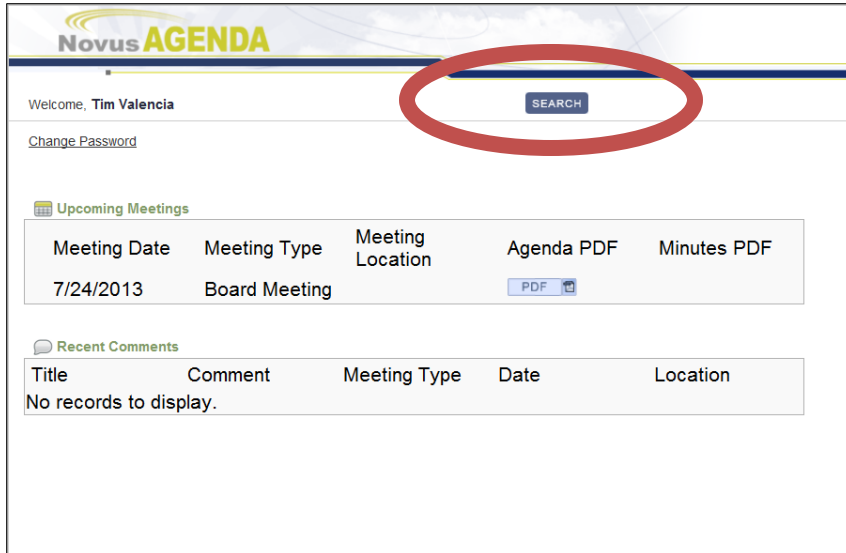
Meeting Date	Meeting Type	Meeting Location	Agenda PDF	Minutes PDF
7/24/2013	Board Meeting		<a href="#">PDF</a>	

**Recent Comments**

Title	Comment	Meeting Type	Date	Location
No records to display.				

- Information about Upcoming Meetings that have been released to the system will appear automatically.
- You can also search for past meetings.

# Find Meetings

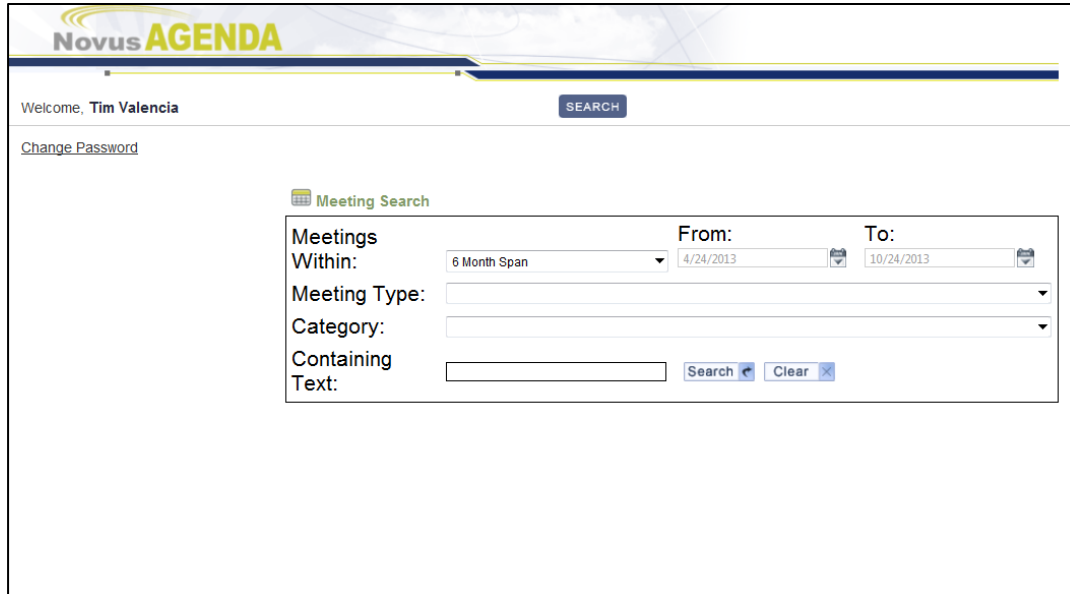


- Tap the SEARCH button at top of **Home** page
- This will take you to the Search screen




# Find Meetings – Search Screen

- Enter your search criteria
- Tap the Search button inside of the Meeting Search Box
- Meetings that meet the search parameters will appear.



The screenshot shows the Novus AGENDA web interface. At the top, the logo "Novus AGENDA" is displayed. Below the header, a welcome message "Welcome, Tim Valencia" is shown on the left, and a "SEARCH" button is on the right. A link "Change Password" is located below the welcome message. The main section is titled "Meeting Search" with a calendar icon. It contains a form with the following fields: "Meetings Within:" with a dropdown menu set to "6 Month Span"; "From:" with a date field set to "4/24/2013" and a calendar icon; "To:" with a date field set to "10/24/2013" and a calendar icon; "Meeting Type:" with a dropdown menu; "Category:" with a dropdown menu; and "Containing Text:" with a text input field. At the bottom of the form are "Search" and "Clear" buttons.


# Find Meetings – Completed Search



Welcome, **Tim Valencia**

SEARCH

[Change Password](#)

 Meeting Search

Meetings Within:

6 Month Span

From: 4/24/2013

To: 10/24/2013

Meeting Type:

Category:

Containing Text:

Search

Clear

Meetings

Items

Comments

Meeting Date	Meeting Type	Meeting Location	Agenda PDF	Minutes PDF
7/24/2013	Board Meeting		PDF	
7/23/2013	Board Meeting		PDF	

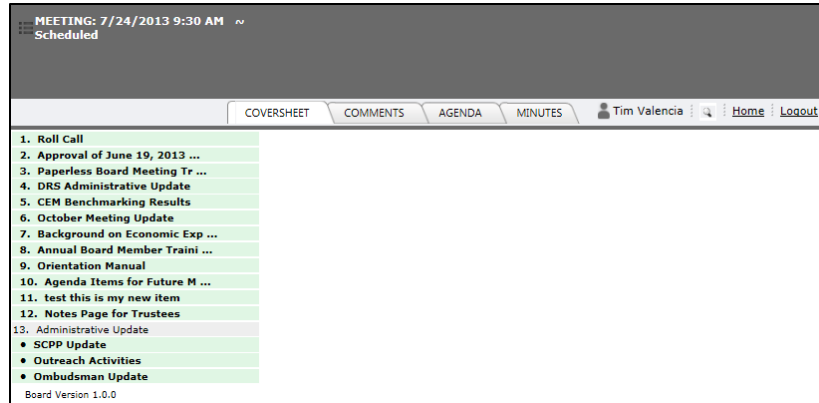
# Review Meeting

The screenshot displays the Novus AGENDA web application. At the top, there is a header with the logo and a navigation bar. Below the header, a welcome message "Welcome, Tim Valencia" is visible. A "CHANGE PASSWORD" link is present. The main section is titled "Meeting Search" and contains a search form with the following fields: "Meetings Within:" (set to "6 Month Span"), "From:" (4/24/2013), "To:" (10/24/2013), "Meeting Type:" (dropdown), "Category:" (dropdown), and "Containing Text:" (text input). There are "Search" and "Clear" buttons. Below the search form is a table with columns: "Meeting Date", "Meeting Type", "Meeting Location", "Agenda PDF", and "Minutes PDF". The table contains two rows of data.

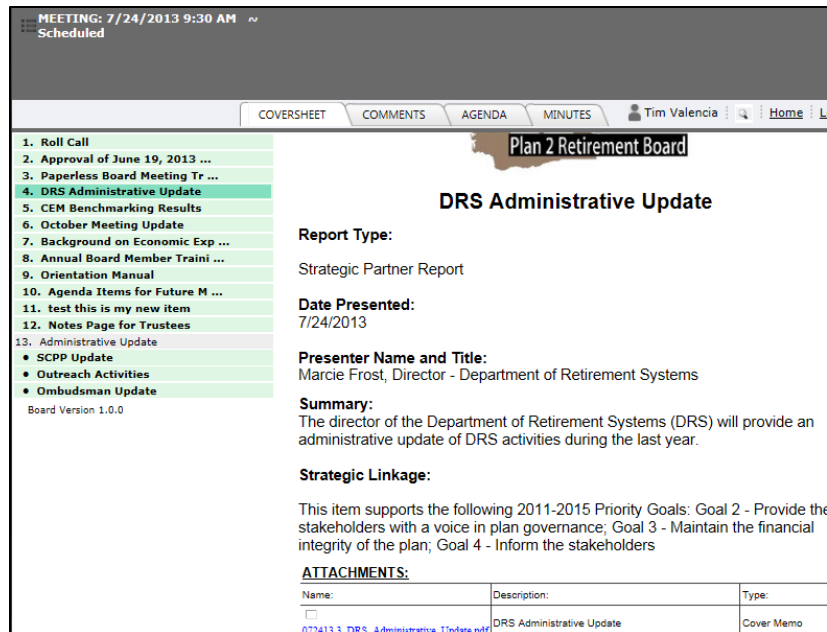
Meeting Date	Meeting Type	Meeting Location	Agenda PDF	Minutes PDF
7/24/2013	Board Meeting		<a href="#">PDF</a>	
7/23/2013	Board Meeting		<a href="#">PDF</a>	

- Click on a meeting date/type to go to the “Board View” for that meeting, OR
- Click on Agenda PDF for a meeting to see the Agenda and meeting materials in a single document

# Review Meeting – Board View

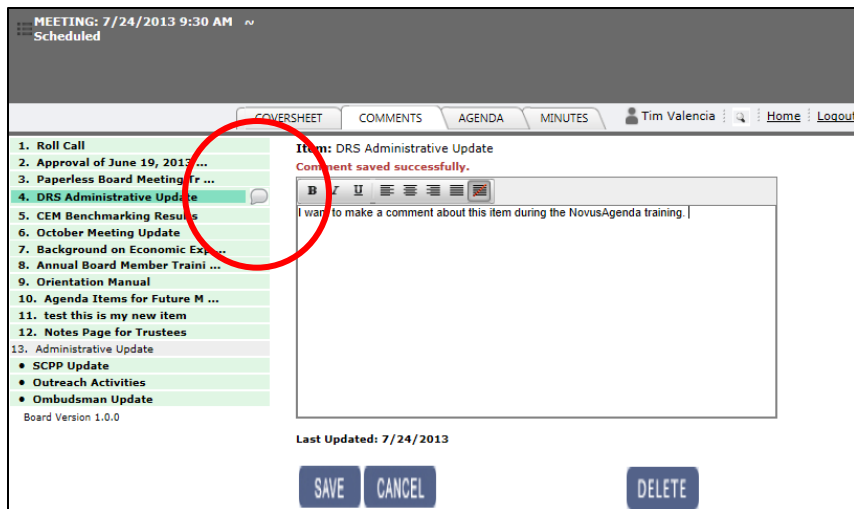
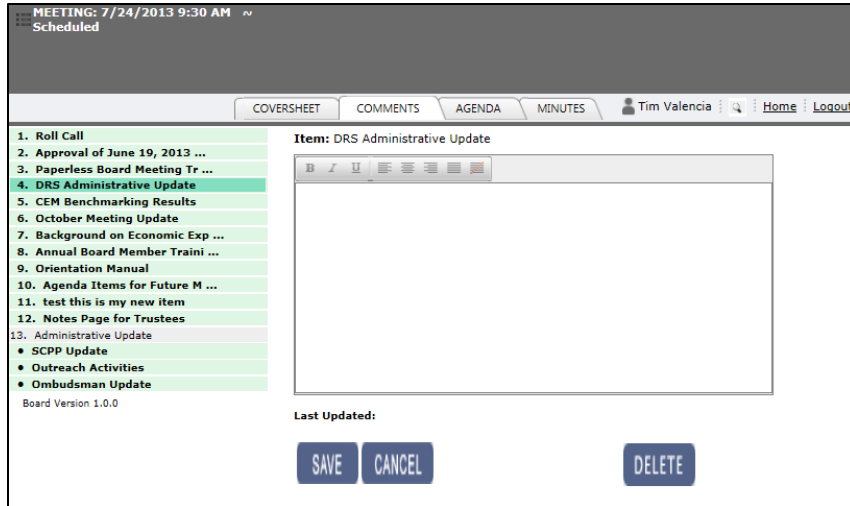


- Tap on an item in the left navigation bar to review



- A Coversheet will appear where you can review applicable summary information and attachments such as Reports and Presentations

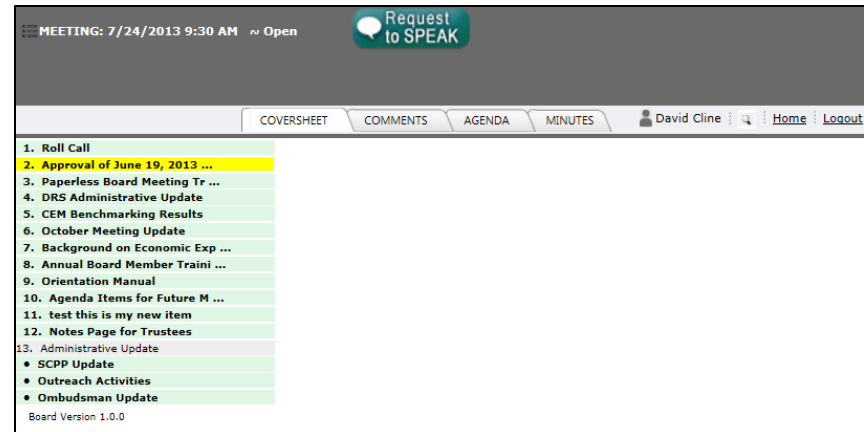
# Review Meeting - Making Notes



- Tap on Comments tab to go to the Item Comment Box.
- Type in notes/comments for self and Save.
- A Comment bubble icon will appear next to the item.

# During a Meeting – Following Along

- Login to NovusAgenda and open meeting in Board View.
- Once the meeting is started, the Agenda Item currently being discussed will be highlighted on the left navigation bar.

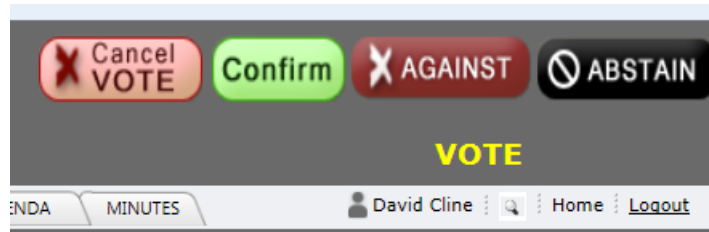
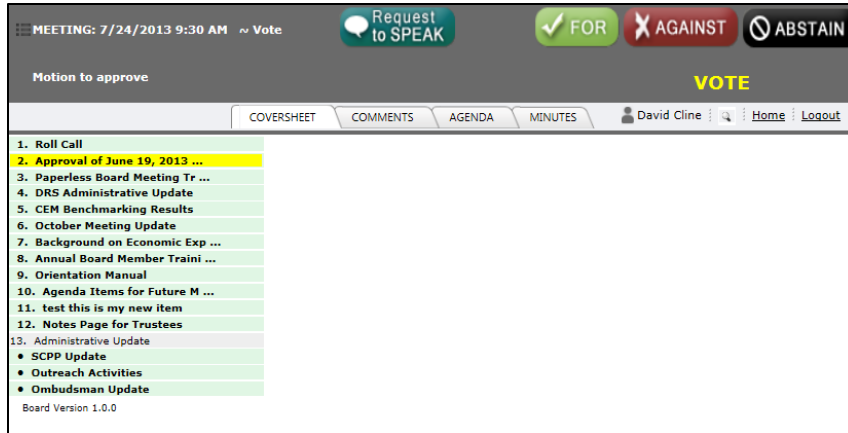


# During a Meeting - Research



- You can use the Research tool to look up previous meetings and materials during the current meeting.
- The Research tool is located in the upper right of the Board View screen and looks like a magnifying glass.

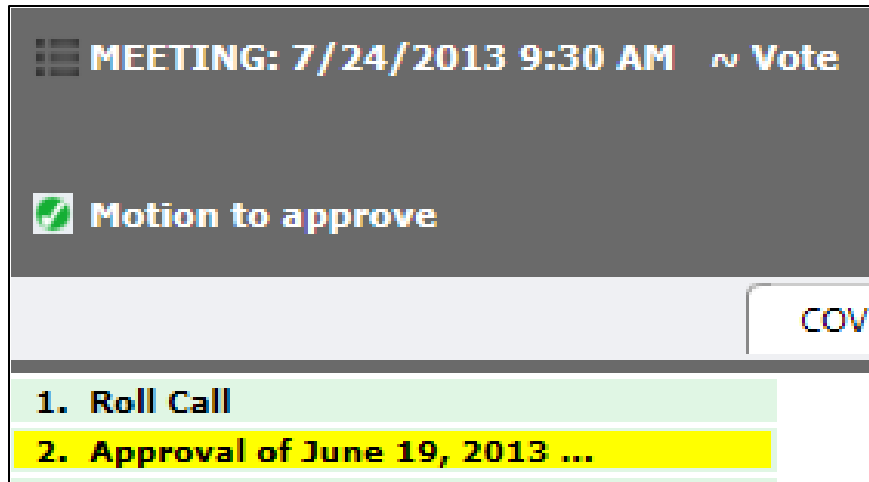
# During a Meeting - Voting



- Voting buttons will appear on your screen after a motion and a vote is called/opened.
- Tap on your selection – For/Against/Abstain.
- You will be asked to Confirm or Cancel your vote (then re-vote).
- Audience will be able to see live voting results.



# During a Meeting - Voting



- After voting, you will see your vote status in the upper left corner above the navigation bar.
  - Green icon = “For”
  - Red icon = “Against”
  - Black icon = “Abstained”

# After a Meeting

- Past meetings can be accessed through NovusAgenda for review 24/7
  - Starting with the June 19, 2013 meeting
- Draft minutes will be accessible
  - Within a short time frame after the Board Meeting is completed
  - Minutes not “official” until action is taken at the next meeting

# NovusAgenda



# **LEOFF PLAN 2 BOARD MEETING**

**Department of Retirement Systems  
Annual Administrator Update  
Marcie Frost, Director**

**July 24, 2013**

# YEAR IN REVIEW

- ❑ Management System Implementation
- ❑ Quarterly Target Reviews
- ❑ Customer Satisfaction
- ❑ Team Engagement
- ❑ Retirement Services Workflow
- ❑ Idea Implementation– Lean & Priority Quadrant
- ❑ Employer Reporting Application

# DRS MANAGEMENT SYSTEM



## Department of Retirement Systems Fundamentals Map

FOUNDATIONS

KEY GOALS

OUTCOME  
MEASURES

MEASURE OWNER

**MISSION**  
We provide information, tools, expertise and services that ensure our members receive the retirement benefits they earn while in public service

**VISION**  
Satisfied customers  
Valued team members

**VALUES**  
Customer Focus  
Team Member Engagement  
Valued Relationships  
Performance Excellence  
Resource Stewardship

Engaged  
Team  
Members

Vigilant  
Resource  
Steward

Best  
Practice  
Leader

Reliable  
Partner

Elated  
Customers

Customer  
Satisfaction  
O1

Jennifer Dahl

Team  
Satisfaction  
O2

Lee Strehlow

Employer  
Satisfaction  
O3

Mike Ricchio

Stakeholder  
Satisfaction  
O4

Dave Nelsen

Operational  
Health  
O5

Marcie Frost

Retirement  
Readiness  
O6

David Brine

Benefits  
Paid  
O7

Mike Ricchio

Ideas  
Implemented  
O8

Shawn Merchant

Charitable  
Participation  
O9

Dave Nelsen

Performance to  
Budget  
O10

Mark Feldhausen

Cost  
Effectiveness  
O11

Mark Feldhausen

### OPERATING PROCESSES

### SUPPORTING PROCESSES

CORE  
PROCESSES

PROCESS OWNER

SUB  
PROCESSES

PROCESS  
MEASURES

Developing &  
Implementing  
Policies  
OP1

Dave Nelsen

1. Monitoring policy environment
2. Analyzing external policy ideas
3. Informing policy makers
4. Determining policy and/or rule needs
5. Developing policy and/or rule
6. Implementing policy and/or rule

- a. Participate at policy meetings
- b. Rule development
- c. Timely fiscal notes

Maintaining  
Member &  
Employer Info  
OP2

Chris Lamb

1. Enrolling & maintaining employer information
2. Educating employers
3. Collecting & updating member information
4. Managing documents
5. Auditing employer processes
6. Auditing member information
7. Sharing information

- a. Self service transaction time savings
- b. Employer corrections
- c. *hold for replacement measure*
- d. Late employer reporting

Accounting for Retirement  
Funds  
OP3

Mike Ricchio

1. Receiving & depositing contributions
2. Directing funds
3. Creating & managing receivables
4. Reconciling general ledgers
5. Accounting for benefit deductions
6. Creating financial reports
7. Accounting for benefit payments

- a. Member receivables
- b. Credit redistributions
- c. Employer receivables
- d. Employer paper checks
- e. Reconciliations

Promoting Retirement  
Readiness  
OP4

David Brine

1. Partnering with employers
2. Educating new members
3. Promoting online account
4. Promoting retirement planning tools
5. Marketing DCP
6. Providing 1-1 assistance
7. Providing presentations & resources
8. Targeting reminders to waypoints
9. Working with education partners

*Capability Breakthrough (Under Development)*

Paying  
Benefits  
OP5

Jennifer Dahl

1. Receiving payment request
2. Verifying eligibility
3. Processing payment request
4. Calculating payment
5. Issuing payment

- a. Online retirement applications
- b. Benefit calculation accuracy
- c. Estimate accuracy
- d. Estimate turnaround
- f. Recalc turnaround

Managing Organizational  
Performance  
SP1

Marcie Frost

1. Defining strategy
2. Setting operational targets
3. Selecting strategic initiatives & targets
4. Connecting employees to targets
5. Creating organizational understanding
6. Managing operations
7. Managing strategic initiatives
8. Reviewing organizational performance
9. Making performance corrections

- a. Process measure health
- c. Strategy execution

Supporting Team  
Members  
SP2

Lee Strehlow

1. Recruiting & hiring
2. Orienting & onboarding
3. Learning & growth
4. Observing, coaching, evaluating performance & behavior
5. Creating development plans
6. Recognizing accomplishments
7. Maintaining employee information
8. Equipping employees
9. Managing facilities
10. Fostering safety & wellness

- a. Training hours
- b. Safety & Wellness
- c. Turnover
- d. Present to win
- e. Time to fill positions
- f. Employees trained

Providing Information  
Technology  
SP3

Chris Lamb

1. Governing enterprise architecture
2. Controlling production release
3. Ensuring security
4. Providing business systems analysis
5. Conducting operations
6. Developing solutions

- a. Request backlog
- b. Systems intervention
- c. Estimated completion
- d. Hours to resolution

Leading  
Innovation  
SP4

Shawn Merchant

1. Assessing business needs
2. Researching & monitoring
3. Establishing requirements
4. Determining solution cost
5. Managing projects
6. Testing solutions
7. Releasing to production

- a. Projects on budget
- b. Project effectiveness
- c. Adoption rate
- d. Projects on time
- e. Time to market

Purchasing & Acquisition  
SP5

Mike Ricchio

1. Managing contracts
2. Managing purchase of goods and services
3. Managing inventory

- a. Contract costs
- b. Contract purchases
- c. Vendor payments
- d. Contract deliverables
- e. Timely procurement
- f. Goods and services
- g. Full inventory

Listening & Informing  
SP6

David Brine

1. Managing DRS reputation/brand
2. Building relationships
3. Enabling feedback & identifying needs
4. Staying current on pension issues
5. Developing communication strategies
6. Creating informational content
7. Delivering information
8. Managing communication channels

- a. Online reach
- c. Content & materials review

Managing  
Risks  
SP7

George Pickett

1. Identifying risk
2. Evaluating & assessing risk
3. Addressing & treating risk
4. Monitoring & reviewing risk & treatment plans
5. Adjusting as needed

- a. Risk management reviews
- b. Risk status
- e. On Time risk treatment plans
- g. Timely COOP update
- h. Efficient evacuations

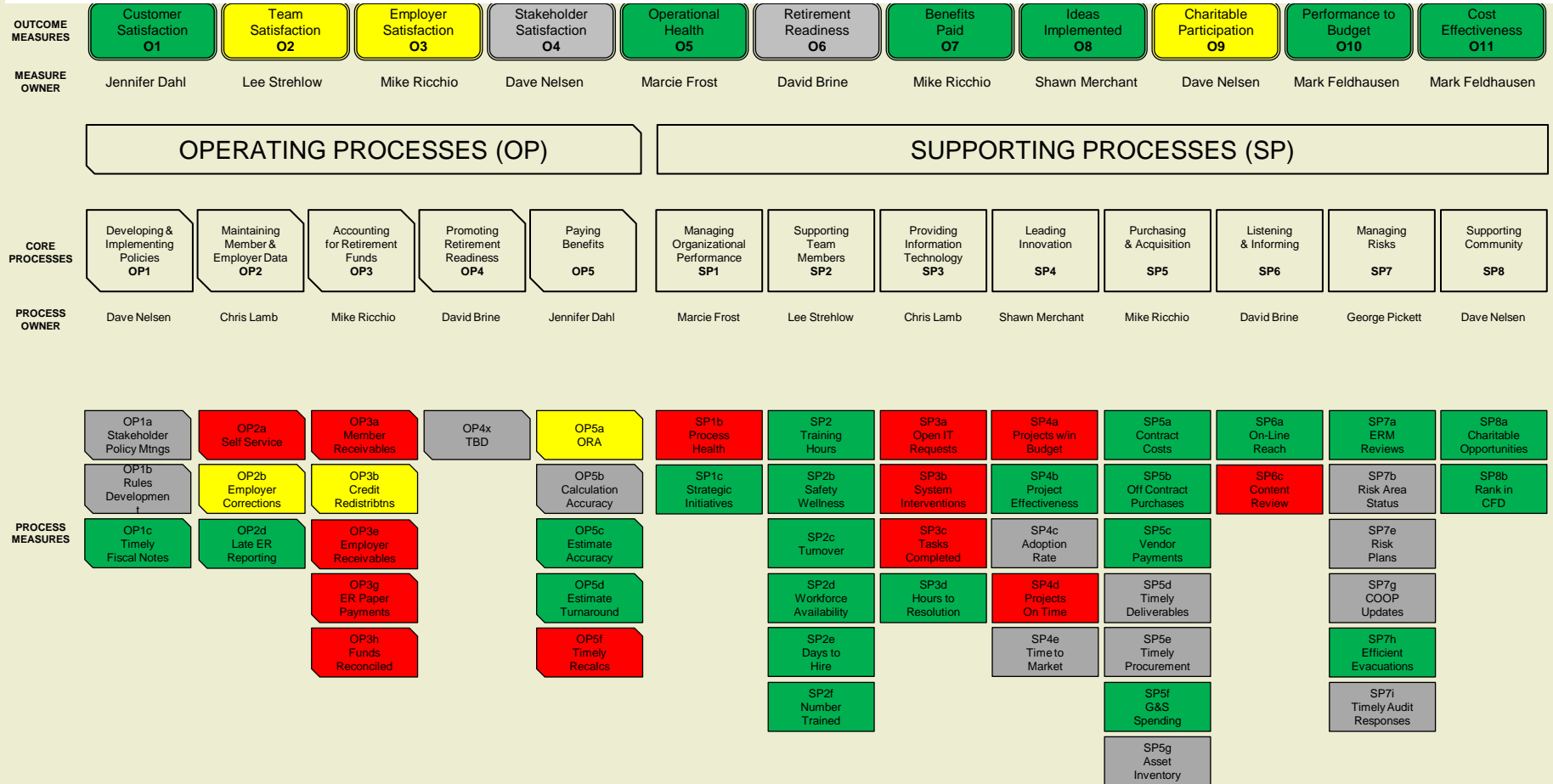
Supporting  
Community  
SP8

Dave Nelsen

1. Creating community support teams
2. Evaluating & selecting charitable opportunities
3. Implementing charitable opportunities

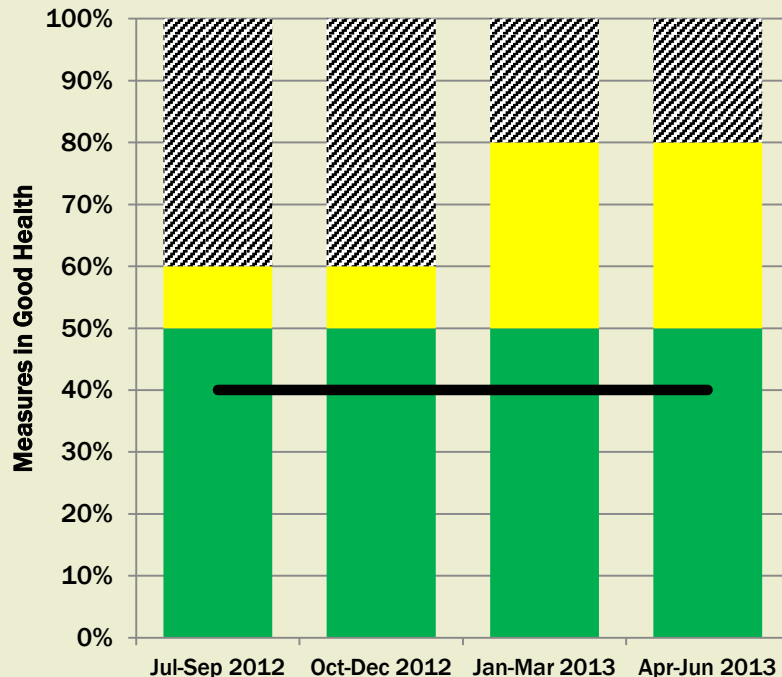
- a. DRS events sponsored
- b. State CFD participation

# QUARTERLY TARGET REVIEWS



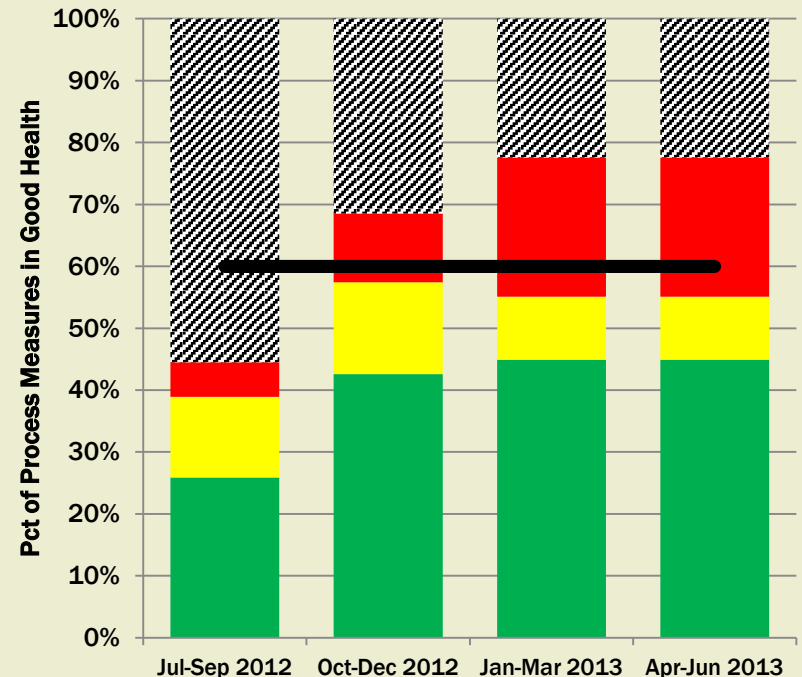
# QUARTERLY TARGET REVIEWS

**05-Operational Health**



- Less gray and no red = 😊
- 2 yellows are <1% away from being green

**SP1b-Process Measure Health**

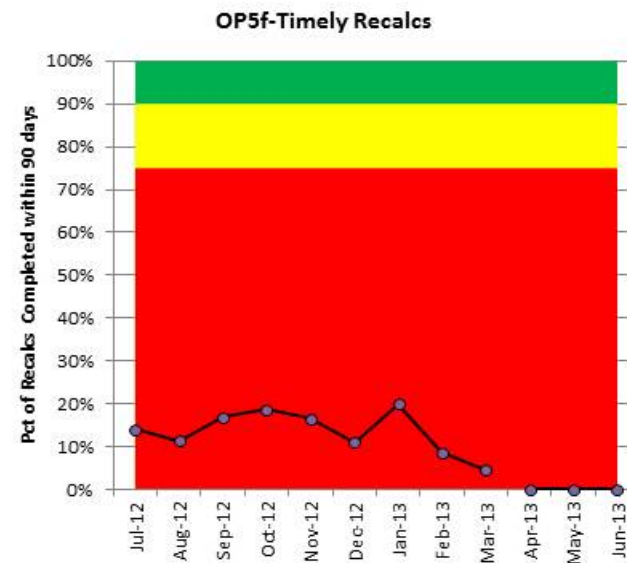
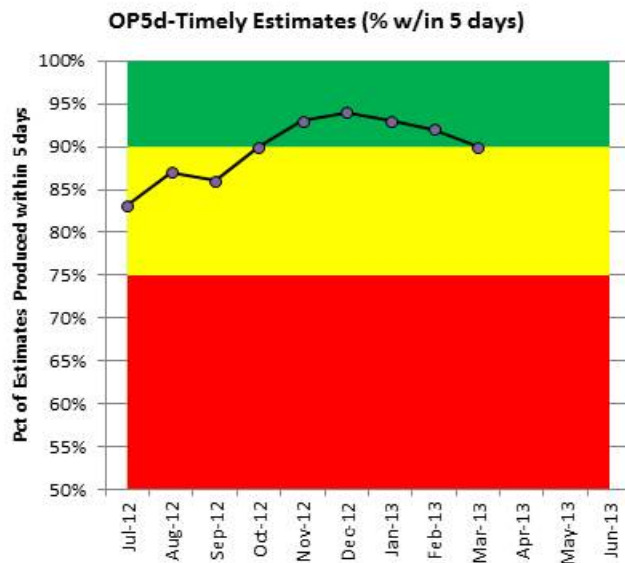


- Target is to have 60% in green
- More measures are now operational ... more to go for QTR4



# QUARTERLY TARGET REVIEWS

## OP5-Paying Benefits



- Changed measure:
  - from # not within 5 days
  - to % within 5 days
- NOTE: % is not complete until 90 days have passed

# DRS BREAKTHROUGH MAP



## DRS MISSION

We provide information, tools, expertise and services that ensure our members receive the retirement benefits they earn while in public service.

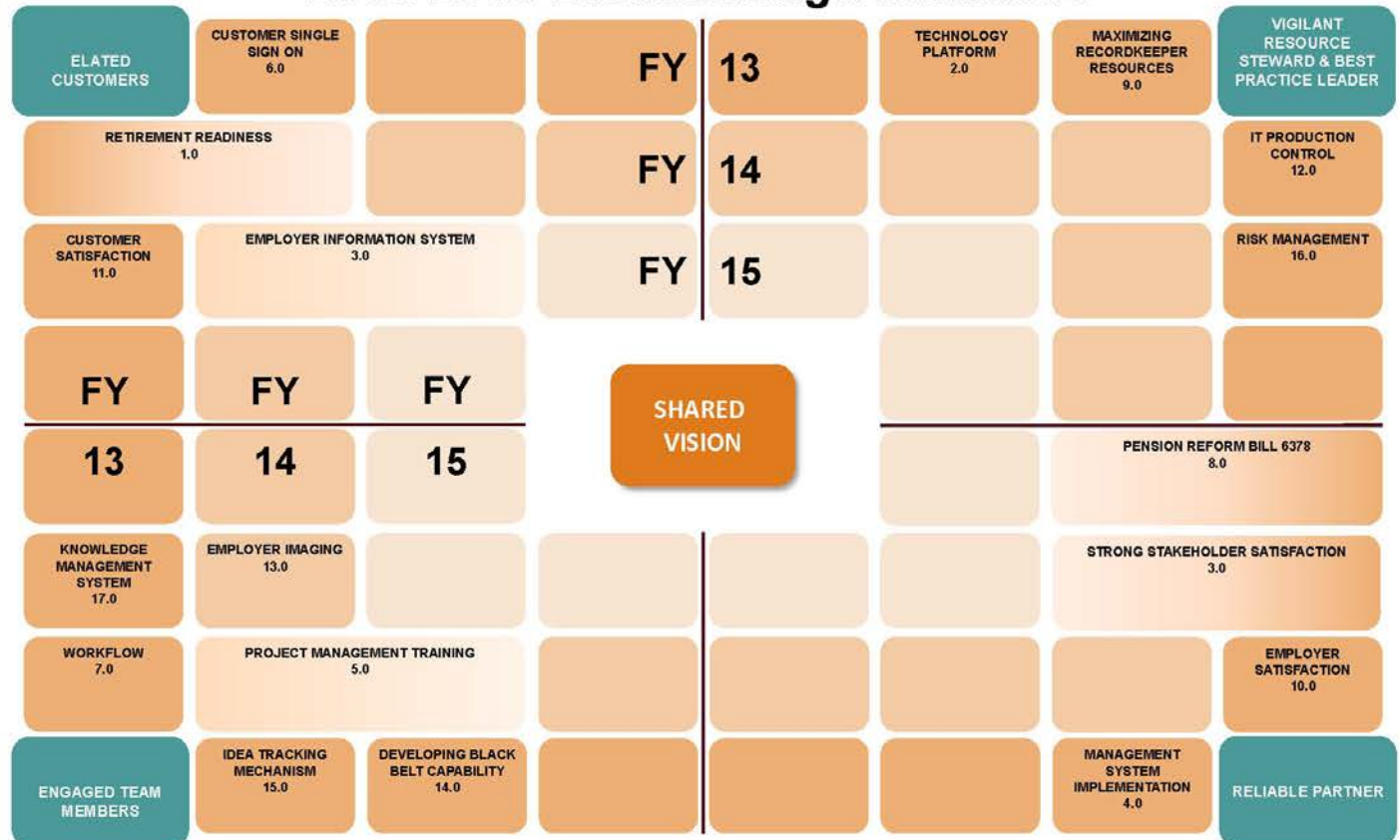
## DRS KEY GOALS

- Engaged Team Members
- Vigilant Resource Steward
- Best Practice Leader
- Reliable Partner
- Elated Customers

## DRS VALUES

Customer Focus  
Team Member Engagement  
Valued Relationships  
Performance Excellence  
Resource Stewardship

## 2013-2015 Breakthrough Initiatives



# **CUSTOMER SATISFACTION**

## **THE THREE R'S**

- **Respectful:** You can expect
  - To be treated as a valued customer by a patient and caring person, who is happy to help you.
  - To be carefully guided through the retirement process.
  - To be informed of the issues that impact your retirement in a way that is easy to understand

# CUSTOMER SATISFACTION

## THE THREE R'S

- **Responsive:** You can expect
  - To have quick access to people who can help you.
  - To receive timely responses to your requests.
  - To be kept informed of the status of your requests.
  - To speak with people who anticipate your needs and offer solutions.
  - To be provided with easy-to-use forms and tools that can be found online.

# CUSTOMER SATISFACTION

## THE THREE R'S

### ■ **Right:** You can expect

- The information you are given to be right.
- To receive information from a knowledgeable, professional person

# Customer Satisfaction

- Monthly interviews conducted by agency leaders
- 331 interviews since March
- Themes:
  - More frequent status updates during the application process
  - Forms and publications hard to understand
  - Benefit recalculation takes too long
  - Pleasant, knowledgeable analysts
  - Appreciation for phone and walk in service

# Workflow Restructure

## ❑ GOALS

- ❑ Balance customer and team member needs for customer contacts and retirement processing
- ❑ Create flexibility to move resources where peak workload is happening
- ❑ Reduce process and information variability
- ❑ Maintain high responsiveness and high accuracy

# Workflow Structure

- ❑ New structure
  - ❑ Contact center for phones and walk-ins, correspondence, etc.
  - ❑ Processing center for retirement calculations
- ❑ Workload is first in-first out (FIFO)
- ❑ Knowledge Management System to be implemented this summer



# Lean Greenbelts/Blackbelts

- ❑ DRS Lean Enterprise promotes a culture that targets total customer satisfaction through improved operational effectiveness and efficiency.
  - ❑ Lead by example
  - ❑ Take time to coach team members
  - ❑ Utilize Customer Satisfaction data in Green Belt Activities to understand the voice of the customer
  - ❑ The process is what provides the structure to positive improvements
  - ❑ Provide “Yes-ability” (always say yes, unless the data says no)
  - ❑ Show respect at all times by supporting constructive conversations
  - ❑ Respect team member time and responsibilities in their daily work
  - ❑ Communicate your workload constraints with Leaders and Black Belts to reach a mutually agreed resolution
  - ❑ Communicate topics of interest or areas of training you would like to see covered to Leaders and Black Belts

# Ideascale

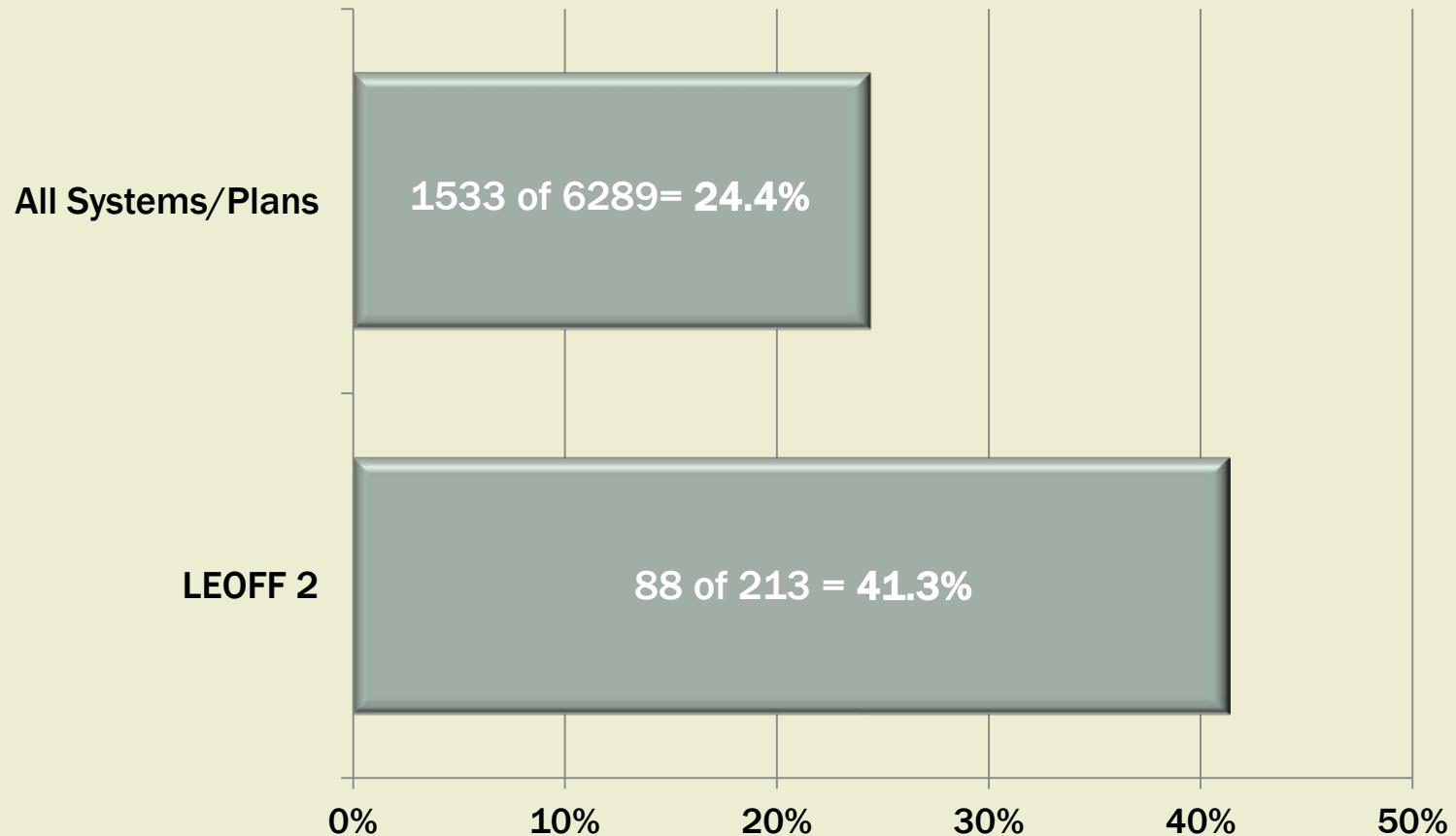
- ❑ DRS Team members submit ideas about increasing efficiency, preventing waste and adding value for our customers
  - ❑ 194 ideas posted
  - ❑ 80 ideas completed/closed
  - ❑ 32 ideas in progress
  - ❑ 41 ideas in review
- ❑ Top completed ideas include providing the Public Safety Officers Tax Savings letter via Online Account Access and Direct Deposit form assistance

# Lean – Agile Team

- ❑ Team is continuing to utilize scrum methodology consisting of 3 sprints;
  - Sprint 1: 1/29 - 2/15
  - Sprint 2: 2/19 - 3/8
  - Sprint 3: 3/11 – 3/29
  
- ❑ Sprints developed from employee stories
  - As ISD Support, I want a return screen that's maintainable and documented, so that enhancements can be made in a timely manner.
  - As a Fiscal Analyst, I want to receive a report that has all the returned payments, so that we can make sure the payments are either cancelled or reissued in a timely manner.

# Online Retirement Application

## Service Retirements via the Web (Year-to-Date 2013)



# Online Account Access

- ❑ 9,726 Active LEOFF Plan 2 registered users
- ❑ Fiscal Year 2012-2013 DRS processed 156 LEOFF 2 retirements via Online Retirement Application
- ❑ Questions LEOFF 2 members are asking:
  - ❑ Where can I get health insurance?
  - ❑ What is my Cost of Living Adjustment this year?
  - ❑ Can I work for a DRS employer after retirement?

# Education & Outreach



## Law Enforcement Officers' and Fire Fighters' Retirement System LEOFF Plan 2 Facts in a Flash



<b>Membership Definition</b>	Full-time, fully compensated and fully commissioned law enforcement officers and fire fighters first hired on or after October 1, 1977, are covered by LEOFF Plan 2 and are required to become members of the plan.
<b>Contribution Rates</b>	You are required to contribute a percentage of your monthly salary. This rate may be changed by legislative action.
<b>Benefit Formula</b>	$2\% \times \text{Final Average Salary} \times \text{service credit years} = \text{monthly benefit}$
<b>How Service Credit is Accumulated</b>	Service is based on the hours for which you are compensated. <ul style="list-style-type: none"><li>• 90 hours = 1 service credit</li><li>• 70-89 hours = 1/2 service credit</li><li>• 69 or less hours = 1/4 service credit</li></ul> You may be eligible to receive service credit while on approved leave of absence or for time spent in the military.
<b>Purchasing Additional Service Credit</b>	When you retire, you may purchase up to 60 months of additional service credit to increase your benefit. It will not count as membership service.
<b>Eligible for Retirement</b>	You are eligible to retire with a full benefit at age 53, if you have at least 5 service credit years. You can retire with a <b>reduced</b> benefit as early as age 50 if you have at least 20 service credit years.
<b>Final Average Salary</b>	Your FAS is the average of your 60 consecutive highest-paid service credit months. Any severance pay, or lump sum payment for unused sick leave or vacation/annual leave, is not included.
<b>Death in Service Survivor Benefit</b>	If you die before retirement, your survivor may be eligible to receive a benefit that is based on your years of service credit. There are additional benefits available if you die in the line of duty.
<b>Cost-of-Living Adjustment (COLA)</b>	On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted based on the Consumer Price Index, up to a maximum of three percent.
<b>Domestic Partners</b>	Qualified domestic partners have the same survivor and death benefits as married spouses, though there may be differences in how taxes are handled at the federal level. In a qualified domestic partnership both individuals have met the legal requirements and registered their partnership with the Secretary of State's office or another jurisdiction. Please contact the Secretary of State's office if you have questions about these requirements.

Summary Description: The rules governing your benefits are contained in state retirement law. This publication is a summary, written in non-legal terms. It is not a complete description of the law. If there are any conflicts between what is written in this publication, and what is contained in the law, the applicable law will govern.



## Separation from Service

- **Are you vested?**
- **LEOFF 2**
  - Contributions & Interest - withdraw or leave in
    - ❖ Withdraw 150% with 10+ Service Credit Years
    - ❖ Indexing with 20 Service Credit Years
  - Service account - restore if return

**Defined benefit can  
start when eligible**



# Employer Reporting Application

- ❑ Rebuilding the mainframe application used since the 1990's; moving away from mainframe system, onto Windows system
- ❑ RFP to be issued in August for software purchase, installation and development.
- ❑ Rollout in June 2014
- ❑ Goal is to minimize impact/effort for employers
- ❑ New methodology for system development; limber, flexible, able to make changes inexpensively and more efficiently.

# Managed Medical Review Organization

## ❑ Vendor's Role

- ❑ Not a 3rd party administrator; reviews disability application and supplemental information to make a recommendation, which DRS uses to make a determination.

## ❑ Benefits to Member

- ❑ Improved communication- Case Mgr calls with case # within 48 hours
- ❑ Average turnaround of 10-15 days
- ❑ More transparency- member can view status of application anytime

## ❑ Benefits to DRS

- ❑ Access to broader pool of expertise
- ❑ Better able to handle increasing/varying workload
- ❑ Better able to meet expectation of being Responsive



# Retirement Readiness

- ❑ DRS provides information to members about retirement and retirement planning in many ways – seminars, online presentations, one-to-one assistance by phone or in person.
- ❑ Our aim is to pull together these practices – and potential new initiatives – into a core process of promoting retirement readiness.
- ❑ Focusing on how to engage members in retirement readiness throughout their career– from their 1<sup>st</sup> day of public service to retirement, we are identifying important opportunities (90-day choice, vesting, major life changes) to communicate and educate.
- ❑ We are also looking at ways to encourage participation in the Deferred Compensation Program to help members supplement retirement earnings.
- ❑ DRS can play a huge role in helping our customers prepare for and enjoy a successful retirement – which helps our members and it helps us as employers. We look forward to updating you on the work of this new initiative.

# What's Next

## Initiatives for the upcoming 12 months

- ❑ Hold the Gain in RSD
- ❑ Employer Reporting Application
- ❑ Visual Management Systems

**Questions?**



# Economic Experience Study Overview

*Lisa Won, ASA, FCA, MAAA*  
*Senior Actuary*



*Office of the State Actuary*  
*"Securing tomorrow's pensions today."*

**July 24, 2013**

# Today's Presentation

- What is an economic experience study?
  - Review of economic assumptions
- Why do we do it?
  - Determine whether assumptions remain reasonable or should be changed
- How do we do it?
  - Analyze past experience, future expectations, and conditions that led to certain experience
- What's the outcome?
  - Possible assumption changes and fiscal impacts
- Next steps
  - No action required today - informational only



# OSA Performs Economic And Demographic Experience Studies

- Economic Experience Studies are performed every two years
  - Includes some plan-specific data as well as national and regional economic data
- Demographic Experience Studies are performed at least every six years
  - More focus is placed on historical experience at a plan-specific level
  - Covers assumptions such as termination, mortality, retirement, disability, etc.
  - Study currently underway for the 2007-2012 period
    - Results presented next summer
    - Assumption changes incorporated into the 2013 Actuarial Valuation



# Economic Assumptions

- Include
  - Rate of inflation
  - Rate of general salary increases
  - Rate of investment return
  - Growth in system membership
- Help us estimate
  - Future benefits payable from the plans
  - Today's value of those benefits
  - Funding requirements (contribution rates) needed to secure those benefits



# Rate Of Inflation

- Broad economic inflation with adjustments for national and regional price inflation
- Regional CPI (Seattle, Tacoma, Bremerton) is the basis for post-retirement Cost of Living Adjustments (COLAs) in LEOFF 2
- Inflation assumption used in our valuation model to estimate the amount of COLAs provided under the plan
- Inflation is a component of future salary increases



# Rate Of General Salary Increases

- Represents the rate of change in an individual's salary
- Future salary levels impact an individual's benefit and contributions to the plan
- Includes
  - Inflation
  - Productivity growth
- Excludes promotions or merit/step increases that are included in plan-specific demographic assumptions



# Rate Of Investment Return

- Reflects anticipated returns on plan's current and future assets
- Assumption used to determine today's value of future benefit payments and salaries
- Key assumption for determining contribution requirements
- Components include
  - Inflation
  - Real rate of return



# Growth In System Membership

- Represents rate of change in number of active members covered under the plan
- Used in the calculation of amortization payments for the Plans 1 UAAL
  - No UAAL payments are required for LEOFF 1 while the plan is fully funded
- Used for actuarial projections when analyzing the impact of bringing future new members into the system
- Not used for actuarial valuations that are “closed group” and based on current members only

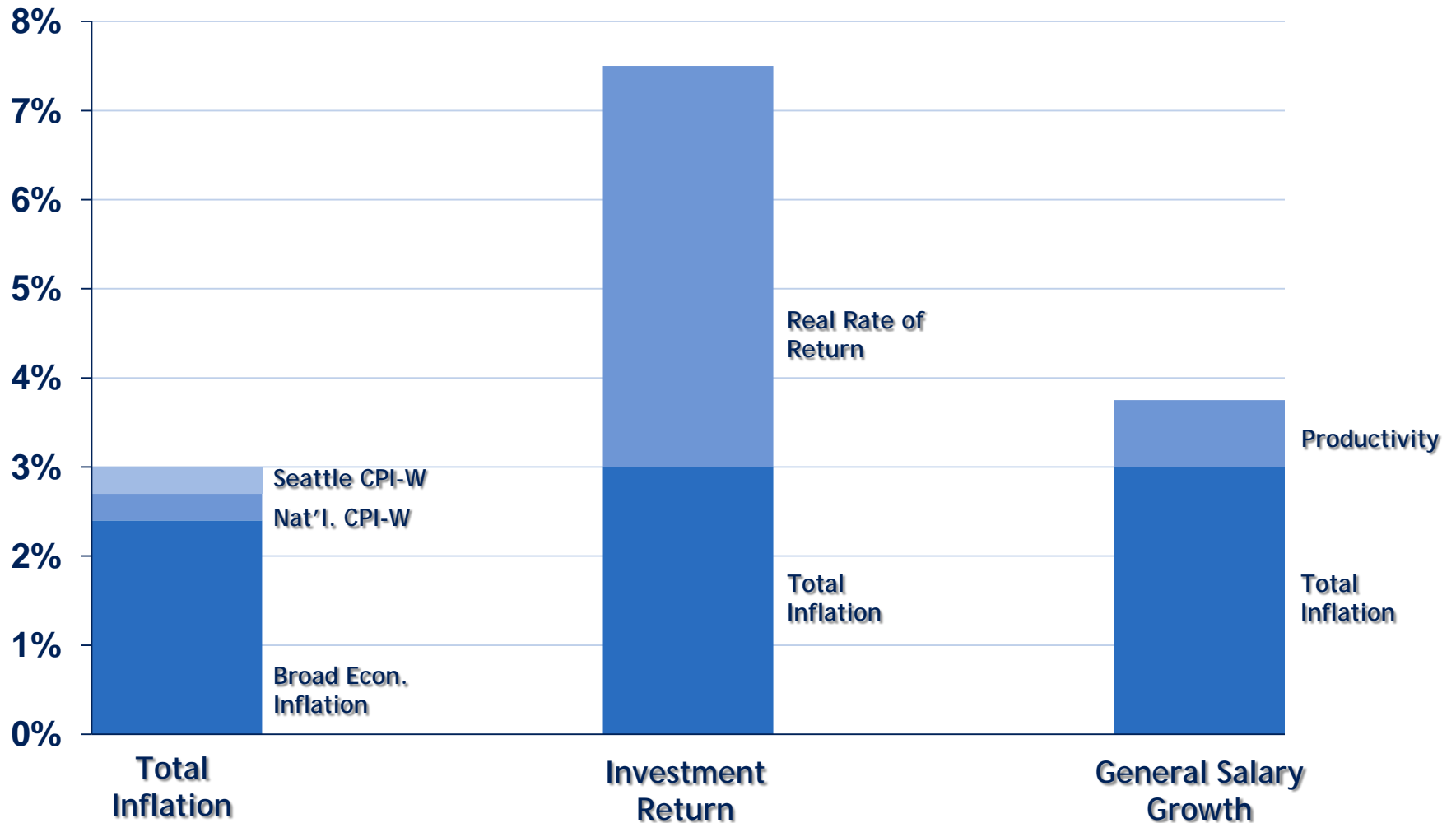


# How The Assumptions Interact

- Developed using the building block method
  - One of the recommended approaches under Actuarial Standards of Practice (ASOPs)
  - Ensures set of assumptions is consistent
- Inflation is the base for salary growth and investment return assumptions



# Building Block Example



# Economic Experience Study Performed Every Two Years

- Required in statute 41.45.030 for reporting to the PFC
  - All plans except LEOFF 2
  - LEOFF 2 Board typically follows the PFC timeline
- Actuarial services must satisfy applicable ASOPs
- Things change
  - Policy or benefit structures
  - Economic conditions, future expectations
- Reasonable assumptions contribute to reasonable funding
- Appropriate funding levels help manage risks
  - Pensions are promises to pay lifetime benefits
  - Insufficient accumulation of assets increases risk of additional funding requirements — intergenerational ‘inequity’



# Managing Risk

- Assumptions used to project future outcomes
  - Involve uncertainty/risk
- When assumptions are wrong
  - Plan may be underfunded
  - Want to be on the “right side” of risk (reasonable conservatism)
- Risk isn’t symmetrical
  - Best estimate assumption may not fall in the center of the best estimate range
- Balance risk management with other stakeholder needs
  - State and local budgets
  - Member take-home pay
  - Benefit/plan security



# Experience Studies Consider Past And Future Experience

- Analyze historical data and experience
  - Plan or system experience
  - National or regional experience
- Review projections for future expectations
  - Collaborate with other state agencies
- Analyze conditions that created certain experience
  - Are they outliers — highly unlikely to occur again?
    - May remove or limit reliance on those data points
  - Are they within range of expected outcomes?
    - Keep the data points and comment on the conditions and likelihood they occur again
  - Did they occur because of policy or plan changes?
    - Data points may require adjustment





# Data Sources By Assumption

	Inflation	Investment Return	General Salary Growth	System Growth
DRS			X	X
WSIB	X	X		
OFM				X
Social Security Administration	X			
Bureau of Labor and Statistics	X		X	
Congressional Budget Office	X			
Economic and Revenue Forecast Council	X			
Global Insight	X			
Bureau of Economic Analysis	X			



# Past And Future Experience Is Blended Together

- Develop best estimate range
- Develop single point best estimate assumption
- Mix of art and science
- Actuaries follow guidance in ASOPs
- Requires professional judgment
  - Past is not always the best predictor of the future
  - Part of actuary's training and development



# Recommended Assumptions Presented For Adoption

- Entire set of economic assumptions should be consistent
- If no changes are recommended
  - Actuary's best estimate is identical or very close to current assumptions
- If changes are recommended for one or all assumptions
  - Actuary's best estimate is materially different from the current assumptions to support a change
    - Fiscal impact will likely result
    - Important to maintain appropriate funding levels and manage risks
  - Actuary will comment on whether current assumptions remain reasonable
    - Fall within best estimate range
- Adoption of new assumptions incorporated in the next rate-setting valuation

# What's Next For The Board?

- OSA finalizes analysis and recommendations
- Recommendations presented to the Board in September
  - Supporting analysis provided with the recommendations
- Possible follow-up of fiscal impacts for any recommended change in assumptions
- Board action to adopt any changes, if needed



# Questions?





# Orientation Manual

**July 24, 2013**

# Focus

- Developed based on feedback provided during ‘expectations’ interviews and discussions:
  - Primary Focus – Get up to speed as quickly as possible
  - Secondary Focus – Useful ongoing reference

# Organization & Information

- Responsibilities
  - What you have to do
  - Key duties
- Plan Knowledge
  - What you should know
  - Help study issues and make decisions
- Administrative Information
  - What you should expect
  - Information on conducting business



# New Delivery

- Electronic document – PDF for now
- Future vision – Web based

# Any Questions?

- **Contact:**

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# 2013

## AGENDA ITEMS CALENDAR

MEETING DATE	AGENDA ITEMS
<b>January 23, 2013</b>	Meeting Canceled
<b>February 27, 2013</b>	Meeting Canceled
<b>March 27, 2013</b>	Meeting Canceled
<b>April 24, 2013</b>	Meeting Canceled
<b>May 29, 2013</b>	Meeting Canceled
<b>June 19, 2013</b>	2013 Legislative Session Update Interim Planning Board Operating Policy Changes Board Expectations Check-in WSIPP Study Follow-up Medicare Briefing
<b>July 24, 2013</b>	DRS Administrative Update, Marcie Frost CEM Benchmarking Results, Mark Feldhausen Attorney General Refresher, Dawn Cortez Background on Economic Experience Study, Lisa Won Orientation Manual Paperless Board Meeting Training
<b>August 28, 2013</b>	Board & Administrative Committee Nominations WSIB Annual Presentation, Theresa Whitmarsh Furlough, Initial Consideration Correction Legislation, Initial Consideration Hospital Districts as Employers, Initial Consideration Salary Spiking, Initial Consideration 401(a) Defined Contribution Account, Initial Consideration Career Change, Initial Consideration
<b>September 25, 2013</b>	Board & Administrative Committee Elections WSIPP Study Follow-up
<b>October 16, 2013</b>	Long Term Economic Assumptions – Office of the State Actuary 2014 Proposed Meeting Calendar
<b>November 20, 2013</b>	Funding Report 2014 Meeting Calendar Adoption
<b>December 18, 2013</b>	