

Halverson, Beth

From: Gutierrez, Aaron
Sent: Friday, November 9, 2018 9:17 AM
To: @SCPP Members
Cc: @SCPP Assistants
Subject: SCPP: Message from Dir. Guerin on Administrative Costs of Annuities

Members of the Select Committee on Pension Policy,

Director Guerin asked me to forward the following message to you.

Thank you,

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“Supporting financial security for generations.”

This e-mail, related attachments, and any response may be subject to public disclosure under state law (Chapter 42.56 RCW).

Good morning SCPP members,

At the October Select Committee meeting a member asked if there would be an additional administrative cost to administer annuities with a purchase price of less than the current minimum of \$25,000 that is in place for LEOFF and WSPRS annuities.

During fiscal year 2017, 27 members of PERS, SERS and PSERS purchased additional service credit (air time) for amounts under \$25,000. If a purchase of additional annuity were available to that same population and the \$25,000 minimum was reduced to \$5,000, each of those 27 members could have made the purchase of the annuity in lieu of the additional service credit. The steps to add an annuity to a retiree’s pension benefit take approximately an additional quarter hour of time. The total fiscal year cost to the department of processing 27 additional annuities would be approximately \$174.

However, the department does not believe the an additional cost would be minimal as we are experiencing a change in staff activities as LEOFF, WSPRS, and TRS retirees shift from purchasing additional service credit to purchasing additional annuities. In fiscal year 2017 nearly all the additional purchases at time of retirement have been for annuities instead of service credit.

TRS has no minimum purchase amount and only one annuity was purchased that was under \$25,000 during the fiscal year.

Another concern with smaller annuity purchases would be if the administrative cost to the member is impacted by a smaller purchase price. This may be the case with private annuity purchases that charge additional fees or commissions where those charges divided by a smaller purchase price would result in higher administrative fees. The department does not charge any sort of processing fee and the same annuity administrative factors, as provided by the Office of the State Actuary, would be used for all annuity purchase within a system/plan, regardless of size of purchase.

We hope this explanation helps with the understanding of how these annuity purchases may work if implemented.

Tracy

Sent from my iPhone