



EDUCATIONAL BRIEFING

By Ryan Frost

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ISSUE STATEMENT

A presentation was given at the June 19th, 2013 board meeting asking for direction on other factors that could be compared between plans. From that meeting, a list was composed of other important factors to consider when determining the success and health of a retirement plan. Items such as funded status, average retirement benefit, and contribution rates were discussed and are included in this report.

STRATEGIC LINKAGE

This report supports the following Strategic Priority Goals:

Goal 1 – Enhance the benefits for the members: Compares plans from other states and relevant organizations; Assesses existing benefits.

Goal 2 - Provide the stakeholders with a voice in the plan governance: Maintains stakeholder confidence in the integrity of the plan.

Goal 3 – Maintain the financial integrity of the plan: Identifies best practices from other states and organizations; Provides information on the fiscal reality of the plan; Promotes fiduciary education.

Goal 4 - Inform the Stakeholders: Increases member understanding of the benefits provided in the plan.

BACKGROUND & POLICY ISSUES

At the December 12, 2012 Board Meeting, the Washington State Institute for Public Policy (WSIPP) gave a presentation regarding how LEOFF Plan 2 compared with peer plans throughout the United States. Their peer comparison report focused solely on income replacement as a plan ranking criteria. In order to have a more accurate ranking of plans, it is necessary to look at the many other factors which signify whether a plan is successful. The Board was presented with a follow-up study of possible factors to consider in addition to income replacement.

Since retirement plans within each state may have various designs and multiple variables, it is extremely difficult to find a single measure to compare plans. Recognizing that difficulty, WSIPP chose income replacement as the most comparable area to evaluate plans. Income replacement is the percentage of a worker's salary replaced by the pension at the time of retirement. The report ranked LEOFF Plan 2 thirty-third out of forty-two comparison plans in the area of income replacement.

While income replacement allows an "apples to apples" comparison, examining only income replacement provides a limited scope of review and may not be the best way to measure the effectiveness of a plan. An analysis that includes other measures and expanded analysis could provide a more comprehensive comparison of a plans' adequacy and sustainability. For example, additional measures could include a plan comparison of average salary, contribution rates, benefit multiplier, averaging period, disability benefits, and funding ratio.

The Board asked for further comparison between plans on the previously listed measures.

FINDINGS

Results are particularly strong for LEOFF 2 in the areas of average annual benefit, average salary, funded status, FAS period, and normal retirement age.

- The average annual benefit for LEOFF 2 retirees was \$34,930 at the time of this study.
 - Places LEOFF 2 8th out of the 53 plans studied.
- Also of note is the high average salary of LEOFF 2 active members.
 - The number of just over \$86,000 puts LEOFF 2 with the 3rd highest average salary in the country.
- Behind the closed LEOFF 1 plan, LEOFF 2 is the best funded plan allowing policeman and firefighters in the country.
- LEOFF 2 is still a young plan.
 - It currently is the 45th largest plan in the country that allows police and fire, yet its market assets of \$7,222,000 ranks as the 34th largest of the plans.
- Employee contribution rates are on the higher end of the plans.
- The longer FAS periods works to dwindle the risk of pension spiking.
- LEOFF 2 has the lowest normal retirement age of the plans studied.

SUPPORTING INFORMATION

Appendix A: Membership by plan

Appendix B: Average benefit paid out yearly to retirees

Appendix C: Employer and employee contribution rates by plan

Appendix D: Funded rations by plan

Appendix E: Average salary by plan

Appendix F: Market value assets by plan

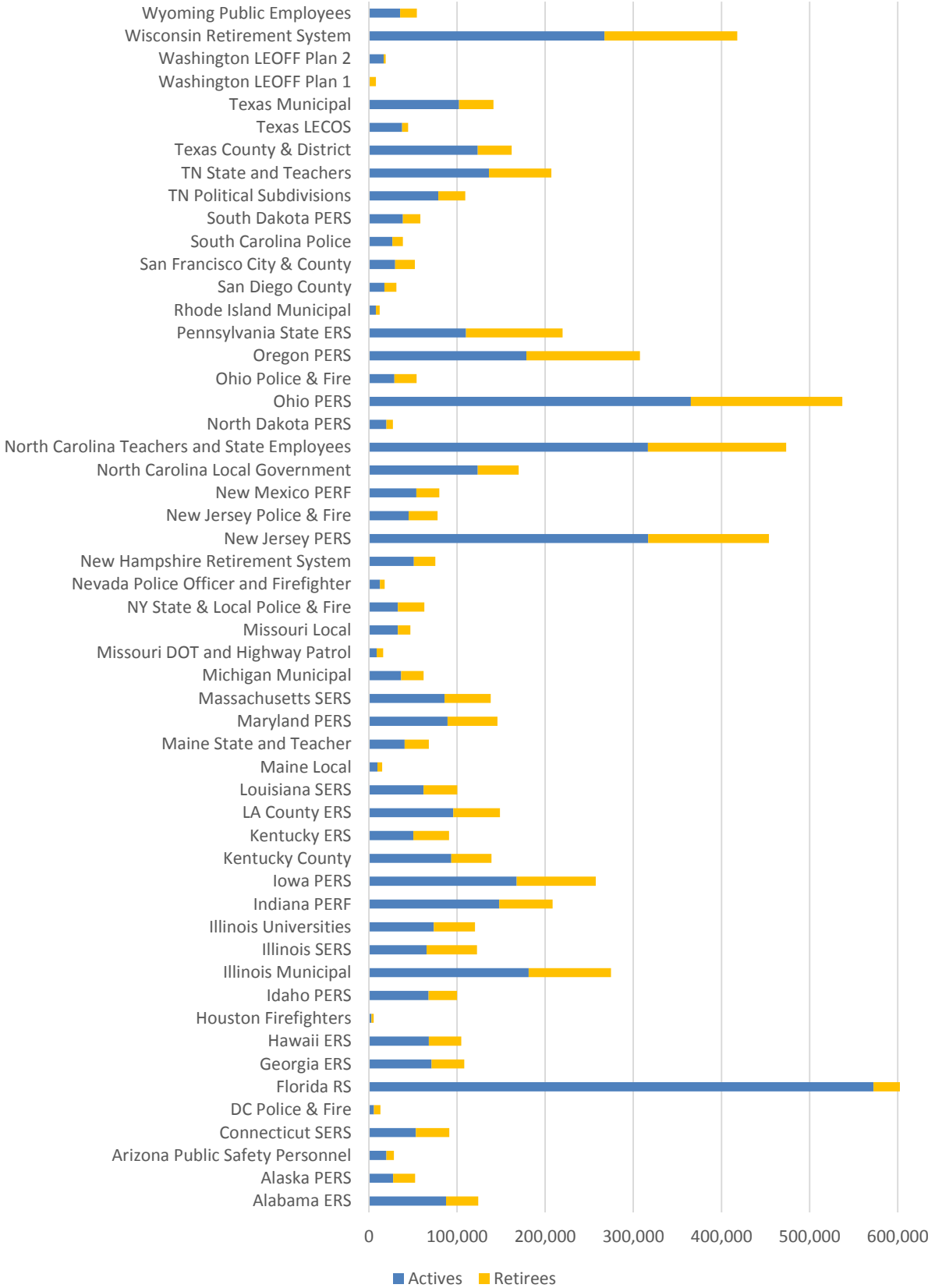
Appendix G: Normal retirement age by plan

Appendix H: FAS period by plan

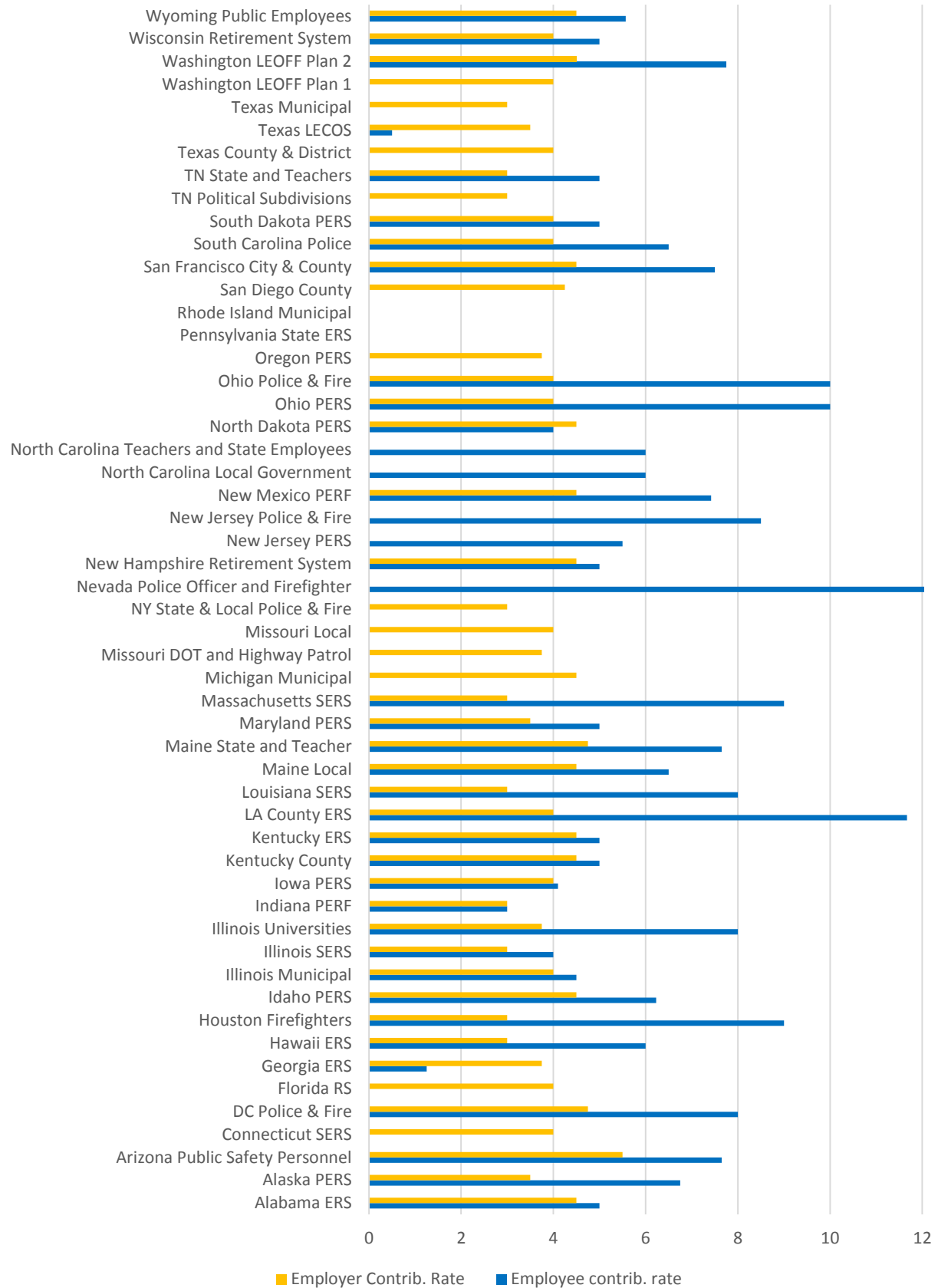
Appendix I: Vesting years needed by plan

Appendix J: Plan Database

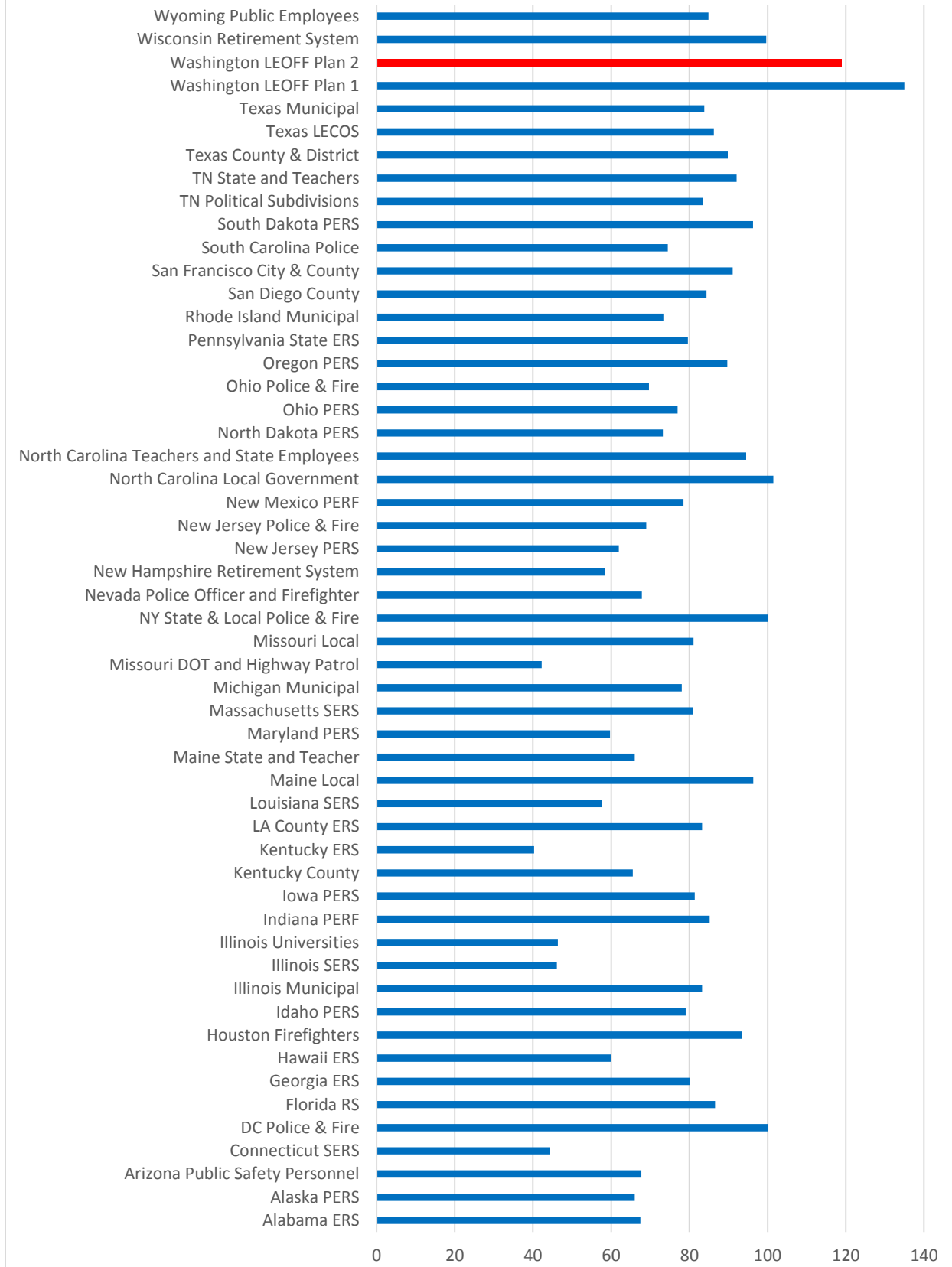
Appendix A: Membership by Plan



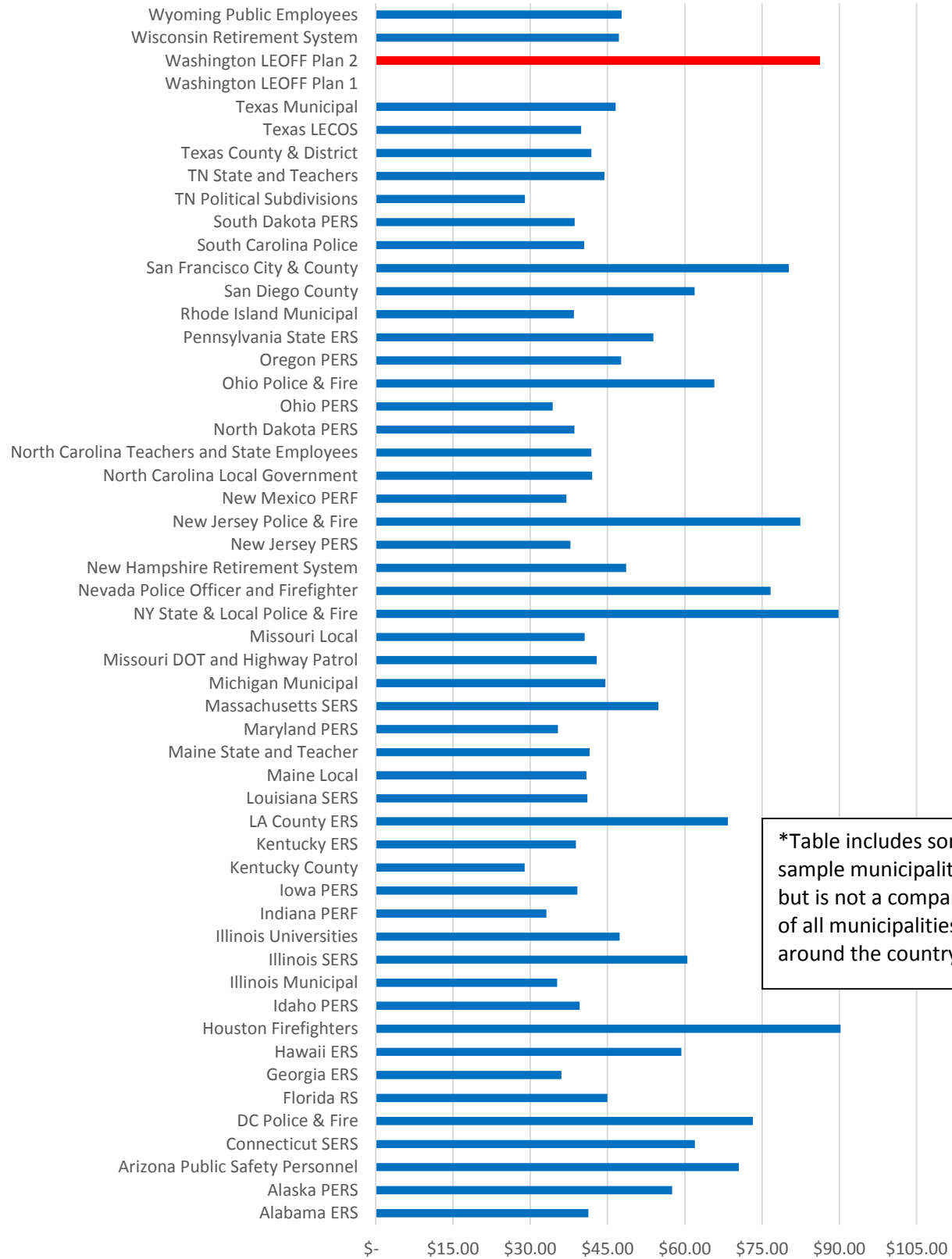
Appendix C: Contribution Rates



Appendix D: Funded ratio

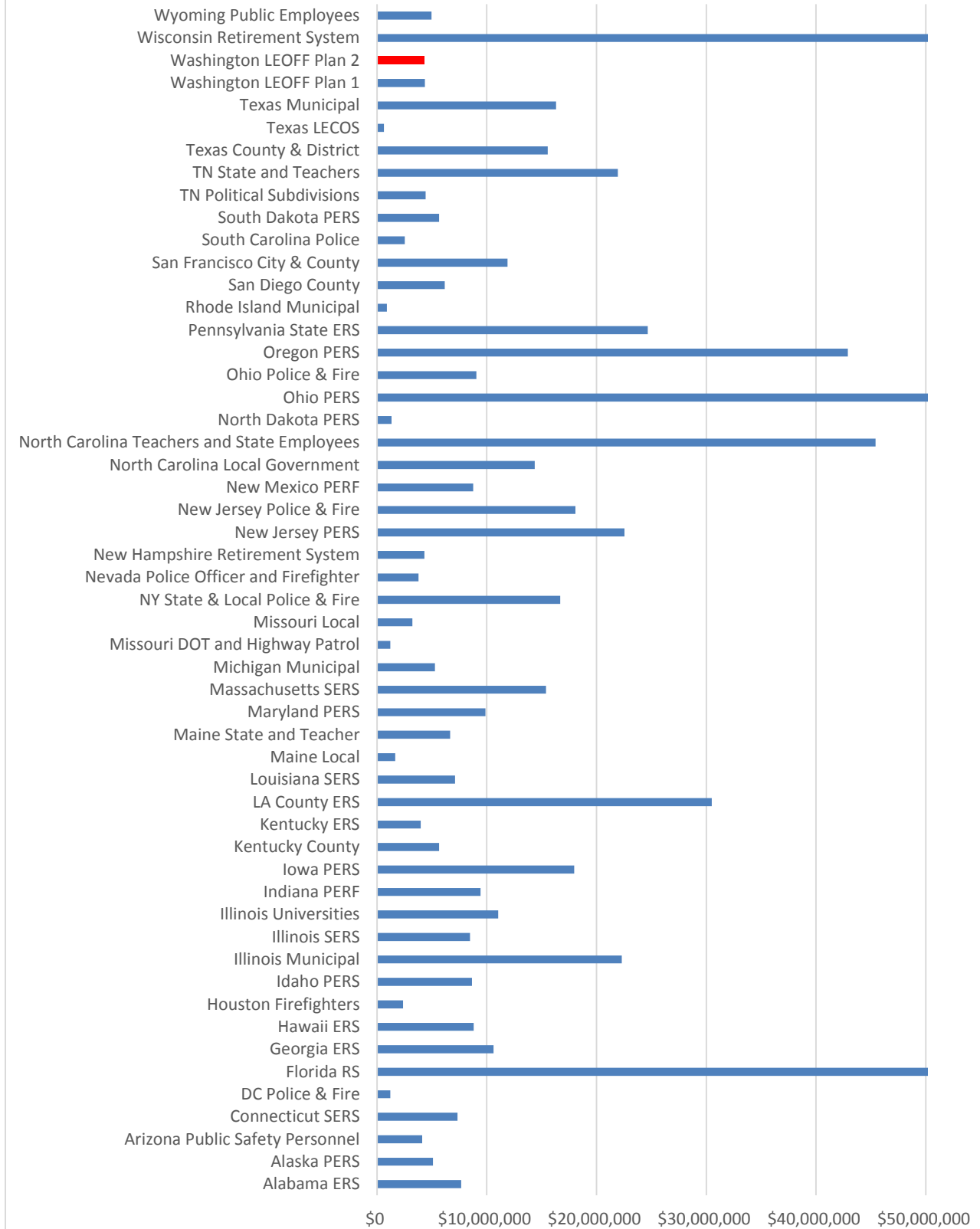


Appendix E: Average Salary (in thousands)

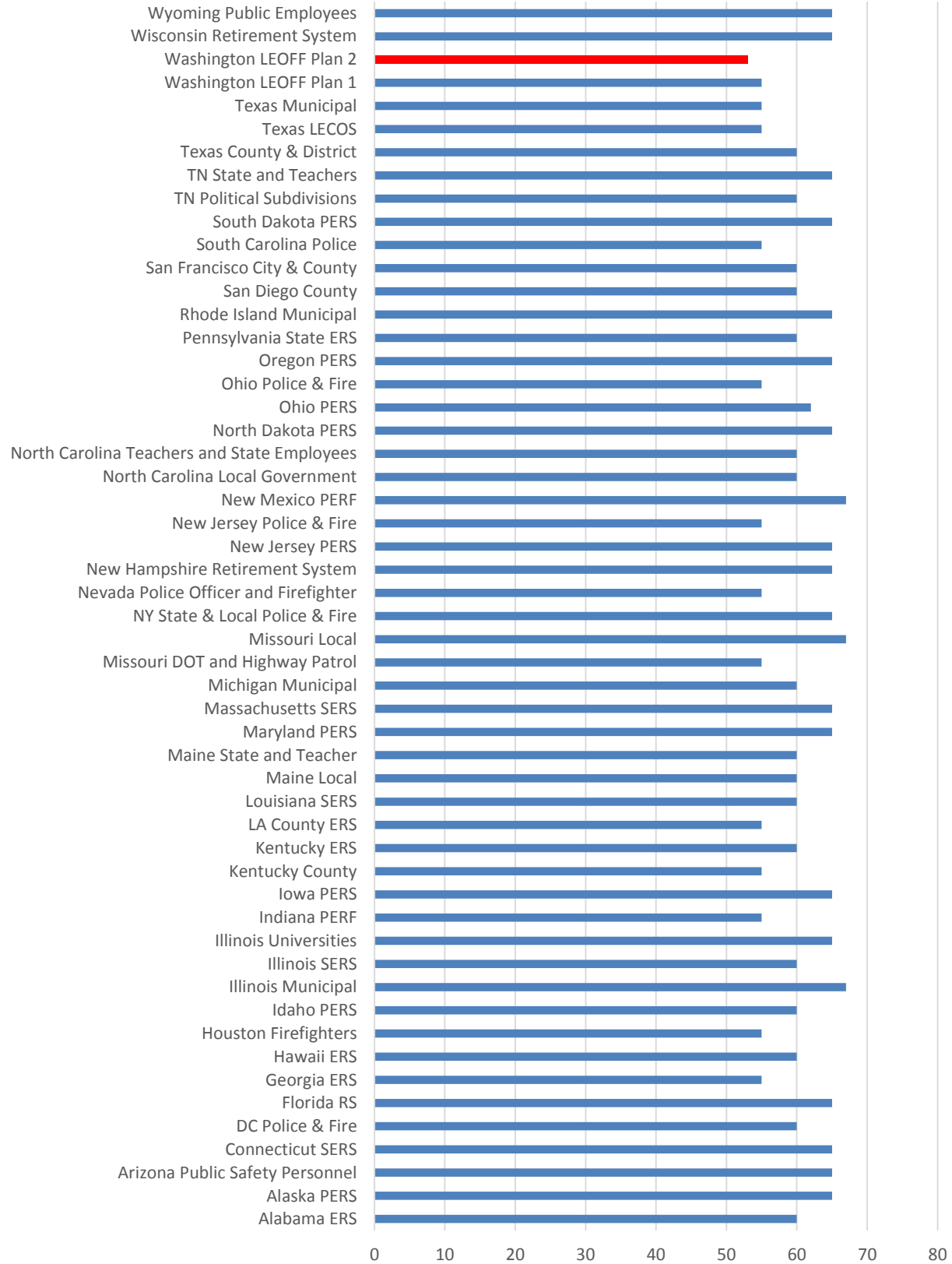


*Table includes some sample municipalities but is not a comparison of all municipalities around the country.

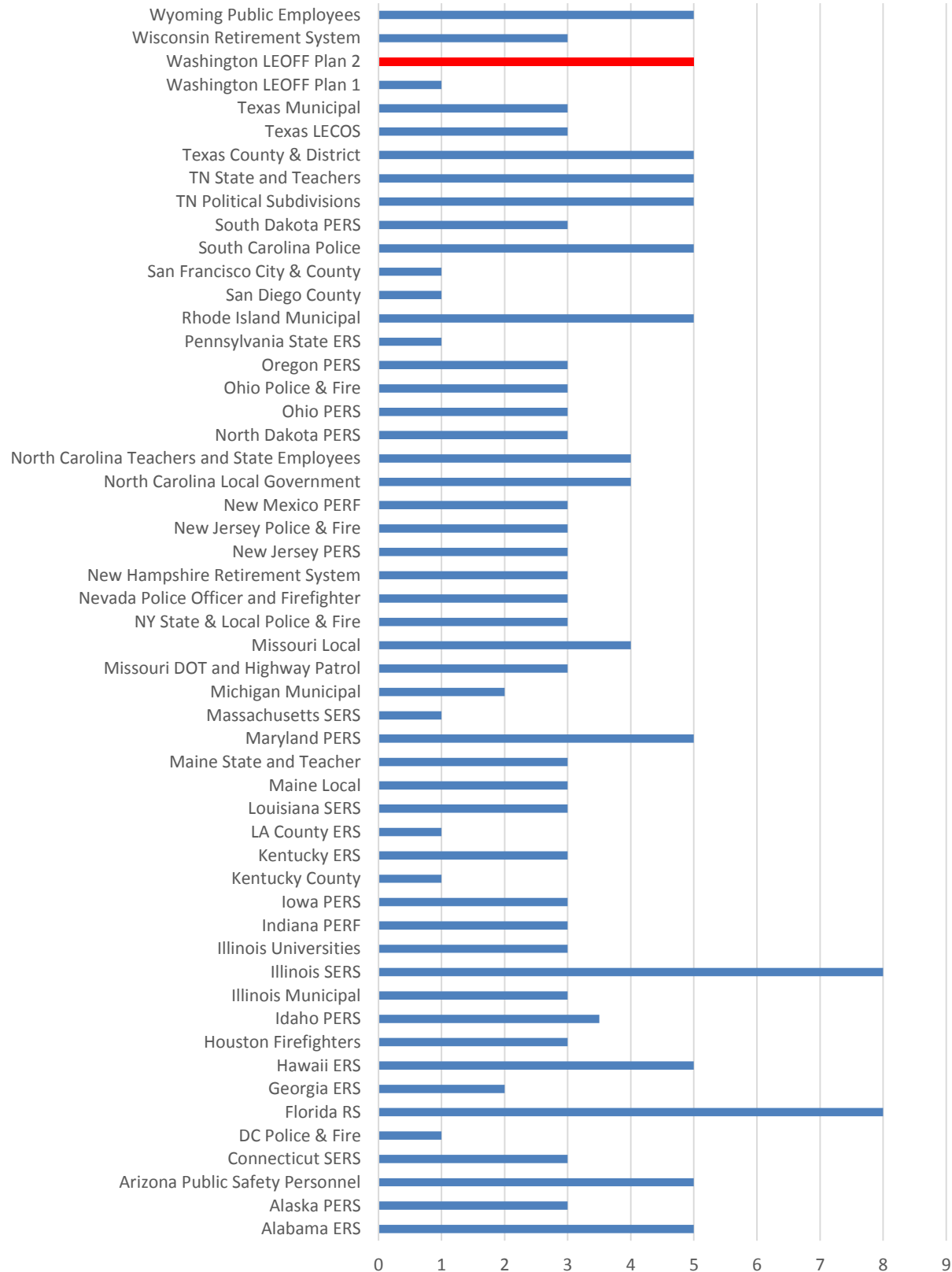
Appendix F: Market assets



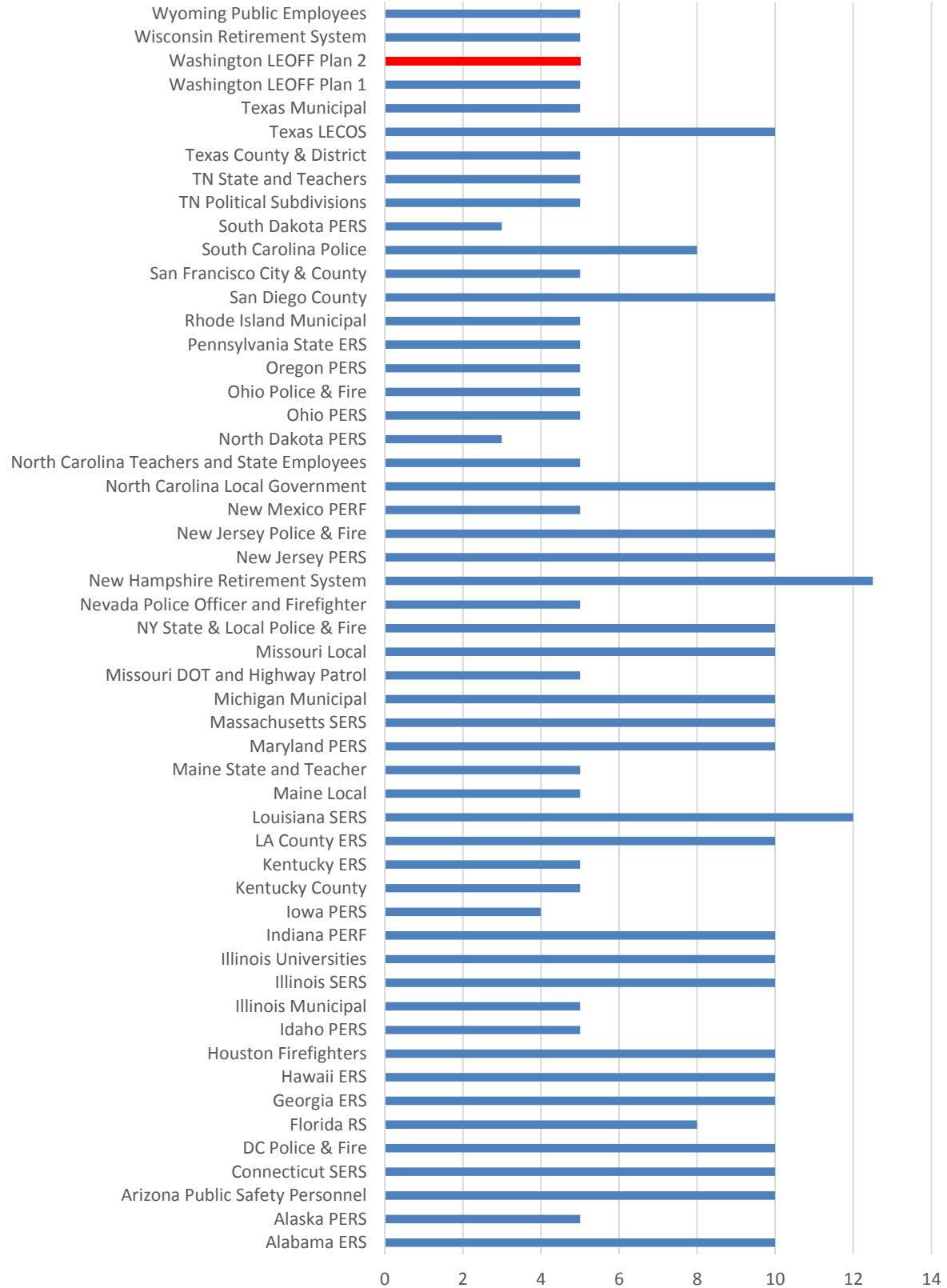
Appendix G: Normal Retirement Age



Appendix H: FAS Period



Appendix I: Vesting



WSIPP Follow-Up Appendix J

11/20/2013

Planname	Actives	Retirees	Inactive vested	All members	Employee Contrib. Rate	Employer Contrib. Rate	Avg. benefit	Market assets	Funded ratio	Asset smoothing period	Drop plan	COLA	Normal Ret Age	Avg Salary (thousands)	FAS	Payroll	Vesting
Alabama ERS	87,647	36,413	11,791	138,222	5	4.5	\$19,098	\$7,679,005	67.47	5	Y	Ad-hoc	60	\$ 41.30	5	\$ 3,620,243.00	10
Alaska PERS	27,565	25,015	6,566	73,772	6.75	3.5	\$18,632	\$5,090,440	66.05	5	N	CPI-linked	65	\$ 57.52	3	\$ 1,585,490.00	5
Arizona Public Safety Personnel	19,867	8,609	1,145	30,665	7.65	5.5	\$41,060	\$4,115,701	67.73	7	Y	Investment based	65	\$ 70.50	5	\$ 1,400,544.00	10
Connecticut SERS	53,196	38,093	1,592	92,881	0	4	-	\$7,322,780	44.41	1	N	CPI-linked	65	\$ 61.95	3	\$ 3,295,666.00	10
DC Police & Fire	5,788	7,421	113	13,638	8	4.75	\$3,311	\$1,204,391	100	7	N	Ad-hoc	60	\$ 73.23	1	\$ 423,854.00	10
Florida RS	572,591	286,674	89,481	981,667	0	4	\$19,777	\$96,503,162	86.59	1	Y	Automatic	65	\$ 45.00	8	\$ 25,765,362.00	8
Georgia ERS	71,272	36,968	4,104	112,344	1.25	3.75	\$30,220	\$10,626,096	80.06	7	N	Ad-hoc	55	\$ 36.07	2	\$ 2,571,042.00	10
Hawaii ERS	67,912	36,999	6,016	110,927	6	3	\$22,680	\$8,817,953	60.03	4	N	Automatic	60	\$ 59.34	5	\$ 4,030,100.00	10
Houston Firefighters	2,870	2,550	8	6,507	9	3	\$48,084	\$2,368,961	93.39	1	Y	Automatic	55	\$ 90.23	3	\$ 258,949.00	10
Idaho PERS	67,813	32,197	10,067	123,144	6.23	4.5	\$16,088	\$8,663,012	79.03	Market Based	N	CPI-linked	60	\$ 39.59	3.5	\$ 2,684,400.00	5
Illinois Municipal	181,380	93,298	11,703	386,826	4.5	4	\$11,154	\$22,302,839	83.25	-	N	Automatic	67	\$ 35.24	3	\$ 6,391,164.70	5
Illinois SERS	65,599	57,099	4,672	127,370	4	3	\$20,394	\$8,477,852	46.12	5	N	Automatic	60	\$ 60.48	8	\$ 3,967,704.00	10
Illinois Universities	73,699	46,810	71,280	191,789	8	3.75	\$29,310	\$11,032,973	46.37	5	N	Automatic	65	\$ 47.37	3	\$ 3,491,071.00	10
Indiana PERF	147,792	60,740	10,670	223,561	3	3	\$8,837	\$9,442,336	85.19	-	N	Ad-hoc	55	\$ 33.13	3	\$ 4,896,013.00	10
Iowa PERS	167,717	89,852	32,297	324,411	4.1	4	\$13,167	\$17,974,038	81.37	1	N	CPI-linked	65	\$ 39.18	3	\$ 6,571,182.00	4
Kentucky County	93,481	45,564	9,731	201,842	5	4.5	\$12,951	\$5,651,570	65.55	5	N	CPI-linked	55	\$ 28.92	1	\$ 2,703,404.04	5
Kentucky ERS	50,391	40,531	37,571	128,496	5	4.5	\$20,875	\$3,973,552	40.31	5	N	CPI-linked	60	\$ 38.87	3	\$ 1,958,704.33	5
LA County ERS	95,788	53,069	8,051	156,908	11.67	4	\$37,585	\$30,498,981	83.26	5			55	\$ 68.36	1	\$ 6,547,616.00	10
Louisiana SERS	61,991	38,253	1,947	104,874	8	3	\$20,166	\$7,100,333	57.66	4	Y	Automatic	60	\$ 41.08	3	\$ 2,546,457.00	12
Maine Local	9,719	5,382	1,092	17,832	6.5	4.5	\$15,992	\$1,656,980	96.35	1	N	CPI-linked	60	\$ 40.90	3	\$ 397,506.57	5
Maine State and Teacher	40,486	27,544	6,599	74,629	7.65	4.75	\$22,604	\$6,652,767	66.03	1	N	CPI-linked	60	\$ 41.54	3	\$ 1,681,593.43	5
Maryland PERS	89,380	56,610	28,608	174,598	5	3.5	\$13,619	\$9,872,074	59.7	5	N	CPI-linked	65	\$ 35.40	5	\$ 3,163,684.00	10
Massachusetts SERS	85,839	52,486	3,779	142,104	9	3	\$25,596	\$15,390,692	80.96	5	N	CPI-linked	65	\$ 54.89	1	\$ 4,711,563.00	10
Michigan Municipal	36,713	25,232	6,463	68,408	-	4.5	\$16,244	\$5,276,645	78.05	10	N	Automatic	60	\$ 44.58	2	\$ 1,636,500.00	10
Missouri DOT and Highway Patrol	8,813	7,480	1,737	18,030	0	3.75	\$25,670	\$1,221,134	42.22	3	Y	CPI-linked	55	\$ 42.90	3	\$ 378,063.01	5
Missouri Local	32,831	14,150	940	47,921	-	4	\$10,533	\$3,217,034	81.05	5	N	CPI-linked	67	\$ 40.55	4	\$ 1,331,226.34	10
NY State & Local Police & Fire	33,052	29,905	3,156	66,113	-	3	\$38,816	\$16,695,434	100	6	N		65	\$ 89.86	3	\$ 2,970,000.00	10
Nevada Police Officer and Firefighter	12,633	5,200	620	18,453	17.25	-	\$39,398	\$3,777,561	67.81	5	N	Automatic	55	\$ 76.65	3	\$ 968,353.12	5
New Hampshire Retirement System	51,032	24,501	1,391	76,924	5	4.5	\$18,464	\$4,315,256	58.45	5	N	Investment-based	65	\$ 48.62	3	\$ 2,481,383.62	12.5
New Jersey PERS	316,849	137,186	1,433	455,468	5.5	-	\$16,817	\$22,542,812	61.96	1	N	CPI-linked	65	\$ 37.81	3	\$ 11,981,354.78	10
New Jersey Police & Fire	45,150	32,860	61	78,071	8.5	-	\$44,535	\$18,088,930	68.95	1	N	CPI-linked	55	\$ 82.40	3	\$ 3,720,534.37	10
New Mexico PERF	53,866	25,950	3,018	82,834	7.42	4.5	\$23,279	\$8,759,819	78.48	4	N	Automatic	67	\$ 37.01	3	\$ 1,993,516.92	5
North Carolina Local Government	123,398	46,557	38,076	208,031	6	-	\$16,221	\$14,360,337	101.48	1	N	Ad-hoc	60	\$ 42.01	4	\$ 5,184,128.03	10
North Carolina Teachers and State Employees	316,647	156,791	97,474	577,845	6	-	\$19,653	\$45,421,796	94.49	1	N	Ad-hoc	60	\$ 41.85	4	\$ 13,252,029.52	5
North Dakota PERS	19,943	7,188	3,270	30,423	4	4.5	\$9,901	\$1,320,003	73.43	5	N	Ad-hoc	65	\$ 38.60	3	\$ 769,710.11	3
Ohio PERS	365,229	171,955	-	953,732	10	4	\$21,291	\$57,630,424	76.99	4	N	Automatic	62	\$ 34.36	3	\$ 12,548,000.00	5

WSIPP Follow-Up Appendix J

11/20/2013

Planname	Actives	Retirees	Inactive vested	All members	Employee Contrib. Rate	Employer Contrib. Rate	Avg. benefit	Market assets	Funded ratio	Asset smoothing period	Drop plan	COLA	Normal Ret Age	Avg Salary (thousands)	FAS	Payroll	Vesting
Ohio Police & Fire	28,927	25,317	122	56,884	10	4	\$16,735	\$9,056,794	69.66	5	Y	Automatic	55	\$ 65.71	3	\$ 1,900,935.00	5
Oregon PERS	178,606	128,811	-	351,086	0	3.75	\$21,654	\$42,904,809	89.67	Market	N	Ad-hoc	65	\$ 47.66	3	\$ 8,512,200.00	5
Pennsylvania State ERS	110,107	109,639	6,190	225,936	-	-	\$20,662	\$24,661,949	79.62	5	N	Ad-hoc	60	\$ 53.91	1	\$ 5,935,988.00	5
Rhode Island Municipal	7,952	4,389	2,430	14,771	-	-	\$11,306	\$892,168	73.55	5	N	Automatic	65	\$ 38.46	5	\$ 305,813.68	5
San Diego County	17,699	13,453	5,238	36,390	-	4.25	\$29,584	\$6,179,829	84.34	5		CPI-linked	60	\$ 61.90	1	\$ 1,095,582.00	10
San Francisco City & County	29,919	22,294	4,986	57,255	7.5	4.5	\$32,849	\$11,886,729	91.08	5	Y	CPI-linked	60	\$ 80.18	1	\$ 2,398,823.00	5
South Carolina Police	26,598	11,950	11,832	50,380	6.5	4	\$17,602	\$2,530,632	74.48	5	N	CPI-linked	55	\$ 40.47	5	\$ 1,076,467.00	8
South Dakota PERS	38,596	19,949	7,418	72,531	5	4	\$15,378	\$5,648,767	96.3	1	N	Automatic	65	\$ 38.63	3	\$ 1,491,098.18	3
TN Political Subdivisions	78,792	30,565	-	103,915	-	3	\$5,097	\$4,420,493	83.39	10	N	CPI-linked	60	\$ 28.96	5	\$ 2,282,081.57	5
TN State and Teachers	136,329	70,598	21,032	227,959	5	3	\$13,145	\$21,948,733	92.09	10	N	CPI-linked	65	\$ 44.41	5	\$ 6,054,527.72	5
Texas County & District	123,446	38,511	-	217,913	-	4	\$15,029	\$15,555,540	89.79	Market	N		60	\$ 41.86	5	\$ 5,168,000.00	5
Texas LECOS	37,819	6,647		44,505	0.5	3.5	\$5,813	\$634,779	86.26	1	-		55	\$ 39.87	3	\$ 1,507,950.00	10
Texas Municipal	102,419	38,980	39,564	180,963	-	3	\$14,883	\$16,305,676	83.78	Market	N		55	\$ 46.56	3	\$ 4,769,000.00	5
Washington LEOFF Plan 1	186	7,845	0	8,499	0	0	\$44,640	\$4,355,913	135	8	N	CPI-linked	55	\$ -	1		5
Washington LEOFF Plan 2	16,720	2,344	689	20,653	7.74	4.5	\$34,930	\$4,308,880	119	8	N	CPI-linked	53	\$ 86.27	5	\$ 1,442,500.00	5
Wisconsin Retirement System	267,293	150,671	144,424	562,388	5	4	\$25,205	\$69,996,296	99.64	5	N	Investment-based	65	\$ 47.22	3	\$ 12,622,200.00	5
Wyoming Public Employees	35,593	18,916	5,272	78,730	5.57	4.5	\$14,772	\$4,971,155	84.85	5	N	CPI-linked	65	\$ 47.73	5	\$ 1,698,835.82	5



WSIPP Study Follow-up

**Educational Briefing
November 20, 2013**

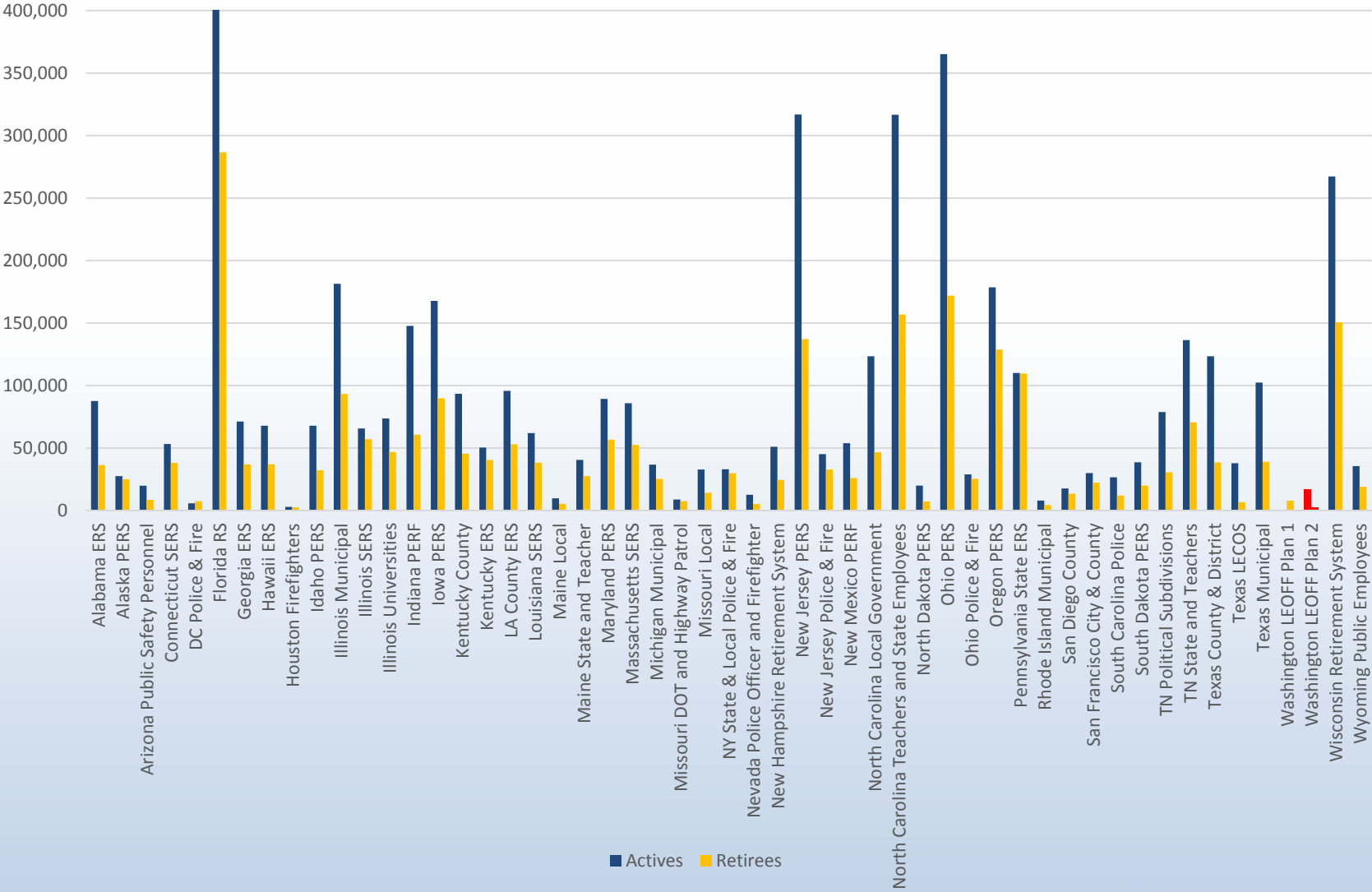
WSIPP Report

- WSIPP report was presented at December 12, 2012 Board meeting
- Focus of report
 - Benefit levels
 - Portability
 - Excess compensation

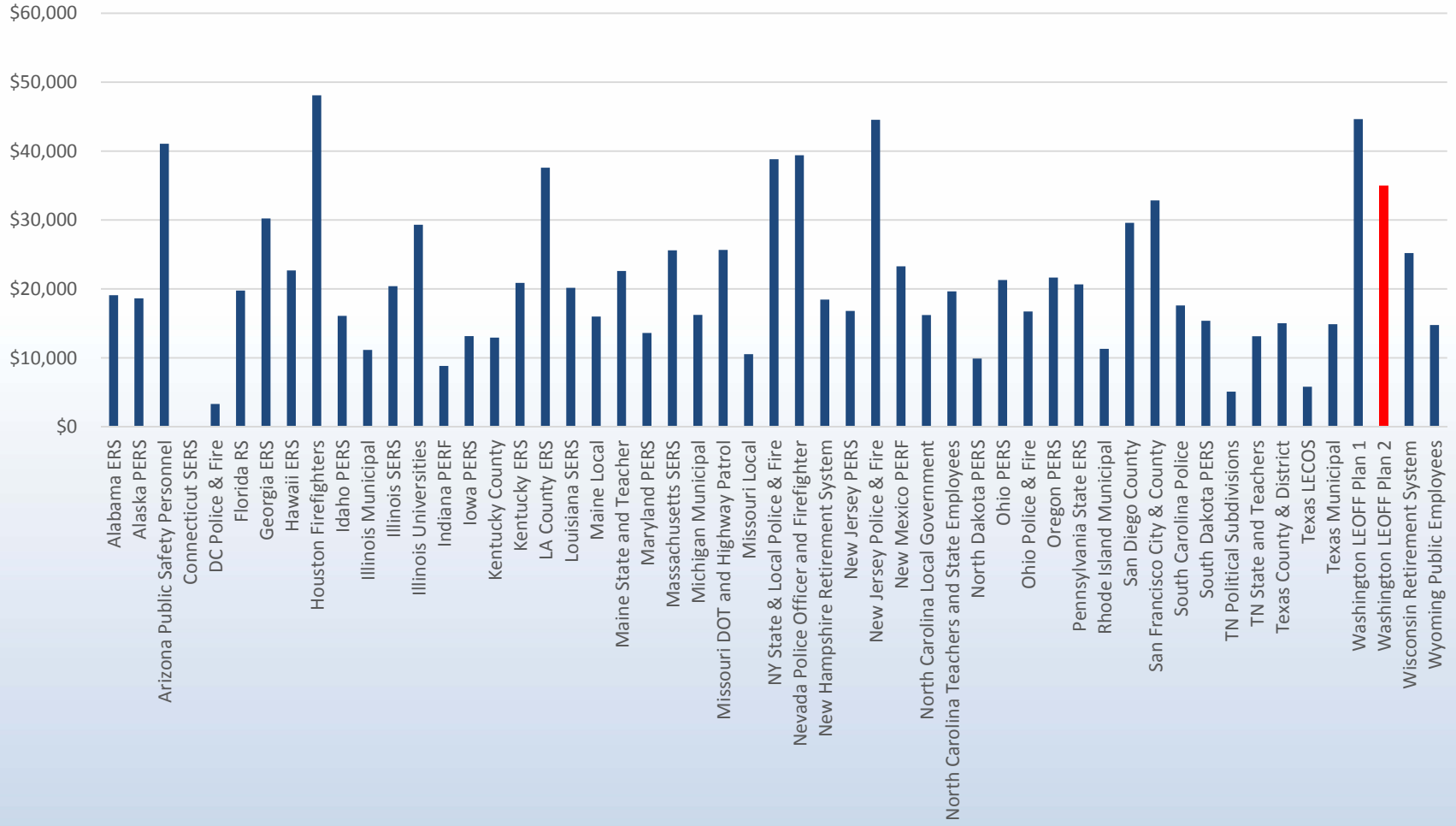
WSIPP Follow-Up

- Follow-up at the June 19th, 2013 Board meeting
 - Danger of judging plans on one factor
 - Further options were presented and approved

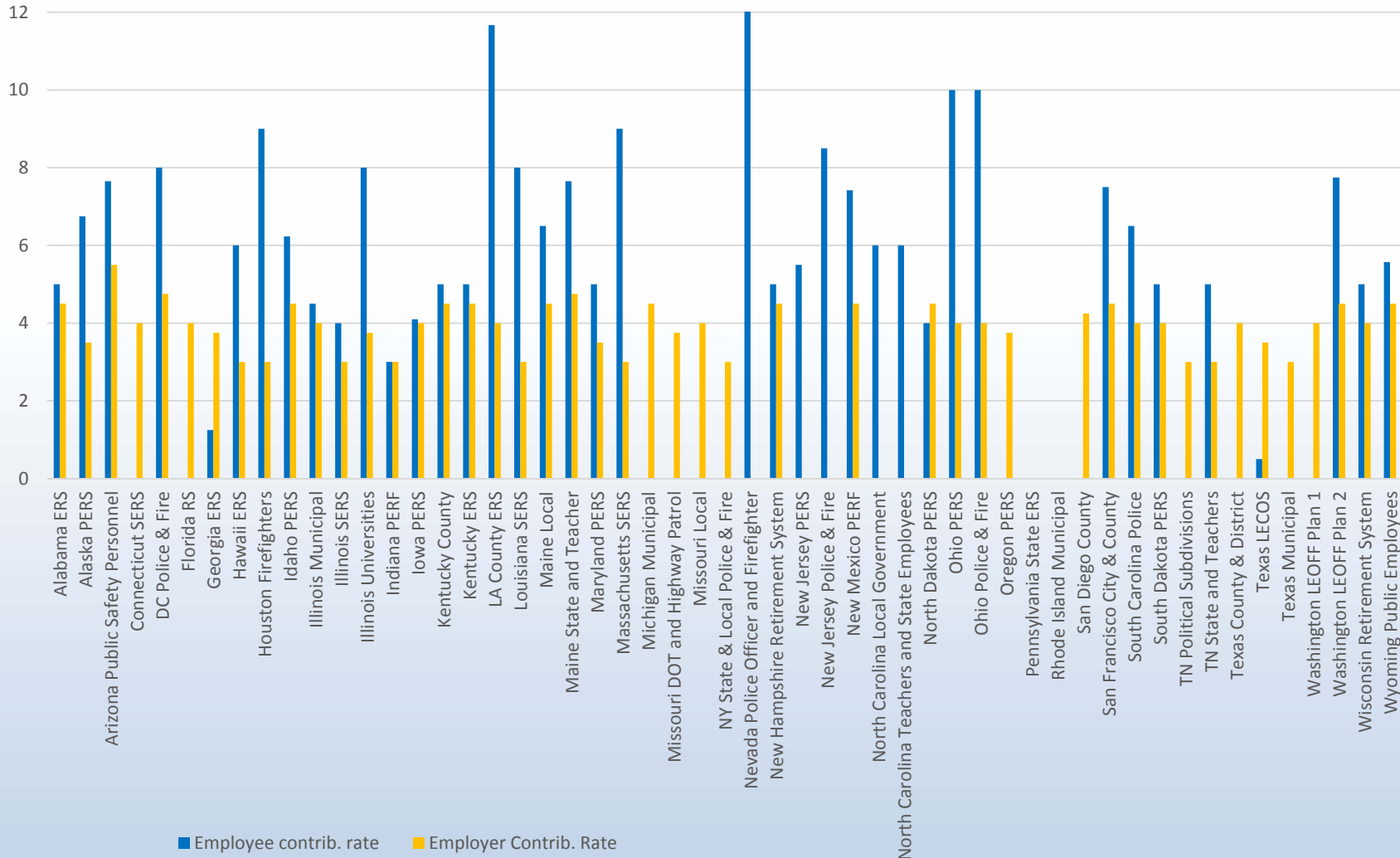
Appendix A: Membership by Plan



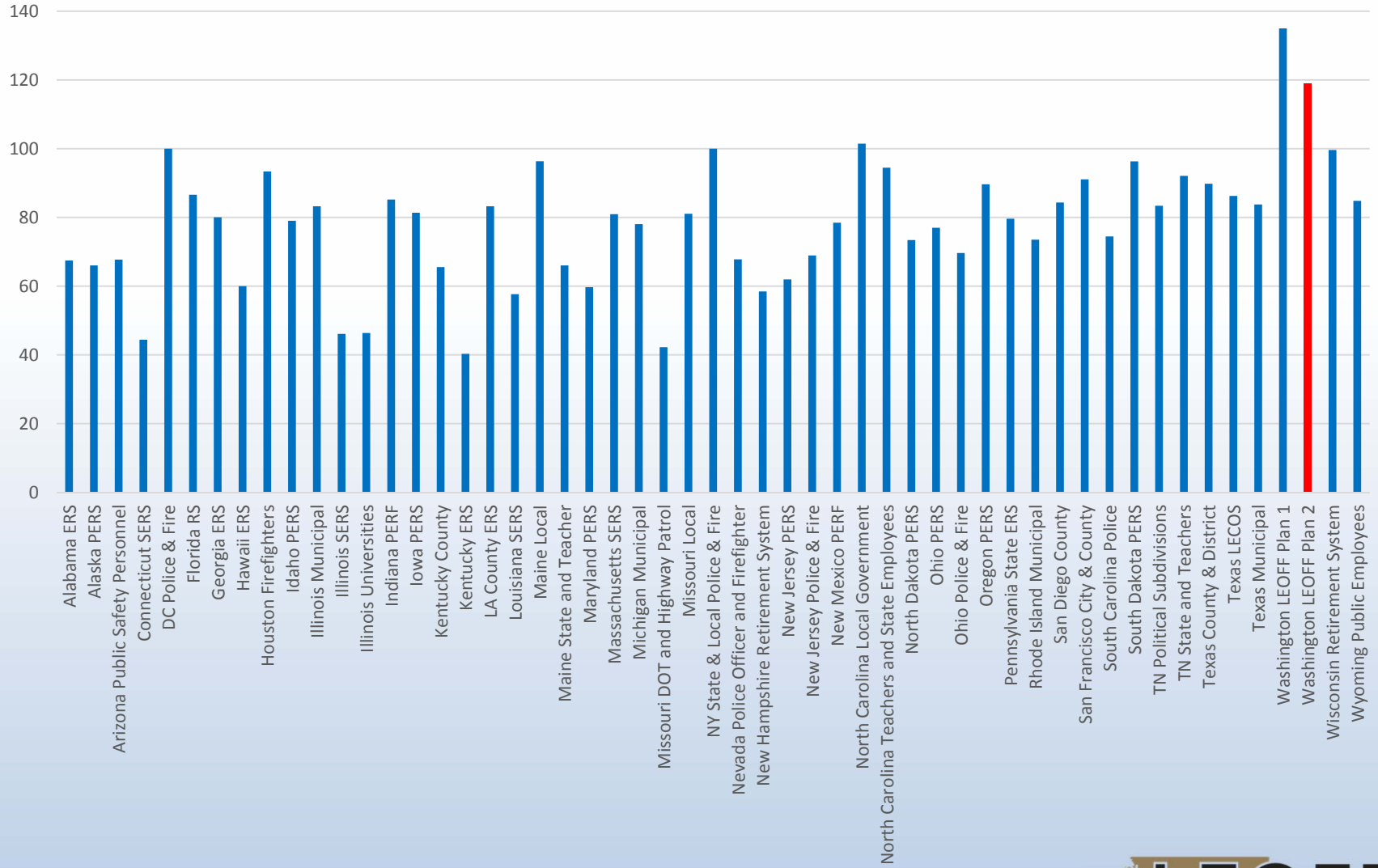
Appendix B: Average Yearly Benefit



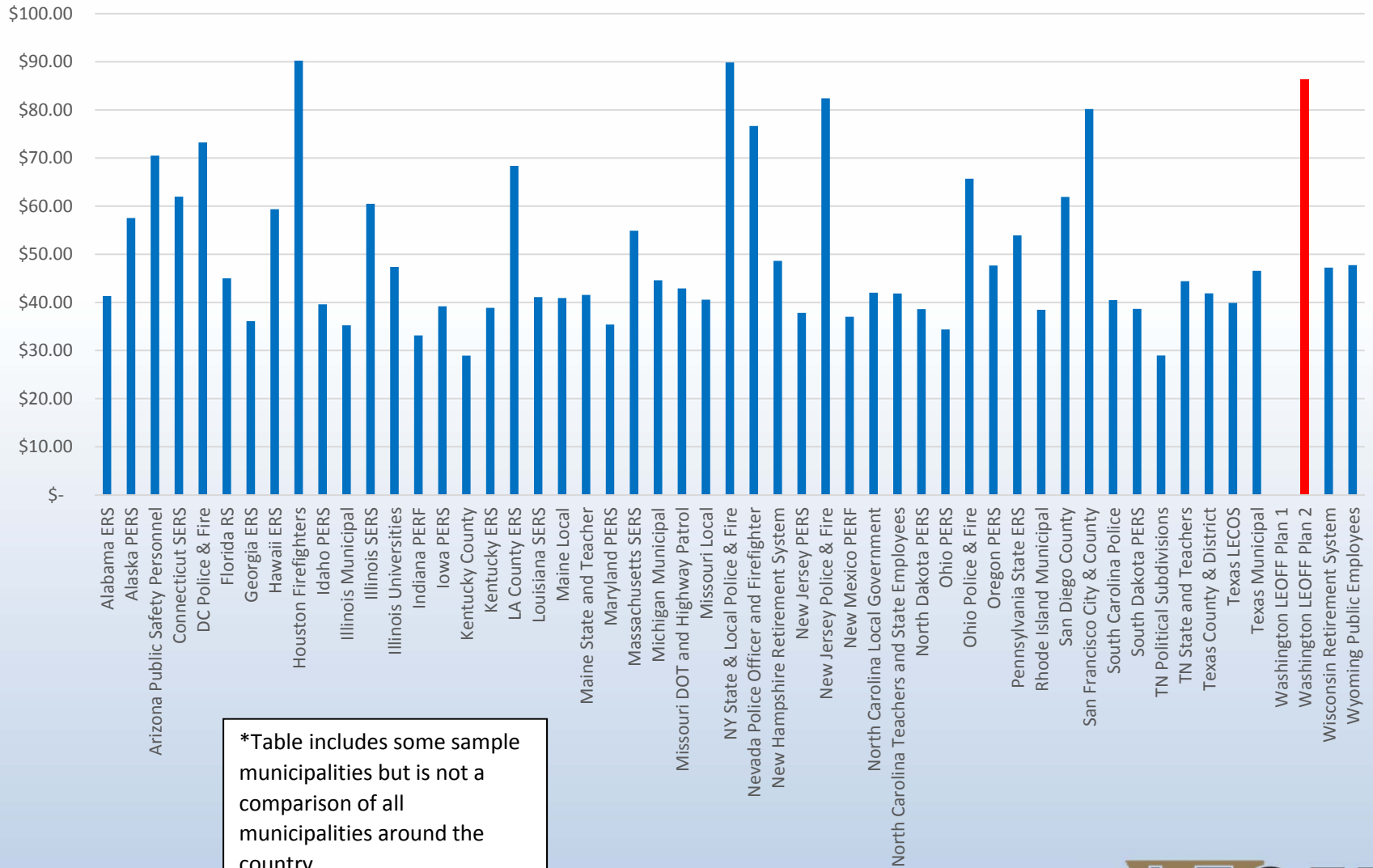
Appendix C: Contribution Rates



Appendix D: Funded Ratio



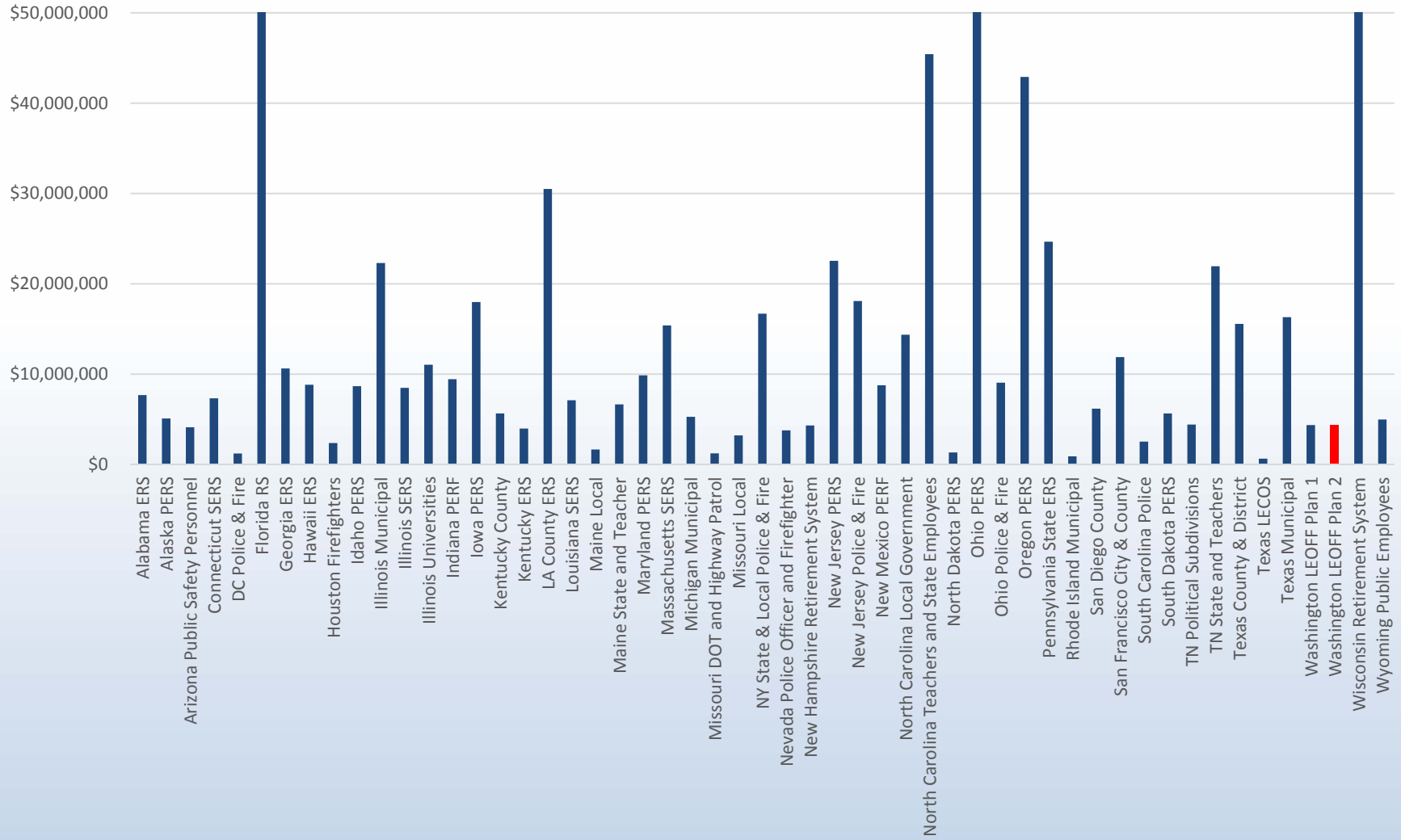
Appendix E: Average Salary (in thousands)



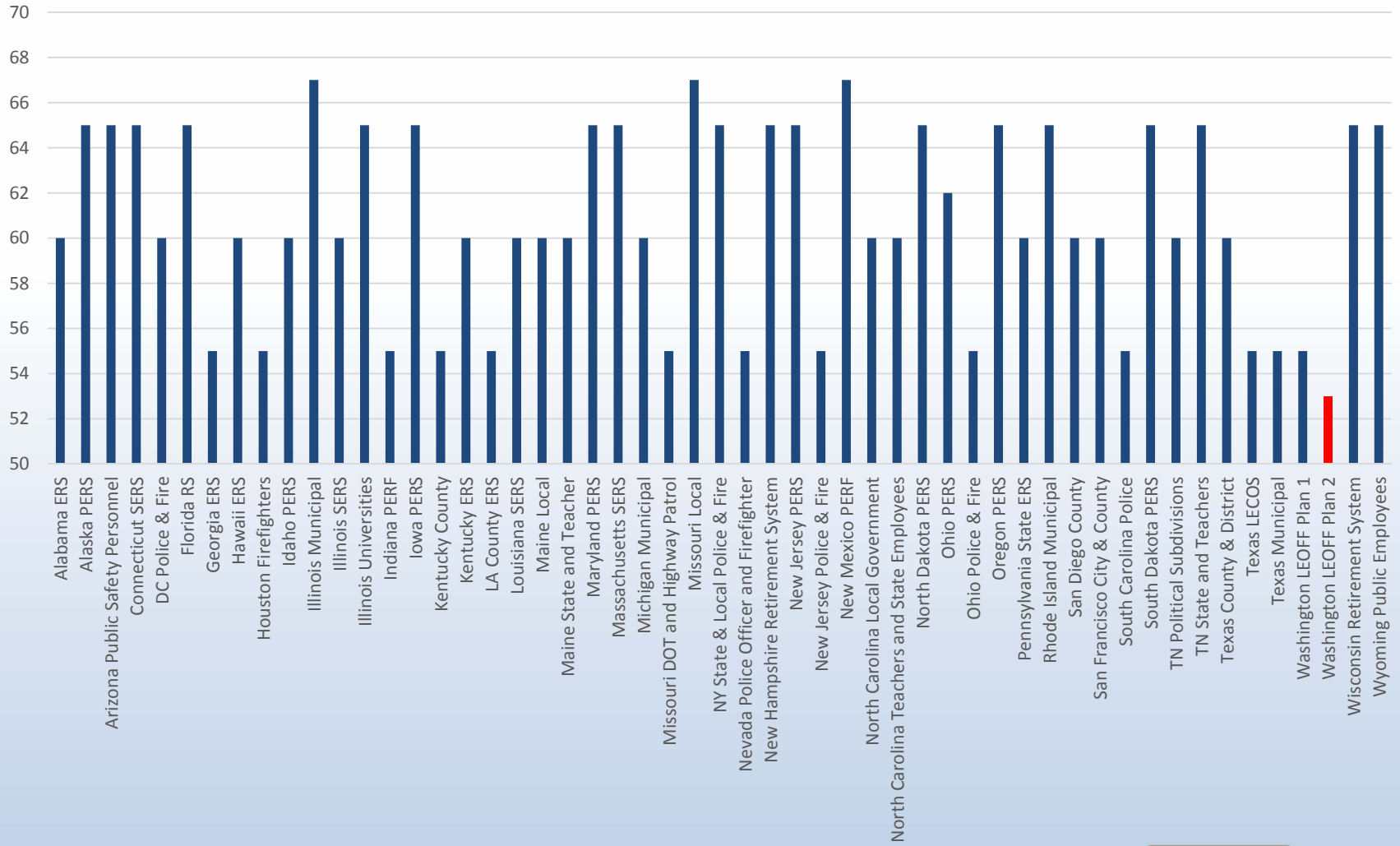
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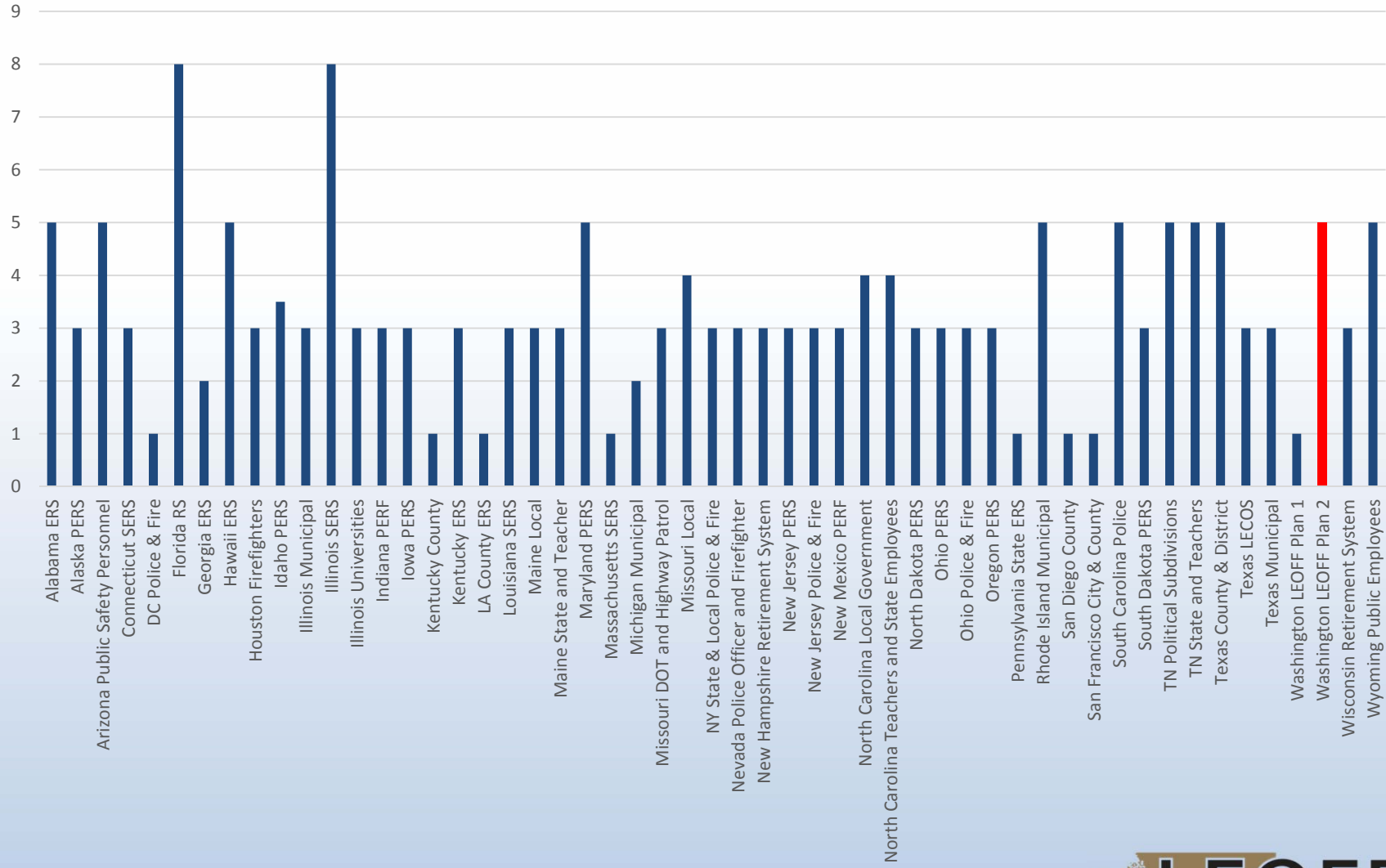
Appendix F: Market Assets



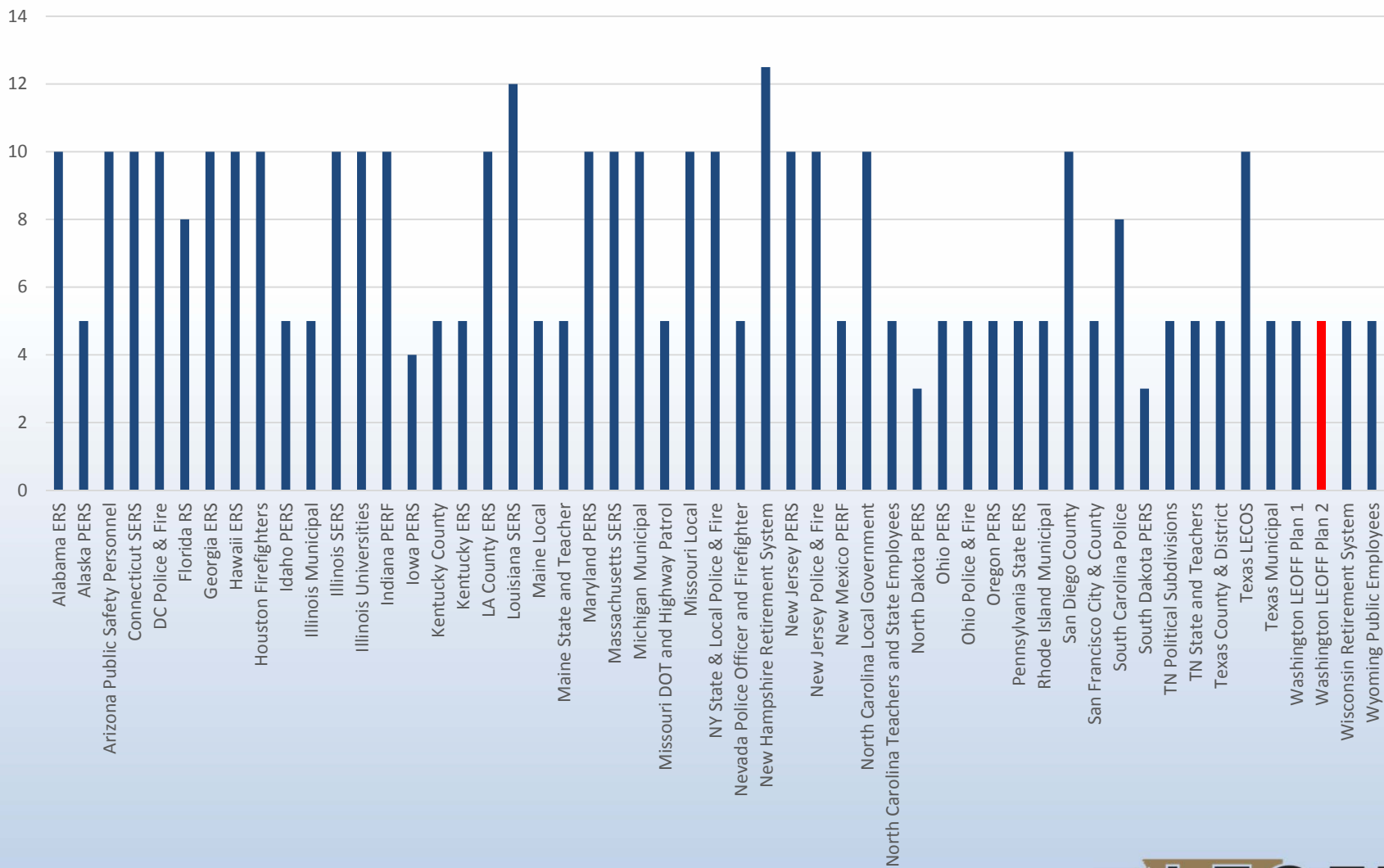
Appendix G: Normal Retirement Age



Appendix H: FAS Period



Appendix I: Vesting



Initial Findings

- Results that are particularly strong for LEOFF 2
 - Average annual benefit
 - 8th out of 53
 - Average salary
 - 3rd out of 53
 - Funded status
 - 2nd out of 53 (LEOFF 1 is 1st)
 - Low normal retirement age
 - 1st out of 53

Initial Findings Cont...

- Longer FAS period
 - Dwindles the risk of pension spiking
- Low retirement age
 - Ranked 1st out of 53 on age eligible to retire

Any Questions?

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