Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary_st@leg.wa.gov

November 15, 2005

10:00 am - 1:30 pm
House Hearing Room A
Olympia

AGENDA

10:00 AM **(1)** **Approval of Minutes**

10:05 AM **(2)** **OSA Retire-Rehire Study Draft Report** - Laura Harper, Senior Research Analyst - Legal

10:30 AM **(3)** **2004 Actuarial Valuation Report** - Matt Smith, State Actuary

11:00 AM **(4)** **Gain-sharing Subgroup Report and Recommendations** - Representative Bill Fromhold, Subgroup Chair

11:30 AM **(5)** **Public Safety Subgroup Report and Recommendations** - Representative Steve Conway, Subgroup Chair

NOON **(6)** **Plan 1 Unfunded Liability Subgroup Report and Recommendations** - Victor Moore, Subgroup Chair

PUBLIC HEARING/POSSIBLE EXECUTIVE SESSION

12:30 PM **(7)** **Service Credit Purchase** - Laura Harper

1:00 PM **(8)** **Age 70 1/2 and Opt-In/Opt-Out** - Robert Wm. Baker

1:10 PM **(9)** **LEOFF 1 Benefit Cap** - Robert Wm. Baker

(10) **Public Testimony**

1:30 PM **(11)** **Adjourn**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 753-9144. TDD 1-800-635-9993.

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

***Senator Karen Fraser**, Vice Chair

***Representative Bill Fromhold**, Chair

***Leland A. Goeke**
TRS and SERS Employers

***Robert Keller**
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

Glenn Olson
PERS Employers

Senator Craig Pridemore

Diane Rae
TRS Actives

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

Select Committee on Pension Policy

Goals for Washington State Public Pensions

Revised and Adopted October 18, 2005

1. Contribution Rate Setting: To establish and maintain adequate, predictable and stable contribution rates, with equal cost-sharing by employers and employees in the Plans 2, so as to assure the long-term financial soundness of the retirement systems.

2. Balanced Long-Term Management: To manage the state retirement systems in such a way as to create stability, competitiveness, and adaptability in Washington's public pension plans, with responsiveness to human resource policies for recruiting and retaining a quality public workforce.

3. Retirement Eligibility: To establish a normal retirement age for members currently in the Plans 2/3 of PERS, SERS, and TRS that balances employer and employee needs, affordability, flexibility, and the value of the retirement benefit over time.

4. Purchasing Power: To restore lost purchasing power and, to the extent feasible, to increase future purchasing power of retiree benefits in the Plans 1 of PERS and TRS while providing long-term benefit security to retirees.

5. Consistency with the Statutory Goals within the Actuarial Funding Chapter: To be consistent with the goals outlined in the RCW 41.45.010:

    a. to provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State Retirement Systems;
    b. to continue to fully fund the retirement system plans 2 and 3, and the Washington State Patrol Retirement System, as provided by law;
    c. to fully amortize the total costs of PERS 1, TRS 1 and LEOFF 1, not later than June 30, 2024;
    d. to establish predictable long-term employer contribution rates which will remain a relatively predictable portion of future state budgets; and
    e. to fund, to the extent feasible, benefit increases over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

Select Committee on Pension Policy

2005 Meeting Schedule

(August 24, 2005)

June 20, 2005
10:00 AM - 6:30 PM
Senate Hearing Room 1
Orientation

June 21, 2005
9:30 AM - 12:30 PM
Senate Hearing Room 4

July 19, 2005
10:00 AM - 1:30 PM
House Hearing Room A

August 23, 2005
10:00 AM - 1:30 PM
House Hearing Room A

September 27, 2005
10:00 AM - 1:30 PM
House Hearing Room A

October 18, 2005
10:00 AM - 1:30 PM
House Hearing Room A

November 15, 2005
House Hearing Room A

December 13, 2005
House Hearing Room A

Select Committee on Pension Policy

Fiscal Impact Summary
2005 SCPP Proposals

(October 26, 2005)

2006-07 Total Fiscal Impact

(Cost in Millions)

	2006-07 GF-S	2006-07 Local	2006-07 Total Employer
Plan 3 Vesting			
PERS	$0.2	$0.5	$1.1
TRS	$0.9	$0.5	$1.4
SERS	$0.4	$0.6	$1.0
Total	$1.5	$1.6	$3.5
TRS Out-of-State Service			
TRS	$1.4	$0.8	$2.2
Total			
PERS	$0.2	$0.5	$1.1
TRS	$2.3	$1.3	$3.6
SERS	$0.4	$0.6	$1.0
LEOFF 1	$0.0	$0.0	$0.0
WSP	$0.0	$0.0	$0.0
All Systems	$2.9	$2.4	$5.7

2007-09 Total Fiscal Impact

(Cost in Millions)

	2007-09 GF-S	2007-09 Local	2007-09 Total Employer
Plan 3 Vesting			
PERS	$0.6	$1.5	$3.2
TRS	$2.1	$1.1	$3.2
SERS	$1.1	$1.7	$2.8
Total	$3.8	$4.3	$9.2
TRS Out-of-State Service			
TRS	$3.3	$1.6	$4.9
Total			
PERS	$0.6	$1.5	$3.2
TRS	$5.4	$2.7	$8.1
SERS	$1.1	$1.7	$2.8
LEOFF 1	$0.0	$0.0	$0.0
WSP	$0.0	$0.0	$0.0
All Systems	$7.1	$5.9	$14.1

25-Year Total Fiscal Impact

(Cost in Millions)

	25 Year GF-S	25 Year Local	25 Year Total Employer
Plan 3 Vesting			
PERS	$24.0	$63.8	$134.2
TRS	$70.7	$35.2	$105.9
SERS	$48.9	$73.7	$122.6
Total	$143.6	$172.7	$362.7
TRS Out-of-State Service			
TRS	$88.9	$44.5	$133.4
Total			
PERS	$24.0	$63.8	$134.2
TRS	$159.6	$79.7	$239.3
SERS	$48.9	$73.7	$122.6
LEOFF 1	$0.0	$0.0	$0.0
WSP	$0.0	$0.0	$0.0
All Systems	$232.5	$217.2	$496.1

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

FULL COMMITTEE
DRAFT MINUTES

October 18, 2005

The Select Committee on Pension Policy met in House Hearing Room A, Olympia, Washington on October 18, 2005.

Committee members attending:

Representative Fromhold, Chair	Sandra Matheson
Elaine Banks	Doug Miller
Lois Clement	Victor Moore
Representative Conway	Glenn Olson
Representative Crouse	Senator Pridemore
Senator Fraser	Diane Rae
Leland Goeke	J. Pat Thompson
Robert Keller	David Westberg

Representative Fromhold, Chair, called the meeting to order at 10:00 AM.

(1) Approval of Minutes

It was moved to approve the September 27, 2005 Draft Minutes.
Seconded.

MOTION CARRIED

(2) Introduction of New Staff

Matt Smith, State Actuary, introduced Troy Dempsey, newly hired Actuarial Assistant, and Darren Painter who transferred to a research analyst position.

(3) Revised SCPP Goals

It was moved to approve the "Revised SCPP Goals."
Seconded.

MOTION CARRIED

(4) Plan 1 Unfunded Liability Subgroup Report

Matt Smith, State Actuary, for Victor Moore, reported on the Plan 1 Unfunded Liability Subgroup meeting held October 3, 2005.

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

***Senator Karen Fraser,**
Vice Chair

***Representative Bill Fromhold,**
Chair

***Leland A. Goeke**
TRS and SERS Employers

***Robert Keller**
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

Glenn Olson
PERS Employers

Senator Craig Pridemore

Diane Rae
TRS Actives

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

Members received the October 25, 2005 Plan 1 Unfunded Liability Subgroup meeting packet.

(5) Disability Retirement

Bob Baker, Senior Research Analyst, presented a report on "Disability Retirement." Discussion followed

(6) Medicare Part D Briefing

Bob Baker, Senior Research Analyst, presented a report on "Medicare Part D Briefing." Discussion followed.

(7) Accounting for Post-Retirement Medical Benefits

Philip Martin McCaulay, Senior Pension Actuary, presented a report on "Accounting for Post-Retirement Medical Benefits." Discussion followed.

(8) Public Testimony:

Jim Justin, Association of Washington Cities
Mike Ryherd, Teamsters
Kelly Fox, Washington State Council of Firefighters
Greg Bergquist, Washington State Council of Firefighters
Ron Pedee, Washington State Council of Firefighters
Jim Finke, Spokane County Sheriffs Office
Lynn Maier, Washington Public Employees Association
John Kvamme, Washington Association of School Administrators/Association of Washington School Principals
Randy Parr, Washington Education Association
Wendy-Radar-Konofalski, Washington Federation of Teachers

(9) TRS Out-of-State Service Credit

It was moved that "TRS Out-of-State Service Credit" bill draft Z-0785.1/06 be recommended to the Legislature. Seconded.

MOTION CARRIED

(10) Plan 3 Vesting

It was moved that "Plan 3 Vesting" bill draft Z-0784.1/06 be recommended to the Legislature. Seconded.

MOTION CARRIED

The meeting adjourned at 1:00 PM.

O:\SCPP\2005\10-18-05 Full\Draft Minutes 10-18-05.wpd

Post-Retirement Employment Program Report

November 15, 2005

Office of the State Actuary

Laura Harper, JD, CPP
Senior Research Analyst

Retire-rehire is a bellwether….

- It's controversial.
- It raises questions about the role of the pension system.
- It reflects changing views of retirement.

Setting the stage….

- 2005 Study Mandate to OSA:
  - Cost of current program.
  - Alternatives to current program.
- Report to Ways and Means, Appropriations, and SCPP by December 1, 2005.

What the report is....

- Actuarial analysis:
  - Examines experience.
  - Compares experience to assumptions.
  - Projects liabilities/identifies costs.
- Consultation:
  - Examines current program.
  - Presents alternatives.

What the report is not….

- Does not determine workforce needs or how to address them.
- Does not take a position on whether the current program is working.
- Does not recommend a strategy (neutral).

Report is a resource….

- Reference tool for varied audience.
- Pick and choose topics and level of detail.
- Will not satisfy every reader, but every reader will find something satisfying.

Actuarial Experience Study

- Key finding:
  - The 2001 program expansion has resulted in earlier Plan 1 retirements.

Earlier retirement has a cost.

- Retirement benefits must be paid sooner and longer.
- There is a loss of expected member contributions.

What is the cost to employers?

Retirement System	Required Rate Increase
TRS 1	0.06%
PERS 1	0.01%

Projected Fiscal Impacts

Period	Total Employer Costs
2007-2009	$ 7.5 million
25-year cost	$101.5 million

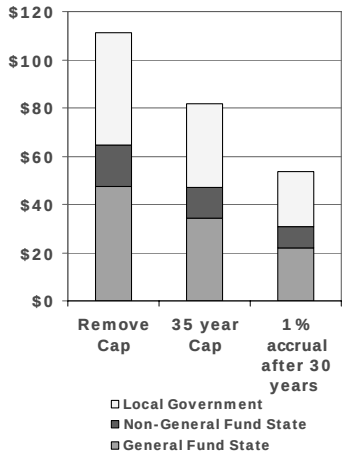
Alternatives

- System-wide incentives (remove or modify benefit cap).
- Amend.
- Repeal.
- Phased retirement.
- Deferred retirement option plan (DROP).

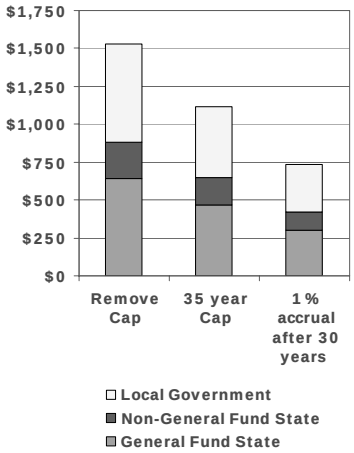
System-wide incentives

- Current Plan 1 benefit cap is 60 percent.
- Remove or amend cap as incentive for longer service.
  - Remove cap altogether.
  - Allow a partial (1 percent) benefit accrual after 30 years.
  - Increase the cap to 35 years (70 percent benefit).

2007-2009 Fiscal Costs
(After recognizing cost of current program)
$ in Millions



25 Year Fiscal Costs
(After recognizing cost of current program)
$ in Millions



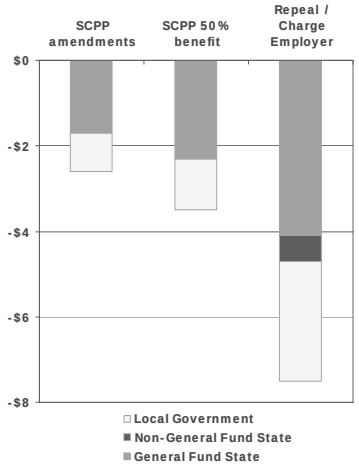
Amend current program

- Many options for amending.
- Bill that passed the House in 2005 session was very close to SCPP proposal.
- Study prices that bill, and the same bill with a 50 percent benefit reduction.

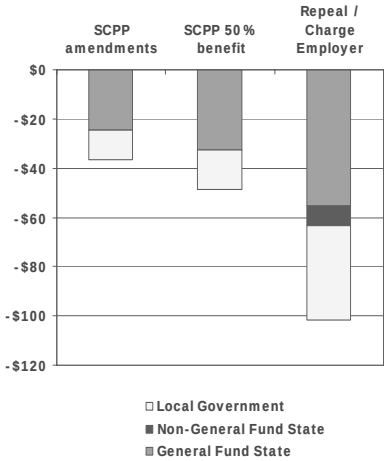
Repeal current program

- Contractual right?
  - November 2, 2005 AG opinion.
  - AG says non-contractual right clause is effective.
- Save cost of program?
- Litigation risk?

2007-2009 Fiscal Costs
(After recognizing cost of current program)
$ in Millions



25 Year Fiscal Costs
(After recognizing cost of current program)
$ in Millions



Phased retirement

- Partially retired, partially in service.
- Costs depend on program design; program design depends on goals.
- IRS has proposed DRAFT rules.

DROP

- Member “retires” but works during set period.
- Pension goes into special account.
- At end of DROP period, member has access to benefits in account.
- Costs depend on program design; program design depends on goals.

Changing workforce

- Do nothing.
- Change plan design.
- Utilize special programs.

Choosing a strategy

- Requires decision-making around goals.
- Expresses values about the role of the retirement system.
- Requires a balancing of Plan 1 needs
  - Amortize unfunded liability.
  - Provide security to retirees with respect to existing benefit structure.

Post-Retirement Employment Program Report

Public Employees' Retirement System Plan 1
Teachers' Retirement System Plan 1

Prepared for:
Select Committee on Pension Policy
Senate Committee on Ways and Means
House of Representatives Committee on Appropriations

Matt Smith, FCA, EA, MAAA
State Actuary

Laura Harper, JD, CPP
Senior Research Analyst

Report Prepared by:

Office of the State Actuary
Matthew M. Smith, FCA, EA, MAAA
State Actuary

Philip Martin McCaulay, FSA, EA, MAAA
Senior Pension Actuary
Robert Wm. Baker
Kelly Burkhart
Troy Dempsey
Laura Harper
Elizabeth Hyde
Darren Painter
Christine Ryser
Evan Sent
Christi Steele
Charlene Winner

Additional assistance provided by:
Department of Printing
Department of Retirement Systems

Contact Information:
Office of the State Actuary
PO Box 40914
Olympia, Washington 98504-0914

Phone: 360.786.6140
Fax: 360.586.8135

e-mail: actuary.state@leg.wa.gov

Table of Contents

Executive Summary i

Introduction xiii

Background and History 1

Plan Design in PERS and TRS 2

Current Post-Retirement Employment Program in Washington State 3

History of Retire-Rehire Legislation in the Plans 1 3

Comparison with Other Retirement Systems 5

Legal/Technical Issues 6

Fact Sheet 10

Actuarial Impact of the Current Program 11

Experience Study Methodology 11

Fiscal Impact on Plan 1 Funding and Future Contribution Rates 16

Preliminary Nature of the Experience Study 17

Effect on Plan 1 UAAL 18

Alternatives to Existing Program 19

Increase the Maximum Retirement Allowance 20

Amend the Current Retire-Rehire Program 23

Repeal the Current Program 28

Phased Retirement 30

Deferred Retirement Option Plan (DROP) 34

The Changing Workforce 39

Conclusion 47

Appendices 49

Executive Summary

Hot topics in the world of public employee retirement systems do not generally garner much attention outside the world of actuaries, attorneys, and benefits specialists. At least one retirement issue, however, attracts the attention of employers, employees, politicians, and the media alike – post-retirement employment or the practice of "retire-rehire."

As one of the more controversial issues for public pension systems, retire-rehire has received considerable attention in the press and Washington State is no exception. Washington's expanded post-retirement employment opportunities were the subject of analysis in Governing Magazine (July 2003). They were highlighted in numerous newspaper articles and editorials, including those published by the Olympian (September 9, 2002, and August 1, 2004), the Seattle Times (January 30, 2003, and February 1, 2002), the News Tribune (April 21, 2003), the Columbian (September 26, 2002), and the Daily of the University of Washington (May 7, 2004). They were also the subject of a King5 Investigative Report (May 24, 2004).

Perceptions of retire-rehire vary and opinions run deep. Public sector programs involving the re-employment of retirees are more sensitive than those in the private sector because of the perceptions they generate and their potential impact on taxpayers. Proponents of post-retirement employment argue that once a retirement benefit is earned, it should not matter whether the retiree returns to work with the same employer or whether that

Retire-Rehire:
Under retire-rehire, retired members return to work and earn a salary while drawing a retirement pension.

The following "windows" illustrate different views of workforce strategies in the public sector.

Actuarial View
- Identify costs
- Project future liabilities
- Monitor experience and assumptions

Employee View
- Increase long-term financial security
- Gain flexibility in later years of career
- Increase level of enjoyment and fulfillment

Employer View
- Retain experience base
- Address labor shortages
- Add workforce flexibility

Retirement System View
- Manage complexity
- Communicate change
- Avoid legal challenges and plan qualification issues

Political View
- Identify social and financial consequences
- Consider criticisms and perceptions
- Manage special interests while maintaining fairness

retiree works while drawing a pension. Opponents believe that drawing a public pension and earning a salary at the same time is "double dipping" and not retirement. As a philosophical matter, the retire-rehire debate gets to the very purpose of retirement – that is, whether a retirement pension is to provide income security to those leaving the workforce, or whether it is a reward for completing a determined number of years in a career.

Changing workforce dynamics are altering our views of retirement, and the retire-rehire issue is one bellwether for this shift. As the workforce is aging, older workers are expressing both the need and the desire to remain in the workforce longer. Accordingly, for those age 65 and older, the percentage of income from work is increasing. At the same time, employees are showing an interest in more flexible work arrangements that will enhance their enjoyment of work in their later years. Similarly, employers are focusing on experienced workers as important resources in their workforce plans.

The retire-rehire debate raises the question of whether the retirement system should be used as a personnel tool for achieving human resource goals. Washington's 2001 expansion of the retire-rehire program for the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) Plans 1 was initially implemented in response to a shortage of employees with skills in high demand. It allows retirees who desire to work up to 1,500 hours in a calendar year to be re-employed after a waiting period. The retiree can receive both a pension and a salary during the period of post-retirement employment. Since the Plans 1 are service-based plans, the retire-rehire program was used to counter built-in Plan 1 incentives to retire early such as the "30 years and out" retirement eligibility and the 60 percent benefit cap.

"Changing workforce dynamics are altering our views of retirement...."

A 2005 study mandate from the Washington State Legislature directed the Office of the State Actuary (OSA) to conduct an actuarial analysis of the expanded retire-rehire program for the Plans 1 of TRS and PERS. The OSA was also asked to investigate a range of legislative alternatives to the current retire-rehire program. Those alternatives include several proposals to increase the maximum retirement allowance in the Plans 1 beyond 60 percent of final compensation, all of which have been priced; amendments to the existing program, some of which have been priced; repeal of the 2001 expansion of the existing program; a phased retirement program, and a Deferred Retirement Option Plan (DROP).

Certainly cost is a significant factor in determining the future of the current retire-rehire program in Washington State, but there are many other decisions to be made in evaluating whether to retain the current program or to develop and implement one or more alternative workforce strategies. Ultimately, any selected strategy should reflect the goals for the program. **This report does not recommend a goal or strategy.** Instead, it examines retire-rehire and its alternatives from the perspectives of employers, employees and policy makers, while analyzing the issue from administrative and actuarial perspectives. This report is intended as a tool for decision-makers as well as those who seek to influence them.

In examining retire-rehire and its alternatives, the OSA recognizes that the service-based plan design of TRS 1 and PERS 1 encourages members to retire earlier and seek additional

employment opportunities with their employers prior to leaving the workforce. Generally speaking, the legislature can respond by taking any of the following paths:

1. Do nothing, leaving retirees to fend for themselves.
2. Change the plan design to grant incentives for members to stay longer (such as removing or increasing the Plan 1 benefit cap).
3. Create additional employment opportunities and workplace flexibility such as retire-rehire, DROP or phased retirement.

The latter two paths assume that conditions warrant or require public sector opportunities for retirement system members to work longer. Taken together, the three paths represent a full spectrum of strategies that embody differing values about the role of the public employee retirement system in workplace dynamics.

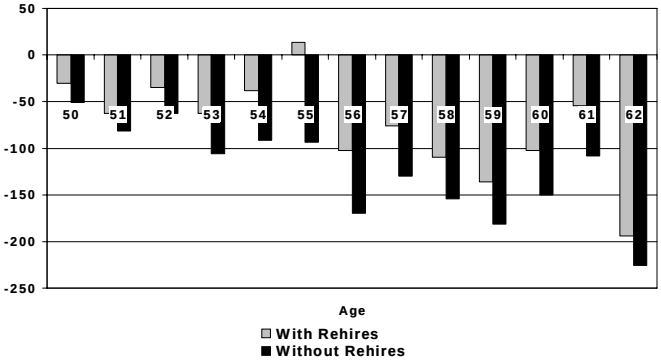
In 2001 the legislature chose the path of creating additional employment opportunities and workplace flexibility by expanding its post-retirement employment program. Whether the program has been an effective workforce strategy for meeting human resource goals is beyond the scope of analysis by the OSA. In any event, the current program is drawing attention and scrutiny in the media as cases of abuse, or perceived abuse, have made headlines over the last several years. Also, as the state budget has faced repeated shortfalls, legislators have questioned whether the program is creating unintended costs for the Plans 1 that need to be managed.

Actuarial Experience Study

In order to determine the cost of the current program, the OSA has conducted an actuarial experience study. This study looks at retirement data from the inception of the expanded program and compares (a) the actual and expected retirements of all TRS and PERS Plan 1 members with (b) the actual and expected retirements of members excluding those rehired after retirement. The hypothesis of the study is that the two groups should have the same retirement behavior if retire-rehire has no effect.

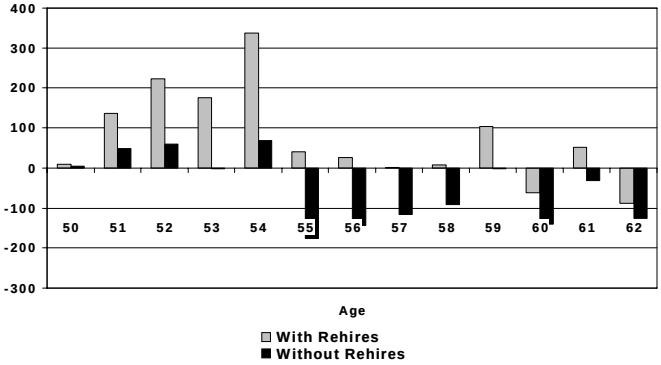
PERS Plan 1

Actual Minus Expected Retirements During Experience Study Period



TRS Plan 1

Actual Minus Expected Retirements During Experience Study Period

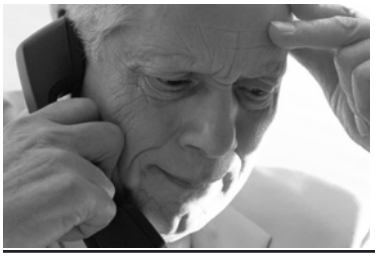


Actuarial Experience Study:
An actuarial experience study compares assumptions with actual statistics of events related to those assumptions. Experience may include estimates where data are incomplete or insufficient.

The charts illustrate that the difference between actual and expected retirements - with rehires and without them - is different at every age. Thus, **the conclusion of the study is that the retire-rehire program has an effect on retirement behavior.** The effect is that members are retiring earlier, and earlier retirement has a retirement system cost. Why is there a cost? When retirements that were assumed and funded to occur at a later date occur earlier, the attendant retirement benefits must be paid sooner than expected and over a longer period of time. Also, there is a loss of expected member contributions to the retirement system.

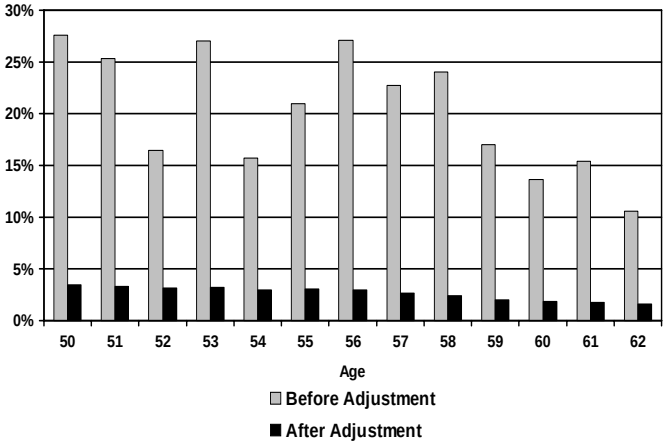
In order to determine the appropriate amount of the change in retirement experience that should be attributed to the expanded retire-rehire program and applied to future retirement expectations, the data from this study was adjusted according to actuarial standards of practice using a series of factors. These factors include adjustments for a partial experience period and a credibility weighting. The other adjustment factor is based on the portion of rehires that are working over the pre-2001 hour limits (currently 40 percent of rehires).

The following bar charts illustrate the increase in retirement rates for PERS 1 and TRS 1 due to the 2001 program changes. The increases are shown before and after applying the adjustment factors.



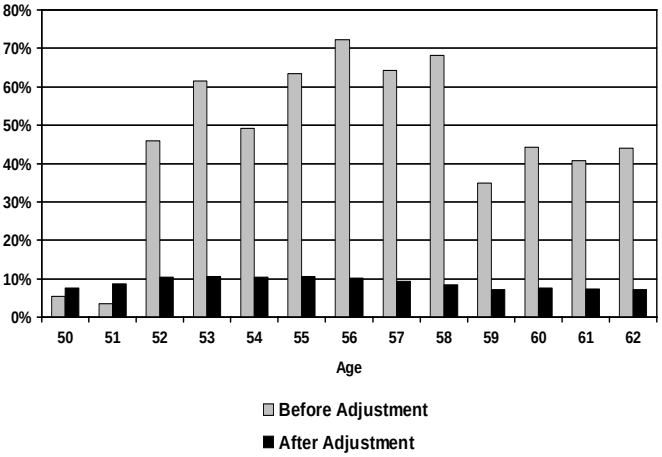
PERS Plan 1

Increase in Retirement Rates
Due to Program Changes



TRS Plan 1

Increase in Retirement Rates
Due to Program Changes



These charts illustrate that in the current experience study, application of the adjustment factors resulted in an assumption change about future retirement rates that was attributed to a relatively small percentage of the total experience differential found in the study. As more experience data is gathered in the future, the adjustment factor for partial experience will automatically fall away. This means that if the same experience continues into the future, the costs of the program will increase over time. (See Experience Study Methodology, page 11 et seq.)

Once the change in retirement experience was identified and adjusted, retirement system costs were projected using the new assumptions about future retirement rates.

The results, based on data available since the program's inception in 2001, require a 0.06 percent increase in employer contribution rates to pay for the existing program in TRS 1 and a 0.01 percent increase in employer contribution rates for PERS 1.

Projected Long-Term Increase in Employer Contribution Rates for 2001 Expansion

Retirement Plan	Required Rate Increase
TRS 1	0.06%
PERS 1	0.01%

The projected fiscal impacts of continuing the program in its current form include a total employer cost of $7.5 million for the 2007-2009 biennium, and a 25-year total employer cost of $101.5 million.

Projected Fiscal Impacts of 2001 Expansion

Period	Total Employer Costs
2007-2009	$ 7.5 million
25-year cost	$101.5 million

If the current program continues into the future, its attendant costs will be included in the calculation of the unfunded actuarial accrued liability (UAAL) for the Plans 1, which currently stands at approximately $4 billion. Payments for this liability are collected from employers in the form of contribution rates that are represented as a percentage of payroll. As set forth in current funding policy, the employers who participate in paying these costs are not limited to just employers of Plan 1 members; instead, the costs are spread among all PERS, TRS, School Employees' Retirement System (SERS), and Public Safety Employees' Retirement System (PSERS) employers and amortized at 2024 (the date by which virtually all Plan 1 members are expected to retire).

The special funding policy of "spreading" the Plan 1 costs was adopted in order to make payments more manageable. The effect of this funding policy is that any contribution rate increase associated with a Plan 1 benefit improvement will be much smaller than otherwise required under the standard approach used for pricing benefit increases in the other plans. In other words, a benefit improvement in the Plans 1 will appear to be much less expensive than the same benefit improvement in the Plans 2/3. Thus, awareness of the Plan 1 funding policy is an important factor in assessing the magnitude of projected costs.

Alternatives

The 2005 legislative study mandate also requested that the OSA examine **alternatives to the current retire-rehire program**. One alternative is to encourage members to work beyond normal retirement eligibility without retiring. An incentive for longer service could be created by amending the Plans 1 so that members can continue to accrue benefits by working more years. This could be accomplished by removing the current cap on Plan 1 retirement benefits or otherwise **increasing the maximum retirement allowance** that can be earned by Plan 1 members late in their career. Presumably, this change in plan design would reward members for staying in the workforce longer and thereby reduce the need to re-employ retirees.

System-wide Incentives:

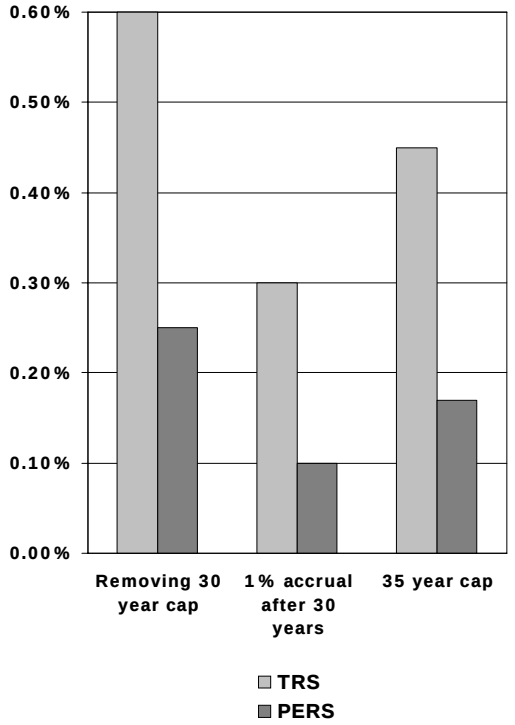
System-wide incentives give members who choose to continue to work past normal retirement age the opportunity to accrue additional benefits that will enhance their final retirement pension.

Eliminating the Plan 1 benefit cap proved to be the most expensive of all the alternatives examined in this report. For this reason, two less expensive alternatives are presented that would still offer some opportunity for members who stay in the workforce longer to accrue a better benefit. One would allow members to continue to accrue a 1 percent benefit (instead of 2 percent) after reaching 30 years of service. The other would increase the benefit cap from 30 years to 35, meaning that members could continue to accrue a 2 percent benefit until reaching 35 years of service, resulting in a maximum retirement allowance of 70 percent.

The first of the following three charts summarizes and compares the resulting increase in employer contribution rates associated with these three strategies for increasing the maximum retirement allowance. Contribution rates are expressed as a percentage of pay for TRS and PERS 1, respectively. The contribution rate chart is followed by two additional charts that summarize the fiscal impacts of these strategies for the 2007-2009 biennium and over 25 years. All three charts assume that the current program is replaced and each chart already accounts for the savings that would result from replacing the current program.

Change in Employer Contributions Rates

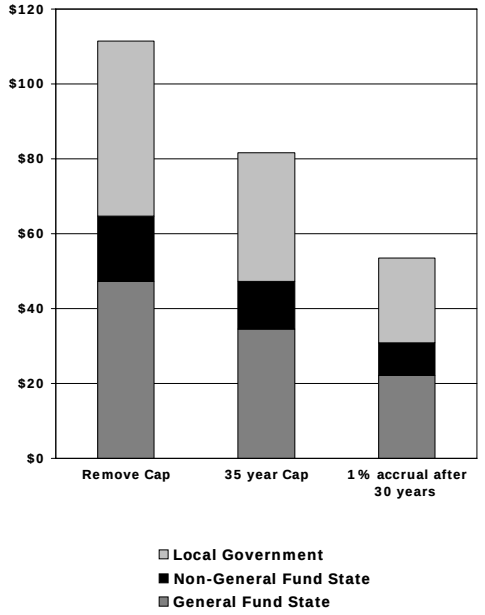
(After recognizing cost of current program)



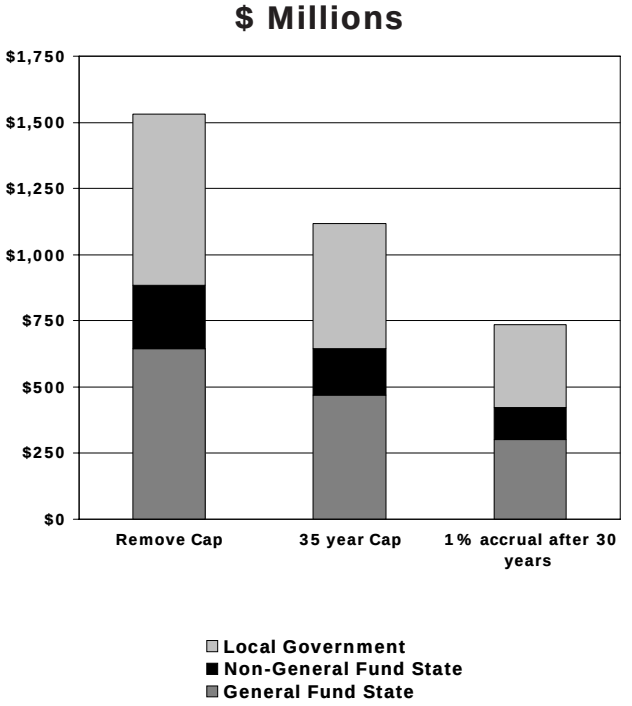
2007-2009 Fiscal Costs, PERS & TRS

(After recognizing cost of current program)

$ Millions



25 Year Fiscal Costs, PERS & TRS
(After recognizing cost of current program)



Any of these strategies to increase the maximum retirement allowance will be expensive in relation to other alternatives because they are system-wide changes that can apply to any active member. From a member perspective, the approach is consistent in its application and provides a desirable benefit to participants. From an employer perspective, legal impediments are few but cost is significant. As a workforce strategy, this approach is more appropriate for targeting an age cohort than a specific job sector. In any event, this approach raises the issue of whether it is appropriate to change the design and benefit structure of a closed plan whose members will all be retired in a matter of two decades.

"The OSA priced two proposals for amending the current program, both of which would decrease the current program's costs."

Another alternative for the legislature to consider is to **keep the existing program but amend it**. In fact, many legislative amendments have been proposed since the current program's inception in 2001. They include the following: reduce or eliminate the costs; create more parity between PERS 1 and TRS 1; avoid "insider agreements" to rehire particular individuals; and limit the applicability of the program. In contrast, two proposals would have expanded the program by increasing or eliminating the cumulative lifetime limits.

The OSA has priced two proposals for **amending** the current program, both of which would decrease the current program's costs. The elements in the first proposal are contained in SHB 1326/SB 5244 (2005), a copy of which is provided in the appendix. This bill, a slightly amended version of the Select Committee on Pension Policy's 2004 interim proposal (SCPP proposal), would bring parity to the Plans 1 by establishing additional controls in TRS 1 similar to those in PERS 1. It also would increase the cumulative lifetime limit in PERS 1 from 1,900 to 3,165 (hours worked over 867) and would create a new cumulative lifetime limit of 1,900 working hours for TRS 1. (Note: The original SCPP version proposed a cumulative lifetime limit of 3,165 hours for both plans.)

The second proposal for amending the current program that was priced by the OSA would apply the SCPP program changes, but would also reduce the retirement benefit paid to retirees while working by 50 percent. This proposal was not introduced as legislation during the 2005 session, but it could be considered as a compromise between retaining an amended program and repealing it altogether.

From a member perspective, amending the program to create parity would bring more consistency to the program. From an employer perspective, it would reduce costs

somewhat by applying more restrictions to the TRS 1 program participants than currently exist. As a workforce strategy, the program could be rendered less effective if, for example, teacher shortages persist and the ability to address them is reduced. In any event, perceptions of the program could be improved by amendments that achieve more parity and establish controls to avoid potential abuse.

Repealing the 2001 program expansion would, as a fiscal matter, result in retirement system savings that are at least equivalent to the costs identified by this report as being attributable to the program. The major area of concern in deciding whether to repeal the current program is the legal issue of vested or contractual rights. The legislation that created the 2001 program expansion included a "no contractual rights clause." The ability of the legislature to restrict employee reliance upon a statutory expansion of benefits by utilizing a "no contractual right clause" has not yet been tested in the Washington courts.

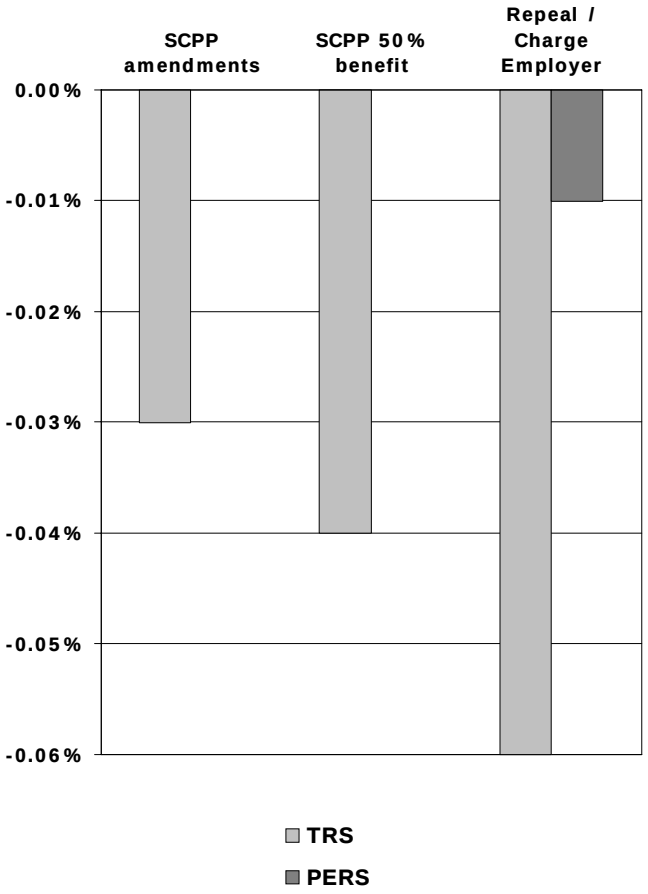
From a member perspective, **repealing** the current program would be a reduction in benefits. From an employer perspective, there could be cost savings but less flexibility for hiring experienced employees. As a workforce strategy, repeal could be appropriate if there is no longer a need for the program; but if the program is still needed to address labor shortages, then keeping the program or replacing it with an alternate strategy may be necessary. In any event, the cloud of legal uncertainty makes costs associated with the repeal option uncertain. Under a worst case scenario, a repeal and replacement of the current program could result in employers picking up litigation costs, the costs of all or part of the repealed program, and the costs of any replacement program.

The first of the following three charts illustrates the changes in employer contribution rates that would result from (a) amending the program and (b) amending it with a 50 percent benefit reduction. Contribution rates are expressed as a percentage of pay. For comparison purposes, these two options are presented along with the option of either repealing the program altogether or charging employers the full cost of the program. This third option, (i.e. repeal or charge employers), is the option that would eliminate the cost of the current program altogether– either because the program no

longer exists or because the program is fully funded by employers who utilize the program through increased contribution rates. All three options show a savings because they are evaluated in light of the cost of the existing program.

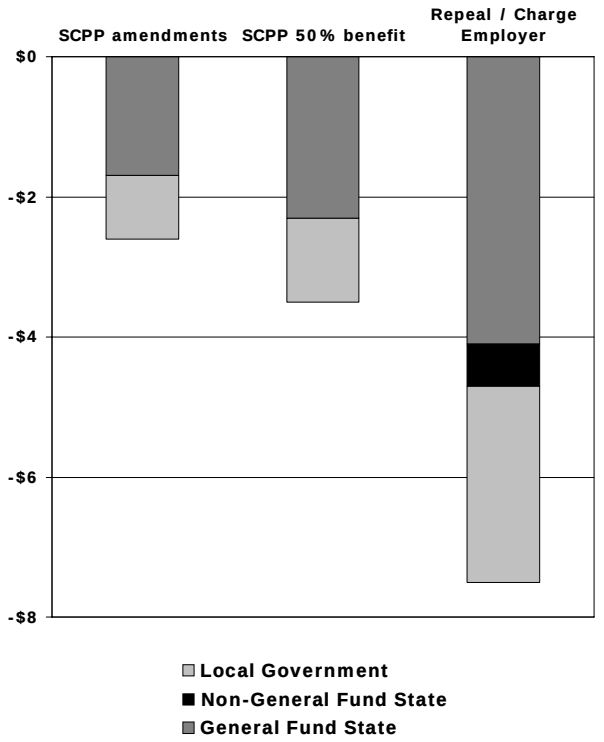
Two additional charts illustrate the fiscal impacts of amending the program as outlined in SHB 1326/SB 5244 (2005), and amending it with a 50 percent benefit reduction. Again, these two options are presented along with the option of either repealing the program altogether, or charging employers the full cost of the program (i.e. no cost option). All three options show a savings because they were evaluated in light of the cost of the current program.

Change in Employer Contribution Rates
(After recognizing cost of current program)



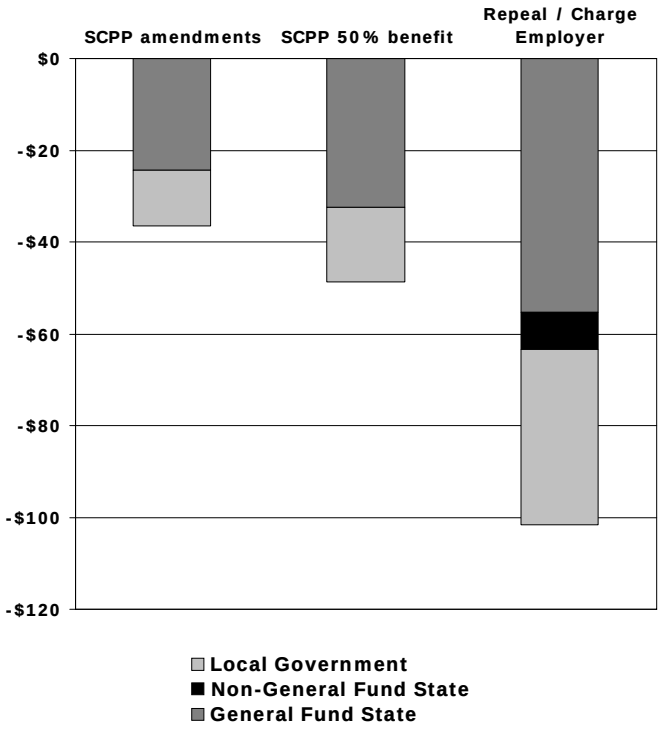
2007-2009 Fiscal Costs, PERS & TRS
(After recognizing cost of current program)

$ Millions



25 Year Fiscal Costs, PERS & TRS
(After recognizing cost of current program)

$ Millions



Phased Retirement:
Phased retirement allows members to receive part of a retirement benefit and work part-time, while continuing to earn part of a benefit.

Other Workforce Strategies

Should the legislature seek to explore other workforce strategies, it may also wish to consider the possibility of a **phased retirement program**. Phased retirement could replace or complement retire-rehire. It could allow members to transition into retirement by working part-time and receiving a partial benefit. Such members would have dual status: partially retired and partially in service.

The IRS has proposed rules to allow for phased retirement programs, but the rules are not yet final. Any legislation authorizing such a program for the Plans 1 would be premature until that time. Also, implementation of a phased retirement program would require significant planning in terms of IRS compliance testing, new programming, and integration with other benefits and programs.

From a member perspective, phased retirement could provide the kind of late-career flexibility that would allow or encourage members to work longer. From an employer perspective, it may allow for the retention of experienced staff. As a workforce strategy, it can be used to target specific sectors or can be used on a system-wide basis. The program can be designed as a benefit that allows employees to transition out of the workforce earlier, or costs can be controlled by structuring the program to avoid early retirements.

A **Deferred Retirement Option Plan (DROP)** is another workforce strategy for end-of-career employees. It may be designed to manage critical sector shortages by encouraging employees to stay longer or it may be structured as an incentive to retire early. DROPs may be designed to have a cost or to be cost-neutral.

In a standard DROP, a member who is eligible for retirement makes an election to enter the DROP for a set period. During that period, the employee becomes a retiree for pension purposes while still working for the employer and drawing a salary. No service credit is earned during the DROP period. However, the member's retirement benefit is paid into a special account where it can accumulate and earn interest or be invested by the member. At the end of the DROP period, the retirement benefit is paid directly to the member and the balance in the DROP account can be distributed or rolled over according to plan rules.

The biggest risk with a DROP program is that it is impossible to predict who will opt for DROP and who will stay with the traditional pension plan. This can cause unintended consequences. If more employees opt to participate in DROP than expected, DROPs can even cause staffing crunches. Similarly, DROPs may create funding problems if there is a significant unexpected increase in early retirements. Still, if carefully designed, DROPs can be a useful workforce strategy.

DROP - Deferred Retirement Option Program:
In a DROP, members "retire" and direct their retirement pension into a special account while continuing to work for the same employer. At the conclusion of the DROP period, they have access to the accumulated benefits in the account. Members do not accrue new service credit during the DROP period.

To summarize, the legislature faces an array of choices with respect to the current retire-rehire program for the Plans 1. It will be necessary to specifically define the policy goals for any program changes in order to effectively implement one or more of the strategies described in this report. In deciding whether to incur a cost in connection with any Plan 1 benefit enhancements, policy makers will need to balance the need for long-term benefit security in the Plans 1 against the more immediate human resource needs that may be emerging in the public workforce.

Applying "Views" of Post-Retirement Employment to the Alternatives

	Actuarial View	Employee View	Employer View	Retirement System View	Political View
Retire-Rehire (Current)	Costs are determined over time.	Job may not be available.	Can address workforce shortages.	In place.	Controversial; popular with certain stakeholders.
Increase Maximum Allowance	Most costly.	System-wide benefit.	Provides incentives to work longer.	Requires program changes and member communication.	More consistent. More costly.
Amend Current Program	Cost varies.	More parity; more restrictions possible.	Could interfere with employer goals.	Litigation likely with certain amendments.	Litigation likely with certain amendments.
Repeal Current Program	Saves benefit costs.	Takes something away.	Could magnify shortages/lead to hiring crunch.	Litigation likely.	Litigation likely.
Phased Retirement	Targets costs.	Provides flexibility.	Facilitates retention of older workers.	Very complex; breaks new ground.	Responds to workforce trends and older employees; IRS regs. not final; timing uncertain.
DROP	Targets costs; some risk.	Provides flexibility.	Facilitates retention or replacement of older workers.	Very complex; some risks of unintended consequences.	Possible criticism for effects on highly paid employees; some risk of unintended consequences.

Introduction to the Comprehensive Report

This report is divided into several sections. The first section provides the **background** information that is necessary for understanding post-retirement employment in the State of Washington. The second section presents an **actuarial analysis** of the current retire-rehire program in the Plans 1 of the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS), including a description of the TRS 1 and PERS 1 experience studies conducted by the Office of the State Actuary (OSA) and the conclusions regarding the fiscal impacts of the program since its expansion in 2001. Next, the report examines various **alternatives to the existing program**. Where possible, the fiscal impacts of these alternatives are provided. Finally, the report contains a discussion of the **changing workforce** in order to provide a context for evaluating not only the existing program, but also any alternatives or plan design changes that might be considered for adoption by the Legislature. The report's conclusion is followed by **appendices** containing copies of documents that are referenced in the report as well as **demographic information** about those participating in the current retire-rehire program.

This report is intended as a reference tool for a varied audience. The table of contents will facilitate its use as a resource. This report is a companion to the 2003 Post-Retirement Employment Report by the OSA. The 2003 report is available on the OSA website at: http://osa.leg.wa.gov/Pension_Studies.htm.

"This report is intended as a tool for decision makers...."

Retire-rehire:
Retired members return to work and earn a salary while drawing a retirement pension.

Background and History

Study Mandate

This study was conducted by the OSA in response to the legislative mandate in Chapter 518, Laws of 2005. In ESSB 6090 (2005 operating budget bill), the Washington State Legislature directed the State Actuary to conduct an actuarial analysis of the fiscal impact of the retire-rehire program for PERS and TRS Plans 1 as enacted by Chapter 10, Laws of 2001 (2001 law) and Chapter 412, Laws of 2003, (2003 law). In addition, the State Actuary was directed to present a range of legislative alternatives to the Plan 1 retire-rehire program, including an actuarial analysis of the fiscal impact of proposals to increase the maximum retirement allowance beyond 60 percent of average final compensation. As required in the study mandate, this analysis is submitted to the Select Committee on Pension Policy (SCPP), Senate Committee on Ways and Means, and the House of Representatives Committee on Appropriations. A copy of the study mandate is included in the Appendices.

Overview

Post-retirement employment is one of the most controversial issues that public pension policy-makers face. The controversy arises when the retired employee is allowed to draw a retirement benefit while earning a salary and, in some instances, while accruing another benefit. There are at least two philosophies of post-retirement employment:

1) "They earned it and the benefit is paid for, so why not?"
2) "If it's not restricted, it leads to double dipping and abuse."

Proponents of the first view tend to favor a **service-based retirement plan**. Service-based retirement is not tied to age but to the number of years served. The philosophy is that once a public employee has reached a certain number of years of service, that employee should be able to retire regardless of age. These plans may be funded based on the assumption that members will retire when they first become eligible, which may result in higher contribution rates. Average retirement ages for these kinds of plans will be slightly younger than for aged-based plans. Allowing retirees to return to work without suspension of the pension benefit may not be considered objectionable because there is confidence that the retiree's pension is already paid for.

Proponents of the second view tend to favor **age-based plans**. They prefer to avoid situations that involve the re-employment of public employees who have already retired and often seek to retain workers in the system until they reach what is deemed to be an appropriate, normal retirement age. Age-based plans tend to provide mechanisms for members to continue to accrue benefits for working more years and working later in life. Such plans

may even discourage or penalize those who seek early retirement. Proponents of the second view may seek to forbid post-retirement employment altogether unless the retirement benefit is suspended. Under the second view, if post-retirement employment is allowed, it may be restricted to part-time by imposing hour limits or earnings tests that trigger suspension of the retirement benefit.

The distinctions between service-based and age-based plans points to philosophical differences about the nature of retirement. Is retirement simply the completion of a career, no matter what the person's age? Or is retirement an exit from the workforce? Is the retirement pension a reward for a set number of service years or does it involve a program to provide income for those who no longer have one?

Plan Design in PERS and TRS

Plan design reflects views and values about the nature of retirement. There are significant differences in plan design between the Plans 1 of PERS and TRS and the Plans 2/3 of those systems. As previously noted, the retirement provisions for the Plans 1 are service-based, while the retirement provisions for the Plans 2/3 are age-based.

Plan 1 retirees have a benefit formula that restricts benefit accruals after 30 years. Eligible Plan 1 retirees receive 2 percent of average final compensation (AFC) for each year of service credit to a maximum of 60 percent of AFC. There is less incentive for Plan 1 members to continue to work once they have reached thirty years of service. Furthermore, there are no early retirement provisions in TRS and PERS Plans 1, nor are there any reductions for retiring at earlier ages. Members are eligible for normal retirement at age 60 with five years of service, age 55 with 25 years of service, or at any age with 30 years of service. The plan design does not focus on or encourage working until age 65 and beyond.

"Because retirement in the Plans 1 is service-based, members tend to retire at earlier ages."

Because retirement in the Plans 1 is service-based, members tend to retire at earlier ages. Those who retire at earlier ages are more likely to seek opportunities to return to work. If they have already retired, they will prefer plan provisions that allow working after retirement, such as the post-retirement employment provisions that have been implemented for the Plans 1.

In contrast to the Plans 1, the Plans 2 impose no cap on service years. Members receive 2 percent of AFC for each year of service for as long as they continue to work. Thus a member who continues to work after qualifying for normal retirement will continue to accrue a significant increase in the monthly retirement benefit for working past age 65. In the Plans 2, members are eligible for normal retirement at age 65 with five years of service. The Plans 2 have provisions for early retirement, but the benefits are significantly reduced when members retire early. In summary, Plan 2 members are rewarded for working past age 65 by accruing additional benefits, while their benefits will be significantly reduced for retiring early. Plan provisions are aimed more at retaining older workers so they will retire later.

Similarly, in the defined benefit component of the Plans 3 there is no cap on the average final compensation. Eligible retirees receive 1 percent of AFC for each year of service, regardless of how long they work. Normal retirement is at age 65 with ten years of service, and benefits are significantly reduced for retiring early. (The vesting period is five years for those who complete 12 service credit months after attaining age 54. With respect to the defined contribution component, there

is immediate vesting.) Generally, under the Plans 3, members will accrue greater benefits by working until age 65 or longer.

Current Post-Retirement Employment Program in Washington State

The PERS and TRS Plans 1 allow post-retirement employment within the same retirement system, but retired members are subject to waiting periods. Like other members of PERS and TRS, Plan 1 retirees must wait at least thirty days before returning to work. If retirees return to work prior to completion of the waiting period, their benefits are effectively suspended due to mandatory reductions in the benefit amounts (5.5 percent for every eight hours worked during that month to a maximum of 160 hours in PERS, and 5.5 percent for every seven hours worked during the month to a maximum of 140 hours in TRS).

The PERS and TRS Plans 1 also limit the number of hours that retirees may work after returning to employment. For the Plans 1, retirees may work up to 1,500 hours without suspension of their pension benefits. The hour limits start over with each new calendar year in PERS and with each new fiscal year in TRS.

PERS 1 retirees are subject to more specific rules affecting waiting periods and hour limits. PERS 1 retirees seeking to return to work for more than 867 hours and up to 1,500 hours are subject to a 90-day waiting period. Also these members are subject to a 1,900-hour cumulative or lifetime limit on the number of hours that may be worked beyond 867 annually. Once the 1,900 hour limit is reached, PERS 1 retirees may work up to 867 hours in subsequent calendar years before their benefits are suspended.

PERS 1 retirees are also subject to a more rigorous definition of separation from service such that any written or verbal agreement to return to work with the same employer nullifies the separation and creates a potential violation of the statute entitled "Penalties for False Statements," RCW 41.40.55. Further, employers of these retirees are subject to certain record-keeping requirements when they hire these retirees to work for 1,500 hours, including documentation of the need to hire the retirees and records of the actual hiring process.

History of Retire-Rehire Legislation in the Plans 1

The door to post-retirement employment was first opened in the mid-1960s. Since then, there have been numerous changes to the pertinent plan provisions, most of which involved the length of the waiting period and the limits on the number of hours that may be worked before retirement benefits are suspended. A complete history is found in the December 2003 Post-Retirement Employment Report to the SCPP, available on the OSA website.

In 2001, Washington State pension law was changed to expand post-retirement employment opportunities for members of TRS 1 and PERS 1. The hour limits for these plans were increased to 1,500. The earlier limits had been five months for PERS 1; in TRS 1 the limits had been 525 hours for substitute teachers, 630 for substitute administrators and 840 for substitute teachers or principals in school districts with documented labor shortages. The new limits under the 2001 law translated to nine months in PERS 1 and a complete school year for TRS 1.

The 2001 law called for the Office of the State Actuary to study the fiscal and policy impacts of the expanded post-retirement employment program. If the State Actuary determined that the expansion resulted in increased costs for the state retirement funds, the Joint Committee on Pension Policy (JCPP) was to propose a process to charge the employers for the costs incurred. The OSA's 2003 report

concluded that there was an insufficient amount of experience data to determine a cost for the retire-rehire program at that time. The Select Committee on Pension Policy (SCPP) heard the State Actuary's report, and at its meeting on December 16, 2003, the SCPP decided to defer any recommendation for a process to charge employers until further data and study were available.

Further legislative changes involving post-retirement employment occurred in 2003. These changes only affected PERS 1 members seeking to work up to the new limit of 1,500 hours. 2003 restrictions to the existing program included the 90-day waiting period referenced above, the 1,900-hour cumulative lifetime limit on the number of hours worked over 867 annually, the prohibition on verbal and written agreements to rehire a retiree, and increased employer requirements for documenting the need for the program as well as the hiring process used to fill that need. Similar changes had been proposed for TRS 1, but were vetoed. The 2003 veto message for SHB 1829 is attached as an appendix.

During the 2004 legislative session a non-SCPP bill was introduced as HB 2640. It would have brought parity to the Plans 1 by incorporating the 2003 PERS 1 changes into TRS 1. In addition, this bill would have required employers of retired TRS 1 employees who work more than 867 hours in a school year to pay both the employer contributions as if the member were active, and an additional amount of employer contributions equivalent to the TRS 1 employee contributions that the employee would have made if active. This bill did not receive a hearing in House Appropriations.

SB 6375 was also introduced in 2004. In addition to increasing parity between PERS 1 and TRS 1, it would have established a cumulative lifetime limit of 3,165 hours for TRS 1 teachers and administrators. This bill also introduced a new element with regard to the availability of positions open to retirees. In TRS 1, employers would be required to reopen the position and accept applications six months after hiring a retiree; in PERS 1 the same requirement would apply eight months after hiring a retiree. This bill did not receive a hearing in Senate Ways and Means.

In the 2004 interim, the SCPP studied post-retirement employment and proposed legislation in 2005. The SCPP bill, if passed, would have brought parity to the Plans 1 by establishing additional controls in TRS 1. In addition, it would have specified cumulative lifetime limits of 3,165 hours (worked over the pre-2001 hour limits) for both plans. (The current cumulative lifetime limits are none in TRS and 1,900 hours in PERS.) A House substitute bill would have set the cumulative lifetime limits at 3,165 for PERS (up from 1,900) and 1,900 for TRS (from none). SHB 1326 passed the House but did not receive a hearing in Ways and Means.

There was increased legislative activity surrounding post-retirement employment in 2005, although the only legislation that passed was the study mandate to which this report responds. In addition to the SCPP proposal, there were a number of non-SCPP proposals that were introduced as bills. An examination of the non-SCPP bills that were introduced in 2005 sheds some light on the range of issues and concerns that have arisen in connection with the existing program. The following proposals were included:

- Restrict the program to a legislative list of positions;
- Advertise the positions publicly to avoid "insider" agreements to rehire particular individuals;
- Eliminate the program altogether;
- Change policy and plan design to encourage older workers to stay in the Plans 1 longer by increasing the

maximum retirement allowance from 60 percent to 70 percent of AFC; and

- Limit post-retirement employment to 867 hours.

At the end of the 2005 session, the operating budget bill included a directive to the OSA to study the retire-rehire program. The purpose of the study is to examine the fiscal impacts of the 2001 and 2003 legislation and present a range of legislative alternatives to the current program.

Comparison with Other Retirement Systems

The following table contains a general description of post-retirement employment restrictions in other comparative retirement systems. Compared to the provisions in other states, Washington's post-retirement employment rules are not atypical.

Within this comparison, some states allow retired members to return to work up to a maximum number of hours without having their pension suspended; others allow a member to earn a maximum dollar amount. Some allow members to return to work full time upon suspension of the retirement benefit, and contributions to the retirement system are required during the period of post-retirement employment. Some states have eliminated restrictions for older retirees. Most states have more liberal post-retirement employment provisions for teachers than for other public employees. In fact, according to National Council on Teacher Retirement, all 50 states allow some form of post-retirement employment for teachers.

Rehire Provisions from Select Comparison Systems

State / System	Post-Retirement Employment Restrictions
CalPERS	May work 960 hours
CalSTRS	May earn a maximum of $27,940
Colorado PERA	May work 110 days if working more than 4 hours/day or 720 hours if working less than 4 hours/day
Florida (FRS)	No limits after 12 months; may work 780 hours in some positions in months 2-12
Idaho PERSI	May work less than 20 hours/week or 5 consecutive months, or less than one-half contract for teachers
Iowa PERS	Ages 55-65 may earn greater of $30,000 or current SS limit; no earnings limit after age 65
Minnesota SRS	Under 65 may earn up to $12,000 as indexed by SSA; suspended amounts are paid in lump sum and earn 6%; no limit after 65
Missouri (MOSERS)	May earn additional service credit but pension is suspended
Ohio PERS	Retiree contributes to a money purchase annuity plan
Ohio STERS	Retiree becomes a contributing member and may receive contributions as a lump sum or an annuity
Oregon	New tier retirees have benefit suspended and recalculated after re-retirement; Chapter 238 retirees may work 1,039 hours
Seattle	May work 1,040 hours

Legal/Technical Issues Arising in Connection with Post-Retirement Employment

Policy makers who adopt post-retirement employment provisions for their plans that allow re-employed retirees to draw their retirement allowances while earning a salary and/or accruing additional benefits are faced with certain legal issues that arise in connection with the practice. They may also be challenged with public relations issues if there is any perception of potential or actual abuse.

Prohibition Against In-Service Distributions

A tax issue may arise in the context of retirees who return to work, especially those who return to the same position or to the same employer. Federal tax law prohibits qualified plans from distributing retirement income to members who are still in service. This rule is known as "prohibition against in-service distributions" and is the genesis of the requirement that each employee have a bona fide termination of employment and actually retire prior to receiving a pension. Violating the rule can cause a retirement plan to lose its qualified status under Section 401(a) of the Internal Revenue Code, resulting in significant tax liabilities for employers and employees.

The resolution of whether there is a true separation from service is to be based upon all the facts and circumstances in each individual case. There is no IRS guidance on what constitutes a sufficient "waiting period" between retirement and post-retirement employment. This is because the waiting period is only one of many facts relevant to the issue of whether the recipient of the retirement allowance has actually retired.

An employer and employee may violate the federal rule even when a statutory waiting period has been observed. For example, the employee may leave employment pursuant to a preexisting agreement that the employer will hire the employee back shortly after expiration of the waiting period. In such an instance, the rule would be violated because there is no bona fide termination. While a statutory waiting period can eliminate some compliance problems, it is not determinative of whether there has been a bona fide separation from service.

In the PERS and TRS Plans 1, 75 percent of those retirees who retired between July 2001 and March 2005 and were rehired returned to work with the same employer. (Note: For TRS an entire school district is considered a single employer). This raises a question as to whether the federal rule is being violated within the Plans 1. In Washington, only PERS 1 members are subject to a potential penalty for having a written or oral agreement that would negate a bona fide separation from service. Such an agreement could theoretically be prosecuted as a gross misdemeanor. As of the writing of this report, there does not appear to be any record of a successful prosecution under this provision.

Another approach to enforcing the bona fide separation from employment requirement is to establish the criteria under which a bona fide separation from service is satisfied. If there is a failure to satisfy the criteria, the retired member is required to reimburse the retirement system for any retirement allowance received during the period of violation; pay the contributions that would have been required for the period, plus interest; and contribute toward reimbursement of the retirement system for administrative expenses incurred in responding to the violation, to the extent the member is determined to be at fault. Violations could be handled as administrative, not criminal matters.

Many states have adopted a waiting period for post-retirement employment in order to minimize the possibility of making in-service distributions. Ohio has a two-month waiting

period, California has a 60-day waiting period, Colorado has a one-month waiting period, and Minnesota's waiting period is 14 days. Not all retirement systems adopt a specific waiting period.

In May of 2005 the American Bar Association's Joint Committee on Employee Benefits met with IRS and Treasury officials to pose questions and receive "unofficial, individual views" of governmental panel participants. As reported by Ice Miller Legal and Business Advisors in August 2005, the panel was asked what constitutes a bona fide severance from employment in the case of a plan participant who separates from service, and after some period of time, performs services for the employer as a leased employee? The response was that the IRS was not willing to unequivocally bless a 30-day rule, since they did not believe this situation should have a bright line rule. The IRS generally expressed skepticism regarding rehires of retired employees after a short period of time, but did not opine on what periods would be considered too short.

Inconsistencies in Statutory Framework

A technicality that creates inconsistencies in post-retirement employment practices has to do with membership eligibility. Generally, a retiree who becomes re-employed in an "eligible position" becomes subject to the post-retirement employment restrictions of that retirement system. Membership eligibility is a threshold determination, and in most cases, determining eligibility in the various retirement systems is a straightforward matter. When a person is working in a position that is membership-eligible, the person is reported by the employer to the Department of Retirement Systems. Pension benefits will be suspended when a retiree who is re-employed in an eligible position reaches the applicable hour limits. Benefits will not be suspended when a retiree works in an ineligible position or a retirement plan that is not administered by the Department of Retirement Systems.

Retirees may work as many hours as they want in this latter category without affecting their retirement allowances. For example, the **higher education institutions** are authorized by RCW 28B.10.400 to make separate retirement income plans available to their professional and academic employees instead of PERS or TRS. These institutions determine who is eligible to participate in their higher education retirement plans. An example is found in WAC 415-108-710, which provides that a PERS retiree may work after retirement and continue to receive a retirement allowance if the member becomes an active member of a higher education retirement plan and is employed no sooner than one calendar month after the member's retirement benefit accrues.

The return-to-work legislation that was passed in 2001 did not create the ability for higher education employees to return to work without suspension of their retirement benefits. Instead, that ability is the result of the long-standing provisions in state law allowing higher education institutions to sponsor their own retirement plans and to promulgate their own rules determining who is eligible to participate in the plans. It is the statutory flexibility given to higher education plans that enables these re-employed retirees to begin accruing benefits in the higher education retirement plan while still receiving their PERS or TRS pensions.

The operation of the estoppel statute further highlights the inconsistency with respect to post-retirement employment. **Estoppel** is an archaic term that simply means stopped, blocked, or not allowed. It is derived from a doctrine of law that prevents a party from taking a certain action because it is not fair or just. Washington's retirement law includes a general estoppel rule related to post-retirement employment that was passed in 1976.

RCW 41.04.270 prohibits any member or former member from becoming a member or establishing any contractual rights in another public retirement system listed in RCW 41.50.030 (DRS-administered plans) or first class city systems if:

- The member is retired or eligible to retire (under normal, early and alternate early retirement provisions) from a public retirement system; or
- The member receives a disability allowance from a pubic retirement system.

The estoppel rule also provides that persons receiving a benefit or who are eligible to receive a benefit are not subject to the provisions of the statute if the person accumulated less than 15 years of service.

An exception to the estoppel rule was created in Chapter 372, Laws of 2005 for those receiving a LEOFF 2 retirement allowance. This exception would allow those who continue in public employment following retirement from LEOFF 2 to establish membership in any of the state retirement systems administered by the Department of Retirement Systems. LEOFF 2 retirees are still subject to benefit suspension under RCW 41.26.500 when they become employed in an eligible position.

The higher education plans are not covered by this estoppel rule. The estoppel rule is found in the General Provisions of Chapter 41.04, RCW and is not applicable to the higher education plans, which are authorized in Chapter 28B.10, RCW. By its terms, the estoppel rule is only applicable to DRS-administered plans and the city employee retirement systems of Seattle, Tacoma, and Spokane. This means, for example, that a PERS 1 retiree who is rehired and becomes an active member of a higher education plan is not prohibited by the estoppel rule from earning additional benefits while drawing a PERS 1 retirement allowance.

Issues surrounding whether rehired retirees have made a bona fide separation from service and inconsistencies between state retirement systems created by application of the estoppel rule have contributed to criticisms of the existing post-retirement employment program.

Unemployment Insurance

The ambiguity about the nature of retirement and the retirement pension is compounded by the availability of Unemployment Insurance (UI) to persons who retire, are rehired, and again leave the workforce. Generally, unemployment insurance is provided to those who lose their jobs. To qualify, workers must have been in a job covered by unemployment insurance, have worked 680 hours in four of the last five calendar quarters, and be without work through no fault of their own.

Workers who retire are not unemployed. They are considered to have voluntarily left employment and they do not qualify for UI. By returning to work, however, many retirees work in job arrangements that are not permanent. They no longer have an expectation of continued employment beyond a fixed period – normally less than one year. As a result, when they separate from that job, they are considered unemployed. If they worked at least 680 hours in the job, they are eligible for UI even though they are drawing a retirement pension.

While this is not a cost to the retirement plans themselves, it is a cost nonetheless. Critics have referred to "triple dipping" – a process that allows some retirees to collect three types of government payments: 1) a retirement allowance; 2) a salary up to the hour limits for working in a calendar year; and 3) unemployment insurance compensation based on work performed as a retiree receiving a pension. SHB 1829, Chapter 412,

Laws of 2003 requires DRS and the Employment Security Department to notify employers about the possible unemployment compensation consequences of hiring retirees. In California, a 2004 law prohibits a CalPERS employer from hiring a retiree who is receiving pension payments and who received any unemployment insurance compensation related to that employer in the previous twelve months.

This section has provided background information for understanding the post-retirement employment program in the State of Washington. The next section of the report describes the actuarial experience study performed by the Office of the State Actuary as requested by the 2005 Study Mandate.

Fact Sheet

2001 Expansion, Plan 1 Retire-Rehire Program for PERS and TRS.

- A majority (75 percent) of Plan 1 retirees who retired since the program expansion returned to work for the same employer. (Note: For TRS, an entire school district is considered a single employer.)

- Since the program expansion, more TRS members (2,799) are using the expanded program than PERS members (1,507).

- The majority (62 percent) of retirees who have been rehired since 2001 are still working under the prior hour limits.

- For TRS retirees, a higher percentage of rehired administrators (52 percent) are working over the prior hour limits than teachers (27 percent).

- TRS retirees who retired since the program expansion were twice as likely (37.3 percent vs 16.4 percent) to work over the prior hour limits as TRS retirees who retired before the program expansion.

- A majority (70 percent) of retirees who were rehired since the program expansion were rehired within 12 months of their retirement date.

- A small number of employers (24) account for nearly half (1,840 or 43 percent) of the rehired retirees.

- Program utilization rates vary for those employers participating the program. 33 employers rehired at least 50 percent of their retirees—the highest utilization being 89 percent.

- For Plan 1 retirees utilizing the program who retired since the program expansion, their average age is 60, their average service is 29 years, their average monthly final compensation is $5,100, their average monthly benefit is $2,400, the average length of time they are re-employed is 1.4 years, and the average total number of hours worked as a rehired retiree is 1,423.

See the appendices for more detailed information.

Actuarial Impact of the Current Program

The expansion of the PERS and TRS Plan 1 post-retirement employment program was not a benefit enhancement representing an immediate and easily measurable increase in the plan's retirement liability (like an increase in the retirement benefit formula or an upward adjustment to the Uniform Increase for Plan 1 retirement pensions). Rather, the actuarial impact of this program, if any, would surface through a significant increase in the number of retirements over what is assumed under normal long-term plan experience. Thus, in order to determine whether there is a cost to the program expansion, an experience study was conducted.

Actuarial Experience Study:
An actuarial experience study compares assumptions with actual statistics of events related to those assumptions. Experience may include estimates where data are incomplete or insufficient.

Experience Study Methodology

To properly project the cost and liabilities of a pension system, actuarial assumptions are made about future events. In order to check the appropriateness of these assumptions, the actuary compares them to experience. To the extent there are differences, the future contribution requirements may be adjusted.

In certain instances, the actuarial experience may show that a deviation from the expected experience is more than temporary. In such instances, the actuary may make a change in the assumption itself. Changing an assumption has a greater effect on contribution requirements than an annual or biennial experience adjustment.

There are generally two types of actuarial assumptions: economic and demographic. Economic assumptions include assumptions about the growth of inflation, the growth in salaries, the investment rate of return, and the growth in system membership. These are set in statute at RCW 41.45.035. Demographic assumptions are those which can be readily established by statistical studies of past behavior and experience. They include termination rates, retirement

rates, disability rates and mortality rates. This study focuses on demographics and, in particular, retirement rates.

The Actuarial Standards of Practice address the requirements for selecting demographic and other non-economic assumptions for measuring pension obligations. Generally, the actuary should use professional judgment to estimate possible future outcomes based on past experience and future expectations, and select assumptions based upon application of that professional judgment. A reasonable assumption is one that is expected to appropriately model the contingency being measured and is not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

Experience studies form one of the important bases for the actuary's judgment in determining the appropriateness of an assumption. These studies usually involve five to six years of data. The most recent Experience Study for the Washington State Retirement Systems was published in January, 2002 and reflects data from the six-year period from 1995 to 2000. Included within that study are demographic findings about probabilities of retirement. However this study predates the retire-rehire program that is the subject of this study and report. (The next experience study for the Washington State Retirement Systems will cover the period from 2001-2006 and will be published in 2008).

The experience study in this report uses data from the four-year period following implementation of the current retire-rehire program on July 1, 2001. Fundamentally, it compares actual retirements to expected retirements. The fiscal impact of the program is determined by studying the retirement experience of retirees who are rehired. The study examines whether retirees who were rehired had significantly different rates of retirement than retirees in general. Accordingly, this study actually contains two experience studies related to retirement rates for TRS 1 and PERS 1. Actual retirement rates were compared to expected rates for all retirees, and actual versus expected rates were examined after excluding the retirees who were rehired. The retirement experience for rehires was then adjusted for various factors. The experience studies for PERS and TRS Plans 1 do not look at whether rehire experience has increased; rather, the focus is on retirements. This is because any cost to the pension system for the retire-rehire program would result from earlier retirements. Why does earlier retirement have a cost? When retirements that were assumed and funded to occur at a later date occur earlier, the attendant retirement benefits must be paid sooner than expected and over a longer payout period.

In PERS 1 and TRS 1 the benefits are unreduced at age 60 with five years of service, age 55 with 25 years, or at any age with 30 years. Also, the benefit accruals are capped at 30 years. If all members of PERS 1 and TRS 1 retired at the age when their pension benefits had the greatest value (for example as soon as they were eligible for an unreduced annuity) then the cost of these plans would be significantly more than they are now. In PERS 1 and TRS 1 most members do not retire when they first become eligible. The experience that has been observed in the past regarding members working past their earliest retirement ages is built into the assumptions, lowering the cost of the plans. If a new plan feature such as the retire/rehire program encourages members to retire earlier, then there is a cost to the plan for the earlier retirements.

Generally, there is also a loss of the member and employer contributions to the trust fund for the period of earlier retirement. It should be noted, however, that Plan 1 employers who employ retirees for more than the hourly limits that existed prior to the retire-rehire program are currently required to make employer contributions for the entire year, so

there is no loss of employer contributions in this instance.

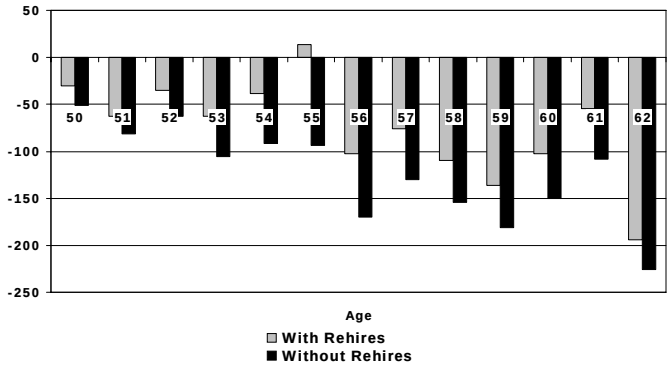
There are also some savings associated with earlier retirement based on the fact that the benefit is calculated using a lower average final compensation (AFC) and fewer years of service. These savings are limited because of the Plan 1 retirement benefit cap of 60 percent of AFC that already exists. In any event, the cost of earlier retirement (i.e. longer payout) and loss of the member's future contributions far outweigh any savings that result from a benefit based on a lower AFC and fewer years of service (from earlier retirement).

This study looks at retirement data from the inception of the expanded program and compares actual and expected TRS 1 and PERS 1 retirements with the actual and expected retirements of members **excluding those rehired after retirement**. The hypothesis of the study is that the two groups should have the same retirement behavior if retire-rehire has no effect. Since the behavior of the two groups differs, the conclusion of the study is that the retire-rehire program has an effect.

The following graphs illustrate the difference between the two groups at every age. This difference requires a change in the existing assumptions about when members retire. The difference between the two groups is especially noticeable in TRS and explains why the TRS program has a higher cost.

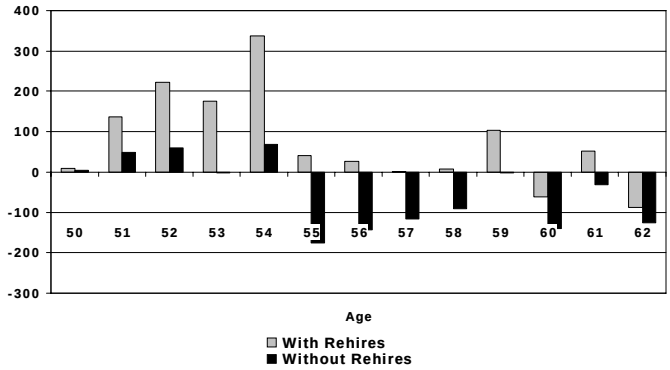
PERS Plan 1

Actual Minus Expected Retirements During Experience Study Period



TRS Plan 1

Actual Minus Expected Retirements During Experience Study Period



By highlighting the experience differential between the two groups, the above graphs illustrate the change in expected retirements at every age since the inception of the 2001 program expansion. For the purpose of determining appropriate costs for the program, these differences are adjusted according to actuarial standards of practice using a series of factors for determining the appropriate amount of the retirement experience that should be attributed to the retire-rehire program and applied to future retirement expectations. The adjustment factors and their application are described in more detail below. Finally, determinations are made regarding the impacts on Plan 1 funding and future contribution rates.

First Adjustment Factor: What portion of all experience do we have?

The first adjustment recognizes that based on actuarial standards of practice this is an incomplete study, as it uses only four or less years of experience instead of the minimum of five years. For that reason, the study recognizes only a percentage of the difference between the two groups based on the applicable portion of actual experience available. For TRS there are four years of experience, so the study recognizes 80 percent of the difference between the two groups. (For TRS, the study treats 3.5 years of data as four years since most teachers retire at the end of a school year. This adjustment factor also includes an adjustment for any decrease in utilization of the program since its early years.) For PERS there is 3.5 years of data available, so the study recognizes 70 percent of the difference between the two groups.

Second Adjustment Factor: What portion of rehires are working over the prior hour limits?

It is not possible to specifically identify from the data whose decision to retire was influenced by the existence of the new program and whose was not. However, this study recognizes that retirees who work **over** the old hour limits were more likely to have had their retirement decision influenced by the program than members who work **under** the old limits. Also, they are the only category of retirees that can be said with certainty to be taking advantage of the new program. (Before the new law, members could return to work up to the old limits without having their pension suspended. OSA experience shows that historically, very few members chose to work over the old limits and have their pension suspended.) For all Plan 1 rehires, 40 percent are working over the prior limits, so the experience is adjusted accordingly. Since 40 percent of the rehires are now working over the limits and almost none were before the program, we recognize 40 percent of the retirement experience of the rehires.

Third Adjustment Factor: Credibility Weighting.

The final factor is a subjective adjustment to determine how much of the remaining experience differential is attributable to the rehire-retire program. This "credibility weighting" is applied due to the fact that there are numerous factors that influence an individual's decision to retire. What does it mean to use a 50 percent credibility weighting? This means that of those rehires participating in the program, the study assumes that only 50 percent of them retired earlier because of the availability of the program. Thus, in effect, the study uses half of the observed experience in determining the cost of the program.

Applying the Methodology to TRS Plan 1

Looking at the entire group of retirees, there are 17 percent more retirements than expected or assumed for the period. When rehires are removed, there are 25 percent fewer retirements than expected. At ages 50 to 62, the retirement rates with the rehires included were 55 percent greater than the retirement rates with the rehires excluded. Thus one may conclude that rehires are one source of extra and earlier retirements. There is an adjustment for the portion of normal experience available since program inception, i.e. four out of the minimum five years that would normally be required (4/5) for an experience study. Thus the study recognizes 80 percent of the difference between the two groups.

Next, there is an assumption that only those hired after the law change and those working over the limits of the prior law and up to the 1,500-hour limit are affected by the program. 40 percent of TRS rehires work beyond the old hours limit. Accordingly, in analyzing whether rehires in general would retire earlier due to

the program, the study considers 40 percent of the rehires - the 40 percent who work over the prior limits.

Finally, a credibility weighting is applied to the remaining experience differential to determine how much experience would be attributable to the retire-rehire program into the future. A rough adjustment factor of 50 percent is applied in this instance. At the tail end of the plan, retirement rates could diverge greatly from current assumptions.

Combining all the factors, the result for TRS 1 is a total adjustment factor of 16 percent. That combined adjustment factor is applied to the difference in the retirement rates with and without rehires that can be attributed to the program. The retirement rates including the TRS rehires were about 55 percent greater than the rates without the rehires, so the study recognizes 16 percent of this difference. The final result is an assumption that TRS 1 retirement rates increased by 8.8 percent because of the retire/rehire program. Under this scenario, there is a cost to TRS for the program.

Applying the Methodology to PERS Plan 1

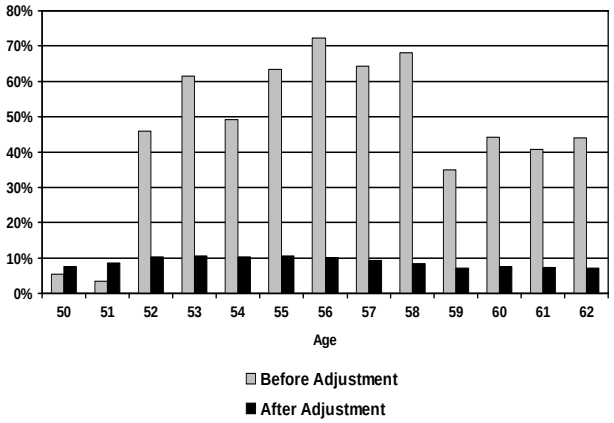
In PERS, if rehires are excluded, retirements are 65 percent of what is currently assumed. If rehires are included, retirements are 77 percent of what is currently expected. From ages 50 to 62, retirement rates including rehires are an average of 19 percent higher than rates excluding rehires. Again, one may conclude that rehires are one source of extra and earlier retirements.

Similar adjustments are used for PERS data as were used for TRS data: a 70 percent adjustment factor for the length of the period used to collect the data (3.5 full years), a 40 percent factor for those who work over the prior hours limit, and a 50 percent credibility rating. These three adjustment factors result in a combined adjustment for PERS of 14 percent, meaning that only 14 percent of the 19 percent experience differential is recognized.

Thus for PERS Plan 1, the result is a recognized impact of a 2.6 percent increase in retirement rates. The impact is similar to that in TRS 1 although different in magnitude. As described in the background section of this report, the PERS program has more constraints than the TRS program, which may help to explain the difference in retirement behavior.

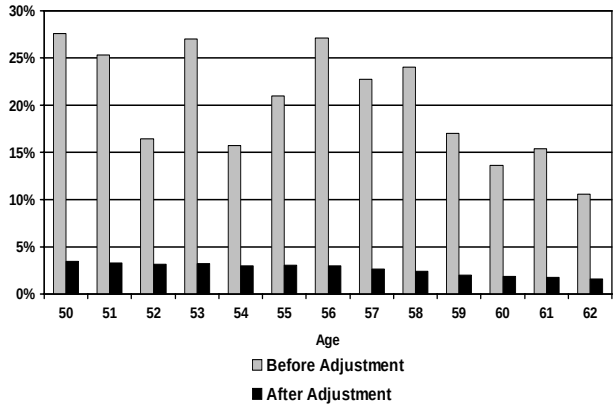
TRS 1

Increase in Retirement Rates Due to Program Changes



PERS 1

Increase in Retirement Rates Due to Program Changes



Fiscal Impacts on Plan 1 Funding and Future Contribution Rates

The fiscal impact of the 2001 program can be expressed as an increase in the Plan 1 employer contribution rate – that is, the percentage of employee payroll that employers would pay to cover the resulting increase in the Unfunded Actuarial Accrued Liability (UAAL) in the Plans 1. For TRS 1, that increase is six basis points or 0.06 percent of pay. For PERS 1 the increase is 1 basis point or 0.01 percent of pay.

Projected Long-Term Increase in Employer Contribution Rate

Retirement Plan	Required Rate Increase
TRS 1	0.06%
PERS 1	0.01%

Another way of examining the cost of the program is to consider the projected fiscal impacts for the upcoming biennium as well as the 25-year cost of the program. These costs are expressed in millions of dollars, and represent total costs for all PERS, TRS, SERS and PSERS employers. (As a matter of current funding policy, Plan 1 unfunded liability is spread among all employers).

Projected Fiscal Impacts

Fiscal Cost Summary
2001 Expanded Retire-Rehire Program

Costs (in Millions) 2007-2009	PERS	TRS	Total
State:			
General Fund	$0.6	$3.5	$4.1
Non-General Fund	$0.6	$0.0	$0.6
Total State	$1.2	$3.5	$4.7
Local Government	$1.0	$1.8	$2.8
Employer Total	$2.2	$5.3	$7.5
Employee	$0.0	$0.0	$0.0
2006-2031			
State:			
General Fund	$6.8	$48.5	$55.3
Non-General Fund	$8.1	$0.0	$8.1
Total State	$14.9	$48.5	$63.4
Local Government	$13.9	$24.2	$38.1
Employer Total	$28.8	$72.7	$101.5
Employee	$0.0	$0.0	$0.0

Preliminary Nature of Experience Study Results

The adjustment factors described in this report and applied to the current data resulted in an approach that recognized a relatively small percentage of the experience change for the purpose of identifying and projecting fiscal impacts. This conservative approach erred on the side of understating rather than overstating the potential cost of the program.

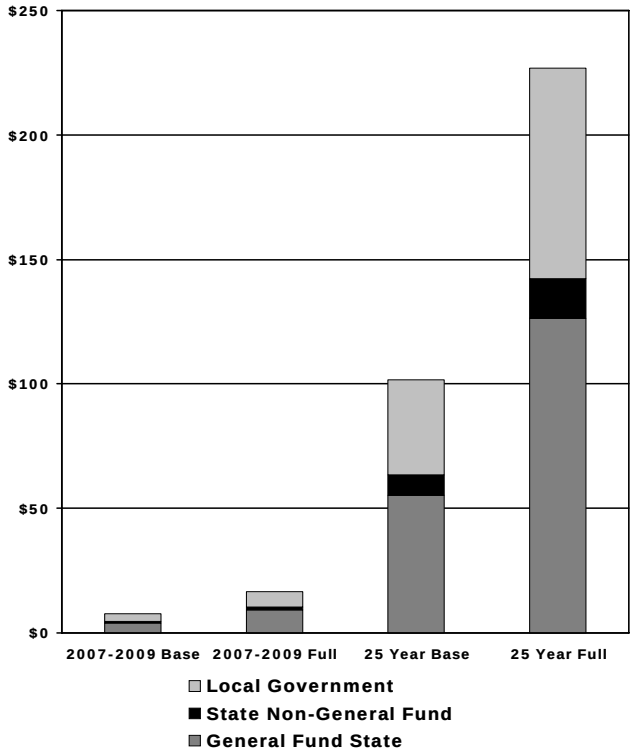
This experience study is preliminary, in that it is not based on data from a complete experience period of at least five years. As additional experience is gained, the adjustment for the partial experience period will fall away. This means that if the same experience continues into the future, the costs of the post-retirement employment program will increase.

One way to consider the potential upper end of future costs is to compare the experience data with and without application of adjustment factors, and the resulting changes in fiscal impacts. First, the adjustment for a partial experience period goes away once there is data for 5 full years for each plan. Secondly, the credibility factor results in a significant adjustment of 50 percent; variations in the application of this factor could result in higher costs over time.

The following graph illustrates fiscal costs of the program with and without application of the adjustment factors to the experience. The fiscal costs identified as "base" are adjusted. The fiscal costs identified as "full" are without adjustment factors.

Full Credibility / Experience

Fiscal Cost Comparison
(Dollars in Millions)



Effect on Plan 1 Unfunded Actuarial Accrued Liability (UAAL)

Part of the context for evaluating the appropriate level of cost for any Plan 1 workforce strategy is to consider the Plan 1 UAAL, which currently stands at approximately $4 billion. Any benefit improvement in the Plans 1 increases the Plan 1 UAAL.

A more accurate view of the fiscal impact of any benefit improvements in the Plans 1 is obtained when they are evaluated in light of the current funding policy for the Plan 1 UAAL, as current funding policy obscures these impacts. Current funding policy for paying the Plan 1 UAAL is twofold: 1) spread the cost out over time – that is, pay the UAAL over an amortization period that extends through June 30, 2024; and 2) spread the cost over more employers – that is, all PERS, TRS, SERS, and, starting July 1, 2006, PSERS employers of members of all the plans within those systems (Plans 1, 2, and 3), including projected new entrants for the systems in the future.

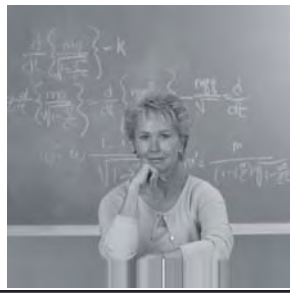
The Plan 1 UAAL payments represent a significant component of required employer contribution rates, and contribution rates are expected to increase significantly over the next several biennia. By 2009 it will cost employers more than 5 percent of payroll just to fund the TRS 1 UAAL alone. In addition, basic contribution rates must cover the normal cost of benefits, meaning employer rates are projected to climb to ultimate levels of about 8 percent for PERS, 12 percent for TRS and 10 percent for SERS (with gain-sharing).

The Plan 1 UAAL is so significant that its costs are more than Plan 1 employers can absorb. As a result, Plan 1 UAAL costs have been socialized, or spread among all PERS, TRS, SERS and, starting July 1, 2006, PSERS employers. Thus all employers pay a total contribution rate equal to the Plan 2/3 normal cost plus the Plan 1 UAAL rate. Due to the existence of this funding policy, the cost of any Plan 1 benefit improvements must be absorbed by future tax payers and Plan 2/3 employers.

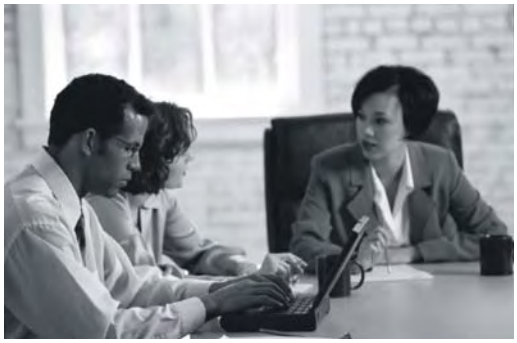
The advantage of this approach is that a workable plan was created to accommodate the payoff schedule for the Plan 1 UAAL. The disadvantage is that Plan 2/3 employers are paying the costs for benefits to members that never rendered services to them. Socializing the cost of the Plan 1 UAAL creates an issue of parity between the plans and fairness in terms of financing the benefits for the plans. It also contributes to obscuring the true cost of any proposed benefit improvements for its members.

The other Plan 1 funding policy that is relevant to any Plan 1 benefit improvements is the statutory goal in RCW 41.45.010(2) that requires full amortization of the UAAL by not later than June 30, 2024. Spreading out the Plan 1 UAAL costs over time makes it appear that Plan 1 benefit increases have less effect on employer contribution rates when in fact, if the legislature used the same funding methodology that it applies to the Plans 2/3, the costs of the benefit improvements would alter contribution rates much more quickly and therefore, more significantly. Payments for the Plan 1 UAAL have already been backloaded, meaning that UAAL payments must increase over time to reach the deadline of June 30, 2024.

To summarize, an approach to post-retirement employment that creates additional costs has impacts not only on the funding for the Plans 1, but also on employer contribution rates for the other major plans in the Washington State retirement systems.



Alternatives to Existing Program



The 2005 legislative study mandate also directed the State Actuary to present a range of legislative alternatives to the Plan 1 retire-rehire program, including an actuarial analysis of the fiscal impact of proposals to increase the maximum retirement allowance beyond sixty percent of average final compensation. This report examines the following possible alternatives to the current retire-rehire program:

1. Increased benefit accruals in the Plans 1.
2. Amended retire-rehire program.
3. Repeal of the current program.
4. Phased retirement program.
5. Deferred retirement option plan (DROP).

Each alternative is explained below and examined according the following "views:" actuarial view, employee view, employer view, retirement system view and political view. In each instance, the analysis illustrates the necessity of determining workforce planning goals in order to evaluate whether these or other strategies are appropriate tools for the State of Washington.

System-wide Incentives:
Members who choose to continue working past normal retirement age accrue additional benefits that will enhance their final retirement pension.

The following "windows" illustrate different views of workforce strategies in the public sector.

Actuarial View
- Identify costs
- Project future liabilities
- Monitor experience and assumptions

Employee View
- Increase long-term financial security
- Gain flexibility in later years of career
- Increase level of enjoyment and fulfillment

Employer View
- Retain experience base
- Address labor short ages
- Add workforce flexibility

Retirement System View
- Manage complexity
- Communicate change
- Avoid legal challenges and plan qualification issues

Political View
- Identify social and financial consequences
- Consider criticisms and perceptions
- Manage special interests while maintaining fairness

1. Increase the Maximum Retirement Allowance

Understanding the Alternative

Is there is a desire to keep older Plan 1 employees in the workplace longer? If so, then increasing the maximum retirement allowance is a system-wide incentive for members to work past normal retirement age. Why would such an incentive be needed? An analysis of the design of the Plans 1 of PERS and TRS reveals the answer.

The Plan 1 design anticipates that members will leave the workforce when they complete their career, and a Plan 1 career is expected to span 30 years. Thus, Plan 1 retirees have a benefit formula that restricts benefit accruals after 30 years. Eligible Plan 1 retirees receive 2 percent of the AFC for each year of service credit to a maximum of 60 percent of AFC. Because of this restriction, there is less incentive for Plan 1 members to continue to work once they have reached thirty years of service.

The Plan 1 design is known as a "service-based" design. This means that the plan is designed so that members retire after completing a determined number of years of service. The Plan 1 design is in direct contrast to the design of the Plans 2/3, which are age-based. In those plans, the members retire when they reach a specified age, i.e. age 65.

Unlike the design of the Plans 2/3, the Plan 1 design does not focus on or encourage working until age 65 and beyond. As a result, Plan 1 members tend to retire at earlier ages. Those who retire at earlier ages are more likely to seek opportunities to return to work. If they have already retired, they will prefer plan provisions that allow working after retirement, such as the post-retirement employment provisions that have been implemented for the Plans 1.

An alternative to a post-retirement employment program that encourages working after retirement would be to amend the Plans 1 to change the benefit accrual so that members are rewarded for working longer before retirement. This preemptive approach acknowledges the aspects of Plan 1 design that have led retirees to seek opportunities to be rehired after retirement, and attempts to address the dynamic through a change in the Plan 1 design.

Actuarial View

The option of removing the Plan 1 benefit cap altogether proved to be the most expensive of all the alternatives examined in this report. For this reason, two less expensive alternatives are presented that would still offer some opportunity for members who stay in the workforce to accrue a better benefit. One would allow members to continue to accrue a 1 percent benefit (instead of 2 percent) after reaching 30 years of service. The other would increase the service years in the retirement benefit cap from 30 to 35, allowing members to accrue a 2 percent benefit to a maximum of 70 percent of AFC.

The following table summarizes how increasing the maximum retirement allowance would affect employer contribution rates. Employer contribution rates are expressed as a percentage of payroll. This table assumes that the current program is replaced, and includes the savings that would result.

Employer Contribution Rate Change Summary

(After recognizing program cost)

Option	TRS	PERS
Removing 30-year cap	0.60%	0.25%
1% accrual after 30 years	0.30%	0.10%
35-year cap	0.45%	0.17%

The following tables summarize the fiscal impacts of all three options for increasing the maximum retirement allowance. These tables use the assumption that the current program is replaced, and thus, the savings from such replacement are already included. The pricing further assumes that all service credit can be counted when calculating the increased benefit.

PERS Fiscal Cost Summary
Plan 1 Cap Amendments
(After recognizing program cost)

Costs (in Millions) 2007-2009	Remove Cap	35 yr Cap	1% @ 30 yr
State:			
General Fund	$14.4	$10.5	$7.1
Non-General Fund	$17.3	$12.7	$8.7
Total State	$31.7	$23.2	$15.8
Local Government	$30.5	$22.5	$15.3
Employer Total	$62.2	$45.7	$31.1
Employee	$0.0	$0.0	$0.0
2006-2031			
State:			
General Fund	$200.2	$146.5	$99.9
Non-General Fund	$240.6	$176.6	$120.3
Total State	$440.8	$323.1	$220.2
Local Government	$424.5	$311.3	$212.6
Employer Total	$865.3	$634.4	$432.8
Employee	$0.0	$0.0	$0.0

TRS Fiscal Cost Summary
Plan 1 Cap Amendments
(After recognizing program cost)

Costs (in Millions) 2007-2009	Remove Cap	35 yr Cap	1% @ 30 yr
State:			
General Fund	$32.9	$24.0	$15.0
Non-General Fund	$0.0	$0.0	$0.0
Total State	$32.9	$24.0	$15.0
Local Government	$16.3	$11.9	$7.4
Employer Total	$49.2	$35.9	$22.4
Employee	$0.0	$0.0	$0.0
2006-2031			
State:			
General Fund	$443.5	$322.6	$201.4
Non-General Fund	$0.0	$0.0	$0.0
Total State	$443.5	$322.6	$201.4
Local Government	$222.2	$161.6	$101.2
Employer Total	$665.7	$484.2	$302.6
Employee	$0.0	$0.0	$0.0

Fiscal Cost Summary, PERS and TRS Combined
Plan 1 Cap Amendments
(After recognizing program cost)

Costs (in Millions) 2007-2009	Remove Cap	35 yr Cap	1% @ 30 yr
State:			
General Fund	$47.3	$34.5	$22.1
Non-General Fund	$17.3	$12.7	$8.7
Total State	$64.6	$47.2	$30.8
Local Government	$46.8	$34.4	$22.7
Employer Total	$111.4	$81.6	$53.5
Employee	$0.0	$0.0	$0.0
2006-2031			
State:			
General Fund	$643.7	$469.1	$301.3
Non-General Fund	$240.6	$176.6	$120.3
Total State	$884.3	$645.7	$421.6
Local Government	$646.7	$472.9	$313.8
Employer Total	$1,531.0	$1,118.6	$735.4
Employee	$0.0	$0.0	$0.0

The actuarial view considers not only cost, but also funding policy. From a funding policy perspective, it is very unusual to change plan design in closed plans. This is because there is no opportunity to fund the benefit improvement by collecting from the members and employers who are affected by the change. This funding policy, known as intergenerational equity, is codified in the actuarial funding chapter, RCW 41.45.010(4). Intergenerational equity cannot be honored in this instance because the Plans 1 were closed in 1977 and virtually all plan members are expected to retire by 2024. If the Plan 1 benefit cap is removed or altered, this benefit improvement will not be paid for over the working lifetimes of those who gain the benefit of this change.

Employee View

From a member perspective, increasing the maximum retirement allowance provides a desirable benefit increase. It is potentially available to anyone who is willing to stay longer in the workforce than is anticipated by the normal retirement eligibility provisions, and would promote benefit adequacy for those who choose to take advantage of it. As a general matter, this benefit enhancement may provide members with more flexibility in the later years of their career than retire-rehire, as retire-rehire may not be available to all employees. Theoretically in a post-retirement employment program, retirees who seek to be rehired are not guaranteed that an appropriate position will be open for them, or if it is, that they will be chosen to fill the vacancy.

Employer View

Giving members an incentive to work longer can be an advantage for Plan 1 employers who are seeking to retain an experienced workforce. However, as shown above, this is not without a cost. This is not a strategy that can be used to target a particular sector of the workforce, as the change would be plan-wide.

Political View

Politically, this workforce strategy has the advantage of being consistent in that it treats all plan members in a similar fashion; thus, this approach may help to ameliorate criticism. It does not, however, allow legislators to address particular segments of

the workforce in which there may be special needs for recruitment and retention.

The idea of increasing the maximum retirement allowance in the Plans 1 has already been introduced as a legislative proposal in 2005. SB 6127 would have eliminated the 2001 program expansion while increasing the maximum retirement allowance Plan 1 members may receive from 60 percent of average final compensation (AFC) to 70 percent of AFC. This bill did not receive a hearing.

Retirement System View

From the perspective of the plan administrator, the Department of Retirement Systems (DRS), this bill would not create issues with the Internal Revenue Service. It would, however, require communication to members regarding the benefit change. In terms of administrative complexity, this kind of plan change would require some new system programming.

2. Amend the Current Retire-Rehire Program

Understanding the Alternative

This alternative goes to the very heart of whether the current retire-rehire program is working and how it is valued as a workforce strategy. As described in the background section of this report, the expanded retire-rehire program was implemented as a response to shortages of skilled employees – in particular, teachers. The program was intended as a way to retain some of the experience base in the current workforce. Whether the original goals for the program have been met or are continuing to be met is beyond the scope of this report – however, the inquiry is quite relevant to any legislative decision to alter the current program.

One focus for amending the program would be to evaluate whether the workforce planning goal of this alternative is to simply remove certain problem areas within the existing program, or to accommodate new goals and strategies that were not identified or included in the 2001 expansion. Amendments can be reactive, in that they respond to particular concerns that have been raised about the program, or they can be proactive and anticipate future needs in the public workplace.

The current post-retirement employment program has certainly been the subject of criticism. In fact, many legislative amendments have been proposed since the current program's inception in 2001. Suggested changes to the existing program in the Plans 1 have been largely in direct response to that criticism. Proposed amendments have included the following:

- Create parity between PERS 1 and TRS 1.
- Reduce or eliminate the cost of the program.
- Avoid "insider" agreements to rehire members before they retire.
- Limit the applicability of the program.
- Expand the hour limits for the program.

A more detailed summary of legislative proposals to alter the existing program since its inception follows.

Retire-Rehire:
Under retire-rehire, retired members return to work and earn a salary while drawing a retirement pension.

Create Parity
Creating parity between the Plans 1 is in keeping with the statutory benefits policy codified in RCW 41.50.005(1) that the retirement systems of the state shall provide similar benefits wherever possible. SHB 1326 (2005) would have impacted TRS 1 and PERS 1 by incorporating the 2003 PERS 1 changes into TRS 1. If it had passed, TRS 1 members would generally be subject to the same restrictions as currently exist for PERS 1 retirees who seek to work in excess of 867 hours annually, with a few minor exceptions. HB 2640 (2004) and SB 6375 (2004) would also have brought more parity to the Plans 1 if they had passed.

Reduce or Eliminate Cost
HB 2640 (2004) would have reduced costs of the program by increasing employer contribution requirements to pay for the program. This bill would have required employers of TRS 1 employees who work more than 867 hours in a school year to pay both the employer contributions as if the member were active, and an additional amount of employer contributions equivalent to the TRS 1 employee contributions that the employee would have made if active.

SB 5792 (2005) would have addressed the future cost of the 2001 program by eliminating the 2001 provisions allowing retirees to engage in post-retirement employment in excess of 867 hours and up to 1,500 hours without suspension of their pension benefits. Existing employment agreements under the previous law would have continued until December 31, 2005.

Avoid "Insider" Agreements
Insider agreements not only are in violation of the in-service distribution rule of federal law, but they also provoke sharp criticism from plan participants and taxpayers alike. SHB 1326 (2005) would have prohibited any written or verbal agreement to return to work with the same TRS 1 employer. Such agreements would have been nullified and would have constituted a potential misdemeanor. This prohibition was already implemented for PERS 1 as the result of legislation in 2003.

SB 6375 (2004) would have added the following requirements: six months after hiring a TRS 1 retiree, TRS 1 employers would have been required to reopen the position and accept applications. The same requirement would have applied to PERS 1 employers eight months after hiring a retiree. Another 2005 legislative proposal, SSB 5286, would have required all jobs into which a retiree may be rehired to be advertised publicly.

Limit Applicability of the Program
SSB 5286 (2005) would have limited participation in the 2001 retire-rehire program to those hired into positions identified in a legislative list, and for which a justifiable need has been documented. SHB 1326 (2005) did not go quite as far, but still required both PERS and TRS Plan 1 employers to hire retirees pursuant to a written policy.

Expand the Hour Limits for the Program
In contrast, two proposals would have increased the cumulative lifetime limit on the number of hours retirees may work prior to having their benefits suspended - SB 6375 (2004) and SHB 1326 (2005). SSB 5286 (2005) would have eliminated the existing cumulative lifetime limit in PERS 1 altogether.

In summary, if the goal is to keep the current program and remove some of the perceived problem areas, then amending the program may be the appropriate workforce strategy. Also, there may be new goals and strategies that could be addressed through amendments. Previous proposals indicate that there is not yet a legislative consensus on appropriate program improvements.

Actuarial View

The cost of amendments will vary significantly according to how they affect retirement behavior. The OSA has priced two proposals for amending the current program, both of which would decrease the current program's costs. The elements in the first proposal are contained in SHB 1326/SB 5244 (2005). This bill, a slightly amended version of the SCPP's 2004 interim proposal (SCPP proposal), would bring parity to the Plans 1 by establishing additional controls and restrictions in TRS 1 that are similar to those already in place for PERS 1. It also would increase the cumulative lifetime limit in PERS 1 from 1,900 to 3,165 (hours worked over 867) and would create a new cumulative lifetime limit of 1,900 hours for TRS 1. A copy of the proposal is attached as an appendix. (Note: The original SCPP version proposed a cumulative lifetime of 3,165 hours for both plans.)

The second proposal for amending the current program that was priced by the OSA would apply the SCPP program changes, but would also reduce the retirement benefit paid to retirees while working by 50 percent. This proposal was not introduced as legislation during the 2005 session, but it could be considered as a compromise between retaining an amended program and repealing it altogether.

The following table summarizes how amending the current program would affect employer contribution rates. Employer contribution rates are expressed as a percentage of payroll. The change in employer contribution rates is shown for the SCPP proposal to amend the program, and a proposal for amending it with a 50 percent benefit reduction. For comparison purposes, these two options are presented with "no-cost options" of either repealing the program altogether or charging employers the full cost of the current program expansion. All three options show a savings because they are evaluated in light of the cost of the current program.

Employer Contribution Rate Change Summary

(After recognizing program cost)

Option	TRS	PERS
SCPP Amendments	-0.03%	0.00%
SCPP with 50% Benefit	-0.04%	0.00%
Repeal or Charge Employers	-0.06%	-0.01%

The following tables summarize the fiscal impacts of the amendment proposals as well as the "no-cost options." These tables also show savings because the options are evaluated in light of the cost of the current program.

PERS Fiscal Cost Summary
Program Amendments
(After recognizing program cost)

Costs (in Millions) 2007-2009	SCPP	SCPP 50%	Repeal	Charge Employer
STATE:				
General Fund	$0.0	$0.0	($0.6)	($0.6)
Non-General Fund	$0.0	$0.0	($0.6)	($0.6)
Total State	$0.0	$0.0	($1.2)	($1.2)
Local Government	$0.0	$0.0	($1.0)	($1.0)
Employer Total	$0.0	$0.0	($2.2)	($2.2)
Employee	$0.0	$0.0	$0.0	$0.0
2006-2031				
STATE:				
General Fund	$0.0	$0.0	($6.8)	($6.8)
Non-General Fund	$0.0	$0.0	($8.1)	($8.1)
Total State	$0.0	$0.0	($14.9)	($14.9)
Local Government	$0.0	$0.0	($13.9)	($13.9)
Employer Total	$0.0	$0.0	($28.8)	($28.8)
Employee	$0.0	$0.0	$0.0	$0.0

TRS Fiscal Cost Summary
Program Amendments
(After recognizing program cost)

2007-2009	SCPP	SCPP 50%	Repeal	Charge Employer
STATE:				
General Fund	($1.7)	($2.3)	($3.5)	($3.5)
Non-General Fund	$0.0	$0.0	$0.0	$0.0
Total State	($1.7)	($2.3)	($3.5)	($3.5)
Local Government	($0.9)	($1.2)	($1.8)	($1.8)
Employer Total	($2.6)	($3.5)	($5.3)	($5.3)
Employee	$0.0	$0.0	$0.0	$0.0
2006-2031				
STATE:				
General Fund	($24.4)	($32.4)	($48.5)	($48.5)
Non-General Fund	$0.0	$0.0	$0.0	$0.0
Total State	($24.4)	($32.4)	($48.5)	($48.5)
Local Government	($12.1)	($16.2)	($24.2)	($24.2)
Employer Total	($36.5)	($48.6)	($72.7)	($72.7)
Employee	$0.0	$0.0	$0.0	$0.0

Fiscal Cost Summary, PERS and TRS Combined
Program Amendments
(After recognizing program cost)

2007-2009	SCPP	SCPP 50%	Repeal	Charge Employer
STATE:				
General Fund	($1.7)	($2.3)	($4.1)	($4.1)
Non-General Fund	$0.0	$0.0	($0.6)	($0.6)
Total State	($1.7)	($2.3)	($4.7)	($4.7)
Local Government	($0.9)	($1.2)	($2.8)	($2.8)
Employer Total	($2.6)	($3.5)	($7.5)	($7.5)
Employee	$0.0	$0.0	$0.0	$0.0
2006-2031				
STATE:				
General Fund	($24.4)	($32.4)	($55.3)	($55.3)
Non-General Fund	$0.0	$0.0	($8.1)	($8.1)
Total State	($24.4)	($32.4)	($63.4)	($63.4)
Local Government	($12.1)	($16.2)	($38.1)	($38.1)
Employer Total	($36.5)	($48.6)	($101.5)	($101.5)
Employee	$0.0	$0.0	$0.0	$0.0

Employee View

From a member perspective, amending the program could create consistency and simplify the program. However, many of the amendments that have been proposed would be more restrictive than the current program, especially for members of TRS 1. To the extent that restrictions are imposed that are not offset by a corresponding benefit, some members may seek to litigate whether their contractual rights have been violated. (See the discussion involving the repeal alternative for a more complete discussion of the effect of a "no contractual rights clause" on litigation risk.)

Employer View

From an employer perspective, it would reduce costs somewhat to apply more restrictions to the TRS 1 program participants than currently exist. As a workforce strategy, the program could be rendered less effective if, for example, teacher shortages persist and the ability to address them is reduced. On the other hand, expanding the program may increase costs while enabling employers to offer some workforce flexibility for keeping experienced employees in the workforce.

Retirement System View

Amending the program would have some, but not substantial, administrative impacts on DRS. Some programming changes would be required and member communication efforts would be adjusted accordingly. The primary IRS compliance issue is avoiding in-service distributions by allowing retirees to be rehired only after there has been a bona fide separation from service.

Political View

Managing public relations is one of the many challenges for policy makers who tackle the controversial issue of post-retirement employment. It is likely that perceptions of the program could be improved by amendments that achieve more parity and establish controls to avoid potential abuse. On the other hand, it only takes one high-profile case to attract negative attention to the program.

3. Repeal the Current Program

Understanding the Alternative

A repeal of the current program would be appropriate if the original goals of addressing teacher and other workforce shortages were not being met by the 2001 expansion, or if the costs were determined to be unacceptable in light of program results. The major area of concern in deciding whether to repeal the current program is the legal matter of vested or contractual rights.

Expanding the opportunity to engage in post-retirement employment may be seen as an expanded benefit. As a general matter, once a new retirement benefit has been granted, it cannot be withdrawn without violating the principle set forth in Bakenhus v. City of Seattle, the Washington Supreme Court case that established pension provisions as an integral portion of the contemplated compensation set forth in the contract of employment.

The 2001 legislation that expanded the number of hours PERS and TRS Plan 1 retirees could work before having their benefits suspended included language to limit the affected employees' ability to rely on the expansion as part of their employment contract. The legislation included a "no contractual right" clause. This clause stated that the legislature reserved the right to amend or repeal the provision. The clause further provided that no member or beneficiary of PERS 1 has a contractual right to be employed more than five months in a calendar year without a reduction of his or her pension, and no TRS 1 member or beneficiary has a contractual right to be employed more than 525 hours per year without a reduction of his or her pension. The ability of the legislature to restrict employee reliance upon legislation expanding pension benefits by utilizing a "no contractual right" clause has not yet been tested in the Washington courts.

There are at least two approaches that may be used when lawmakers wish to provide a benefit that may be subsequently taken away. One is to use the "no contractual right" clause. The advantage is that employees are notified up front that they cannot rely on the newly created benefit. The disadvantages of this approach include legal uncertainty and a risk of litigation. In addition, by creating benefits with an uncertain legal status, there is the possibility of violating the federal tax rule requiring that benefits be "definitely determinable," another plan qualification requirement of federal tax law.

An alternative approach is to create temporary pension rights, specifying a window of time within which the rights would be available and then expire. This approach was used in the 2001 legislation, which would have terminated in 2004 according to sunset clauses in the bill that were ultimately vetoed. The "window" or "sunset clause" approach has the advantage of being more certain, but a disadvantage is the need for the legislation to be amended or renewed over time. This approach also creates questions of equity, in that not all members have the opportunity to take advantage of the expanded benefit. Some members will fall within the window and some will not.

A recent U.S. Supreme Court case that was decided in June of this year is worthy of being mentioned, as it reiterates the point that currently accrued benefits must not be affected when post-retirement employment opportunities are expanded and then reduced. The case involved a private plan rather than a public pension plan, and was decided under the "anti-cutback rule" of Employee Retirement Income Security Act (ERISA). ERISA is not applicable to governmental plans. The case is relevant, however, because ERISA cases may be used as persuasive authority in public pension cases when there is no public pension plan law that is directly on point. The anti-

cutback rule is the private sector equivalent of Washington's Bakenhus rule.

The case of Central Laborers' Pension Fund v. Heinz, et al., involved a plan amendment that expanded the kinds of disqualifying employment that would trigger a suspension of benefit payments. In this case, the contested plan amendment was made subsequent to the early retirement of two participants. The court found that the retirees had justifiably relied on the terms of the plan at the time they retired, and that the subsequent plan amendment had effectively reduced their benefits. The Supreme Court cited as support Treasury regulations under Internal Revenue Code Section 411(d)(6) that flatly prohibit plans from attaching new limiting conditions to benefits that an employee has already earned.

Another recent case of interest is the Oregon Supreme Court case, Strunk et. al v. Public Employees Retirement Board**,** filed March 8, 2005, in the Supreme Court of the State of Oregon. While it was not central to the case, there is discussion of a **"no contractual rights" clause** that was relied upon by the court as a basis for rejecting a breach of contract claim related to the codification of the so-called "Chess Settlement" of previous litigation related to the taxability of pension benefits. The clause read: "No member of the system or beneficiary of a member of the system shall acquire a right, contractual or otherwise, to the increased benefits provided by [ORS 238.375 to 238.380]." The court interpreted this language as manifesting the legislature's clear intent to disavow the creation of any contractual rights.

The Attorney General's office is currently evaluating the legal effect of the "no contractual right clause" in connection with the gain-sharing benefit found in RCW 41.31 and 41.31A. However, even if the AG's office issues an opinion indicating that a no contractual rights clause negates vested contractual rights, such an opinion would still not protect the state from litigation of the issue should gain-sharing or the retire-rehire program be repealed.

Actuarial View

As a purely fiscal matter, repealing the current program would result in retirement system savings that are at least equivalent to the costs identified by this study as being attributable to the 2001 expansion. These fiscal impacts are summarized in both the Executive Summary and the Actuarial Analysis of this report. Any savings in the Plans 1 would reduce the Plan 1 UAAL and result in lower contribution rates for all PERS, TRS, SERS and PSERS employers.

Legal uncertainty with this alternative, however, leads to uncertainly with respect to the associated costs of the repeal alternative. One risk of repealing and replacing the current program is that, depending on the outcome of any litigation, employers could end up being responsible for both the cost of the existing program and any replacement strategy that may be pursued, not to mention litigation costs.

Employee View

Repealing the current program would take away a benefit that is currently available, at least to some retirees. If employees see the repeal as a reduction in benefits, litigation is a risk. However, if replaced with another benefit, repeal of the current program may not necessarily be objectionable.

Employer View

Assuming that the current program has been effective in helping to alleviate teacher shortages as originally intended, its repeal could lead to a future hiring crunch unless it is replaced with an alternative strategy. Repeal could save employer dollars, depending on whether an alternative strategy is pursued and depending on the ultimate cost of that strat-

egy. Repeal could also be a very costly option for employers due to the cloud of legal uncertainty associated with the current program.

Retirement System View

There is the possibility that litigation would result if the current program were repealed due to the legal uncertainty associated with the non-contractual right clause. If the current program were repealed, DRS would continue to administer a retire-rehire program. That program would simply allow retirees to work (without having their pension suspended) only up to the hour limits in effect prior to the 2001 legislation.

Political View

Repeal of the 2001 program expansion could alleviate some of the criticisms that have been leveled at the legislature since the it was implemented. However the legal implications of this course of action should be carefully weighed. There is certainly the risk of litigation if this alternative is chosen. Even if the state were successful in the litigation, there could be political repercussions from taking away a perceived benefit. In any event, it would be helpful to the legislature to receive information from public employers about whether shortages still persist and whether the expanded retire-rehire program continues to be an effective tool for addressing specific needs in the public workforce. Legal advice from the Attorney General may also be appropriate. Only then can a true "cost-benefit analysis" of the current program be done.

4. Phased Retirement

Understanding the Alternative

A phased retirement program can be designed to facilitate earlier or later retirement, and it may be used as a tool to attract and retain employees by offering additional workplace flexibility. Phased retirement programs may be offered to particular sectors of the workforce (as long as they are not discriminatory) or they may be incorporated into the retirement system at large. Costs can be factored into the design of the program so that they are largely contained. However, allowing participants in phased retirement programs to continue participation in other benefit programs such as heath insurance plans may create associated costs.

Phased retirement allows retirement-eligible employees to transition into retirement by reducing hours and job responsibilities. As hours are reduced, pay is reduced. At the same time, participating employees can begin to receive a portion of their accrued retirement benefit. For example an employee may work half-time and draw one-half of his or her earned retirement benefit. Such an employee would maintain dual status: partially retired and partially in-service during the phased retirement period.

Employees who enter a bona fide phased retirement period must be permitted to continue to participate in the plan as if they were still maintaining a full-time work schedule (including calculation of average earnings). To ensure that employees are not disadvantaged by taking phased retirement, compensation during part-time work is translated into full-time compensation, or "annualized." Thus, for benefit calculation purposes, if an

Phased Retirement:
Members receive part of a retirement benefit and work part-time, while continuing to earn part of a benefit.

employee works 50 percent of a full-time schedule during phased retirement, the employee's plan compensation would equal twice the employee's actual compensation. However the employee's earned service credit would be pro-rated, based on actual hours worked or based on actual compensation. For example, an employee who works 50 percent of a full-time schedule for three years of phased retirement would be credited with 1.5 years of plan service.

What do proposed IRS rules require?
Historically, pension benefits can be legally paid only when a person stops working entirely. A pension plan is defined by federal law as "a plan established and maintained by an employer primarily to provide systematically for the payment of definitely determinable benefits to his employees over a period of years, usually for life, after retirement." Under this definition, the IRS has developed certain limitations on in-service withdrawals of members' funds prior to retirement. In general, a member may not withdraw contributions made by the employer, or earnings on such contributions, before normal retirement, termination of employment or termination of the plan. (Different rules apply to employee contributions).

On November 10, 2004, the IRS published proposed regulations for phased retirement. The proposed regulations represent a departure from the existing in-service distribution rule. IRS and Treasury received comments and held a hearing on March 14, 2005. The phased retirement regulations are proposed to be effective for plan years beginning on or after the date of publication of the final regulations. However, **because the IRS' phased retirement proposal significantly changes the current regulatory structure, it cannot be relied upon until finalized**. Any legislation authorizing phased retirement programs within the Plans 1 would be premature until that time.

The proposed phased retirement rules apply only to qualified defined benefit or money purchase plans because these plans have restrictive in-service distribution rules. Other types of plans such as 403(b) or 401(k) plans could adopt similar phased retirement rules or provide for full or partial in-service distributions at or after age 59½. However 457(b) governmental deferred compensation plans would not generally be allowed to provide payments before the earlier of severance from employment or age 70½.

Phased retirement programs must be carefully structured to fit within the proposed rules in order to maintain status as a qualified plan. The rules are structured to address the primary concern of the IRS that the retirement plan remain a retirement vehicle and provide meaningful benefits throughout the retirement period. Hence, the phased retirement program cannot be used in such a way as to drain retirement benefits for non-retirement purposes.

The following is a summary of the requirements of a phased retirement program under the current IRS proposal:

- The program must be in writing.
- It must be available to a group of employees on a non-discriminatory basis.
- Participation is limited to individuals who have attained age 59½ and are currently eligible to receive retirement benefits immediately. (Older age is permitted, and service conditions can also be imposed. There is more flexibility in the rules for participants who have reached normal retirement age. The term "normal retirement age" requires some additional clarification by the IRS.)

- Participation must be completely voluntary with the employer and with eligible employees.

- Participation is limited to full-time employees who are reasonably expected to reduce hours by 20 percent or more. (A written agreement to that affect is advisable).

- Phased retirement benefits cannot be paid in a lump sum. Single-sum payment distribution or other eligible rollover distributions would not be permitted. A level annuity pay-out is expected using any of the optional forms of benefit payable under the plan.

- Phased retirement benefits are a pro-rata portion of fully accrued benefits. For example, if the work schedule is reduced to 60 percent of a full-time schedule, the phased retirement benefit is 40 percent of the accrued benefit (to account for the 40 percent drop in hours). Unless an exception applies, the retirement plan must provide for an annual comparison between the number of hours a participating employee actually works during a specified testing period and the number of hours the employee is reasonably expected to work. The phased retirement benefit is adjusted if the hours worked are materially different than the scheduled hours.

- While the employee is drawing a phased retirement benefit, the employee must also be accruing an additional benefit in the same manner as if he or she was a full-time employee. Compensation is imputed at a full-time schedule and service credit is pro-rated.

- When the employee fully retires, the employee continues to receive the phased retirement benefit (including the portion of any previously accrued benefit that had not yet commenced) plus additional accruals earned while working part-time. The additional retirement benefit could also be calculated as the participant's entire accrued benefit, including the additional accruals during the phased retirement period, offset by distributed phased retirement payments.

- Upon full retirement, the participant could choose an optional form of benefit payment for the additional amount. The phased retirement benefit would continue in the same form as originally chosen, or if the employer permits, in a different form.

- A plan may offer multiple phased retirement benefits. For example, the employee may initially draw a 20 percent phased retirement benefit for a specified period, and then draw a subsequent 30 percent phased retirement benefit for another specified period.

- For employees who die while receiving phased retirement benefits, a phased retirement death benefit would be paid under the optional form selected, and a death benefit for the remainder of the employee's accrued benefit would be paid under the plan's provisions for in-service death.

When would PERS and TRS Plan 1 members be able to phase into retirement?

The PERS and TRS Plans 1 have service-based retirement eligibility and provide retirement benefits at ages prior to when members are expected to permanently leave the workforce. There are no provisions for early retirement in

the Plans 1. Members are eligible for normal retirement upon fulfillment of one of the following:

1. Five years of service and attainment of age 60;
2. 25 years of service and attainment of age 55; or
3. 30 years of service.

The proposed IRS rules require that employees be at least 59½ to participate in a phased retirement program. Thus, under the current IRS proposal, a phased retirement program would not be particularly useful for promoting earlier retirements in PERS and TRS 1. However, if the goal is to encourage members to work past the dates at which they would have otherwise retired, then phased retirement programs may have some utility in the Plans 1.

Based on 2004 valuation data, the average retirement age is 60.13 years for PERS 1 members and 58.38 years for TRS 1 members (excluding disability retirements). Providing the flexibility for these employees to continue to work part-time and accrue an additional partial benefit while receiving a portion of their normal retirement benefit may be enough of an incentive to keep some of these retirement-eligible employees in the workforce longer than they may have otherwise remained.

Actuarial View

Phased retirement programs are intended to be cost-neutral from an actuarial perspective. However, true actuarial cost can only be measured with actual plan experience in relation to the plan's assumptions. If, for example, the program causes employees to scale back their hours and leave full time employment sooner than they would have otherwise, the long-term cost of funding the plan increases. On the other hand a phased retirement program could be designed so that employees work past the retirement age at which they otherwise would have left the workforce, thereby providing an actuarial gain to the plan.

Employee View

The philosophy of phased retirement has shifted somewhat over the last five years. Initially it was viewed as a way for employers to reshape the end of work based on workforce needs. Now, as the baby boom generation is reaching retirement age, phased retirement is being viewed as a tool for employees to achieve enhanced financial security as well as increased enjoyment in their later working years. As the result of this shift, phased retirement programs are becoming more aligned with worker preferences.

Employees who move to part-time status will often lose other benefits such as health insurance and disability coverage, and find them difficult to replace. There are no IRS proposals to address health and welfare benefits in phased retirement, so employees may seek policy changes that would allow participants in these programs to receive continued coverage while working reduced hours.

Employer View

The employer view in the Plans 1 has shifted. In past years early retirement windows were implemented on several occasions for the Plans 1: 1980, 1982, 1992, and 1993. Now, employers are concerned with a shrinking labor pool and are trying to keep experienced workers on the job for as long as possible. A phased retirement program can keep people working longer by offering flexibility to late-career employees.

Presumably most employers will want discretion to accept or reject individual employees interested in participating in a phased retirement program. However, the greater the discretion to turn down individuals, the more

likely that those decisions will be challenged as being tainted by unlawful discrimination, either under the federal Age Discrimination in Employment Act (ADEA) or state and local anti-discrimination laws.

Retirement System View

Implementation of a phased retirement program within the Plans 1 would require significant administrative efforts in terms of IRS compliance testing, new system programming, and integration with other programs (like retire-rehire). An opinion of tax counsel or an IRS letter ruling may be necessary or advisable prior to implementing a phased retirement program.

Political View

The availability of a phased retirement benefit may be viewed as similar to other "optional forms" of benefits, which ordinarily cannot be cut back or taken away without raising issues about vested contractual rights. Legislators may want to consider whether a phased retirement program would be subject to a "no contractual right clause" or "sunset clause."

In conclusion, phased retirement program objectives may vary depending on the needs of employers and employees. A phased retirement program may support strategies to encourage older workers to delay retirement, but it may also be used to attract and retain mid-career workers. Such programs may also target particular sectors of the workforce, as long as they are not discriminatory.

Any phased retirement strategy that may be adopted for the Washington State Retirement Systems should be designed with workforce characteristics in mind. Member profiles for the Plans 1 are considerably different than for the Plans 2/3.

5. Deferred Retirement Option Plan (DROP)

Understanding the Alternative

DROPs were pioneered by police and firefighter plans. These plans tend to have earlier normal retirement requirements than many public sector plans and also tend to have many participants electing to retire early. Thus, early DROPs were designed as an enticement for retirement age employees to stay on the job a little longer.

Since the onset of DROPs 20 years ago, they have been implemented for many state and local plans. They are also gaining popularity in teacher retirement plans for jurisdictions that find it difficult to replace qualified teachers quickly enough to cover all those now eligible to retire. From the employer perspective, DROPs may be used to manage critical workforce shortages by encouraging employees to stay longer, or they may be structured as an incentive to retire early. They may be designed to have a cost or to be cost neutral. From the employee perspective, DROPs may offer competitive benefits or plan flexibility that is otherwise unavailable under traditional plan designs.

A standard DROP is available to members when they become eligible for retirement. If the member elects to participate, the employee makes an election to enter the DROP for a set

DROP - Deferred Retirement Option Program:
In a DROP, members "retire" and direct their retirement pension into a special account while continuing to work for the same employer. At the conclusion of the DROP period, they have access to the accumulated benefits in the account. Members do not accrue new service credit during the DROP period.

period. During the DROP period, the employee actually moves from being an active participant who is accruing benefits to being a retiree (for pension purposes). The employee continues to work and receive compensation during the DROP period, but not service credit. In the meantime, the monthly retirement benefit that the member would have received (or a portion of it) is deposited into a special account during the DROP period. Assets in the DROP account earn interest at a rate defined under the plan's provisions. The DROP may be designed with or without continued contributions based on the employee's salary.

In a standard DROP, the member's election to participate is usually irrevocable, requires cessation of employment at the end of the DROP period (usually one to five years) and results in a lump sum benefit. The interest earned on the DROP account may be a fixed percentage or a variable amount depending upon some index, or in some cases, based upon investment options selected by the employee. Some DROP designs allow participating employees to make additional contributions to their DROP accounts. When the employee terminates employment at the end of the DROP period, the retirement benefit is then paid directly to the employee and the balance in the DROP account can be distributed or rolled over according to plan rules.

Actuarial View

A critical consideration in designing a DROP is the cost to the retirement system. Many DROP programs are intended to be cost-neutral from an actuarial perspective. If a DROP is offered to all employees as an actuarially equivalent option to an existing retirement program, then there would appear to be no cost impact to the plan. However, true actuarial cost can only be measured with actual plan experience in relation to the plan's assumptions. If, for example, the DROP causes employees to retire earlier than they would otherwise, the employer's long-term cost of funding the plan increases. This is because pension benefits must be funded over a shorter period of time and paid over a longer period.

The cost of a DROP program is further increased when the DROP is designed to subsidize early retirement. This is because employees who work past early retirement age provide an actuarial gain to the plan each year that they continue to work rather than receive retirement benefits. A DROP participant can continue to receive wages and still take advantage of an early retirement subsidy, thereby eliminating this actuarial gain. In order to minimize increased cost, plans may allow DROP elections only at a specified retirement age.

Some DROP plans are designed to control the utilization rate and therefore the cost of the DROP. For example, the deposit into the DROP account during the DROP period may be an amount that is less than 100 percent of the monthly benefit calculated at the time of the DROP election. This design offsets costs. Another way to control the financial impact of a DROP is to control the amount of interest earnings. DROPs with cost-neutral designs often include features that limit benefit payments and make the DROP election less attractive. In addition, there are costs and administrative burdens of implementing a DROP.

Employee View

DROP programs are popular with employees in defined benefit plans because they combine the flexibility of a defined contribution plan with the security of their defined benefit plan. DROP programs can give participants' retirement a "jump-start" by using a lump-sum payout from the DROP account to pay off debt, make a large purchase, or invest the amount for future financial needs such as health care costs or protection from inflation. At the same time the participant is still guaranteed to receive monthly retirement

income for life, even if it is a lower benefit than the participant would have received but for the DROP distribution. Another advantage of DROPs is that they can be used to reallocate pension income to the early retirement years prior to Social Security and Medicare eligibility or, alternatively, since they are eligible for rollover, to defer taxable income to later years if that is desirable.

Employer View

A major reason for employers to implement a DROP is to influence employee behavior. DROP's can be used to retain experienced employees who are eligible to retire, but who cannot yet be replaced with existing employees. Alternatively, variations on the DROP design can be used to encourage earlier retirement, allowing employees to take advantage of any early retirement subsidies or incentives that may be available. They may also provide additional income during the early years of retirement to bridge the gap between employment income and Social Security retirement or Medicare eligibility. In order to be consistent with clearly established goals, a DROP must be carefully designed.

Ultimately, it is impossible to predict who will opt for DROP and who will stick with the traditional pension plan. This can cause unintended consequences. The City of Philadelphia added DROP to its municipal pension plan in 1999. The goal was to retain older workers and their considerable on-the-job expertise. The program worked for police and firefighters, whose average retirement age was pushed back. But DROP had the opposite effect for other city employees. On average, they started to retire two years earlier than expected. Some departments found themselves in a staffing crunch, as DROP created a wave of retirements all at once.

As in the case of phased retirement, the availability of a DROP may be viewed as similar to other "optional forms" of benefits, which ordinarily cannot be cut back or taken away without raising issues about vested contractual rights. Legislators may want to consider whether a DROP would be subject to a "no contractual right clause" or "sunset clause."

Retirement System View

IRS compliance is always a concern for the plan administrator, and compliance issues can arise in connection with a DROP. For example, if the interest credited to a DROP account is based on actual earnings rather than a fixed rate, the DROP benefit may be treated as a separate defined contribution plan subject to limitations set forth in Section 415(c) of the Internal Revenue Code. If the DROP allows for an interest rate that is subject to discretion by the plan sponsor, an issue may be raised as to whether benefits under the plan are "definitely determinable," which could trigger questions about plan qualification. DROPs with maximum age restrictions may have implications under age discrimination laws. The advice of tax counsel is helpful when dealing with these kinds of issues.

Political View

Critics say DROPs have played a prominent role in recent high-profile pension scandals such as those in San Diego and Houston. Houston adopted a DROP in the late 1990s, first for police and firefighters and then for all employees. The original DROP guaranteed a generous 8.5 percent rate of interest on DROP accounts. When stock market returns on plan funds went negative for two years in a row, the city was still responsible for the guaranteed DROP investment returns and the large member payouts they helped produce. Also, in San Diego, a generous DROP plan has been pegged by critics as contributing to a large pension funding shortfall that triggered downgrades on the city's bond rating and a federal investigation.

DROPs have also grabbed headlines when they resulted in very large lump sums for highly

paid, high-profile retirement system members – especially in the late 1990s when DROP accounts could be invested for very high returns. Such media accounts led to public relations concerns for elected officials and plan sponsors. Some of these concerns were ameliorated when the stock markets cooled. Also, DROP designs may be modified to avoid the effects of market volatility.

Summary of Alternatives

	Actuarial View	Employee View	Employer View	Retirement System View	Political View
Retire-Rehire (Current)	Costs are determined over time.	Job may not be available.	Can address workforce shortages.	In place.	Controversial; popular with certain stakeholders.
Increase Maximum Allowance	Most costly.	System-wide benefit.	Provides incentives to work longer.	Requires program changes and member communication.	More consistent. More costly.
Amend Current Program	Cost varies.	More parity; more restrictions possible.	Could interfere with employer goals.	Litigation likely with certain amendments.	Litigation likely with certain amendments.
Repeal Current Program	Saves benefit costs.	Takes something away.	Could magnify shortages/lead to hiring crunch.	Litigation likely.	Litigation likely.
Phased Retirement	Targets costs.	Provides flexibility.	Facilitates retention of older workers.	Very complex; breaks new ground.	Responds to workforce trends and older employees; IRS regs. not final; timing uncertain.
DROP	Targets costs; some risk.	Provides flexibility.	Facilitates retention or replacement of older workers.	Very complex; some risks of unintended consequences.	Possible criticism for effects on highly paid employees; some risk of unintended consequences.

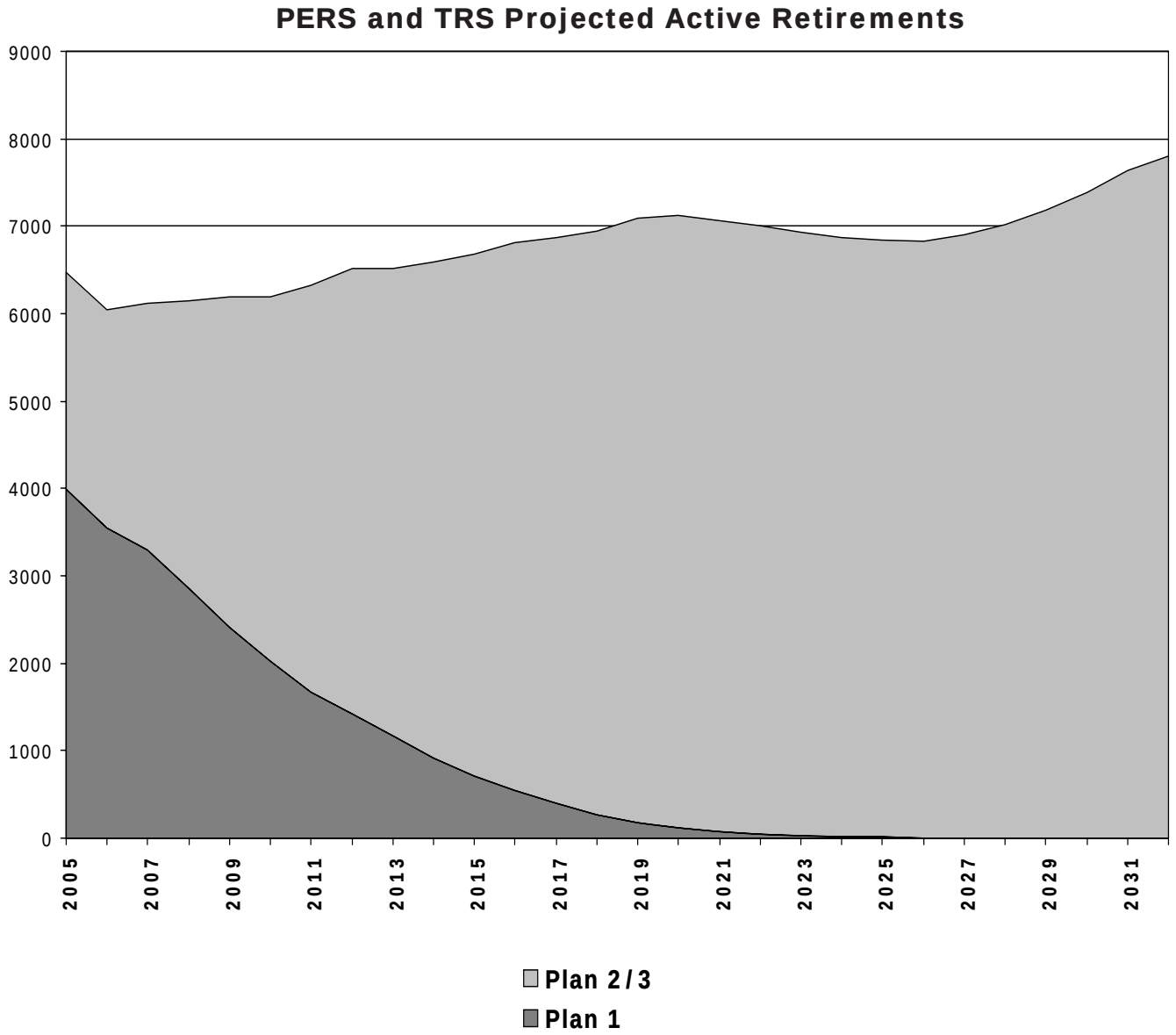
The Changing Workforce

Economic, Demographic and Social Trends

Washington's 2001 legislation that expanded post-retirement employment opportunities was largely in response to a shortage of experienced teachers and other employees that were in high demand during the most expansive point in the last business cycle. The following discussion is intended to highlight some of the current trends that continue to create pressure on policy makers as they address the issue of post-retirement employment. This is not to suggest that policy makers must respond to such pressures, or that there is a right or wrong way to respond. The purpose of this section is simply to highlight some of the developments that continue to bring the issue of post-retirement employment to the forefront.

In the State of Washington, the total number of retirements for PERS and TRS is projected to steadily increase over the next forty years. The following chart shows the projected retirements from active status in PERS and TRS based on data from the 2004 Actuarial Valuation. The chart illustrates that Plan 1 members will have totally left the workforce in less than two decades.

"This section...highlights some of the developments that continue to bring the issue of post-retirement employment to the forefront."



This projection of retirements does not portend a massive looming labor shortage in the government workforce. However, there is some concern that imminent baby boomer retirements will create a shortage of experienced workers. This trend is coupled with the slower rate of growth in the number of workers entering the workforce generally. The number of people in the U.S. labor force age 55 or older will increase 32 percent by 2010, while the number or workers age 35 to 44 will shrink 10.2 percent during the same period, according to the federal Bureau of Labor statistics.

The Pew Charitable Trusts' "Government Performance Project" recently found that 64 percent of the State of Washington's 46,000 full-time classified employees could retire by 2015. The report identified Washington as the only state in the union where the percentage of state workers eligible to retire topped 60 percent. Runners-up included Maine at 59 percent, Tennessee at 58, Michigan at 56 and Pennsylvania at 54.

This does not mean that all these workers would immediately retire from the state workforce. Retirement "eligibility" includes those eligible for early retirement in the Plans 2/3, as well as all employees eligible for normal or unreduced retirement. In the Plans 2/3, members who retire early will see a substantial reduction in their monthly pension benefit and are therefore not likely to retire when they are first eligible. The statistics offered by the Pew study are useful, however, as they offer some understanding of who makes up the state workforce.

The Washington Department of Personnel's Task Force examined the impact of aging trends on the Washington State government workforce (June 2000) and found the following:

- The state will experience significantly higher turnover due to increasing retirement rates, with some agencies and job categories impacted to a much greater extent than others.
- In 18 agencies, including some of the state's largest, 15-29 percent of the PERS Plan 1 workforce will be eligible to retire by 2005.
- More than 50 percent of executive level and 30 percent of mid-level managers will be eligible to retire by 2005.
- Over 50 percent of the state workforce is in the 40-54 age group and at the mid-career stage or more.

The 2000 Task Force had several recommendations that are relevant to the issue of post-retirement employment and the relatively recent expansion of retire-rehire opportunities in the State of Washington:

- Hire retirees as a source of experienced workers.
- Eliminate barriers to using retirees as part-time workers by reducing restrictions on post-retirement employment and/or allowing exceptions so that agencies can provide health care coverage as an incentive for retirees to work part-time.
- Explore options to help retain experienced workers, such as scheduling flexibility, telecommuting, assignment or career changes, leave options and downshifting.

On the federal level, the changing workforce is reflected in changes to the federal Social Security law as of January 2000 that eliminated the Retirement Earnings Test for individuals age 65-69. (It remains in effect for those ages 62-64). This test had required that if seniors continued to work from age 65 to 70, their benefits were reduced $1 for every $3 earned above $17,000. The withheld benefits were then returned, in general with interest, in the form of higher benefits after stopping work, or at age 70.

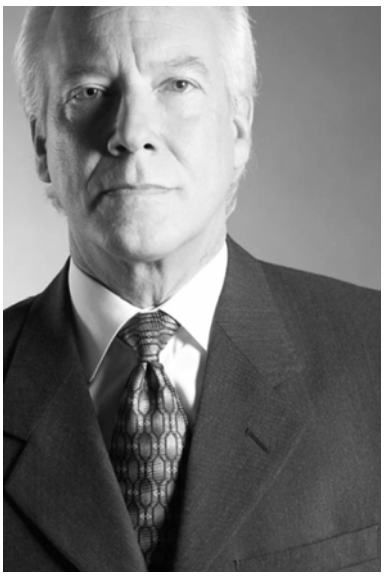
The test was not eliminated because older Americans aren't working. Rather, the law eliminating the test - the Senior Citizens' Freedom to Work Act of 2000 - was touted as

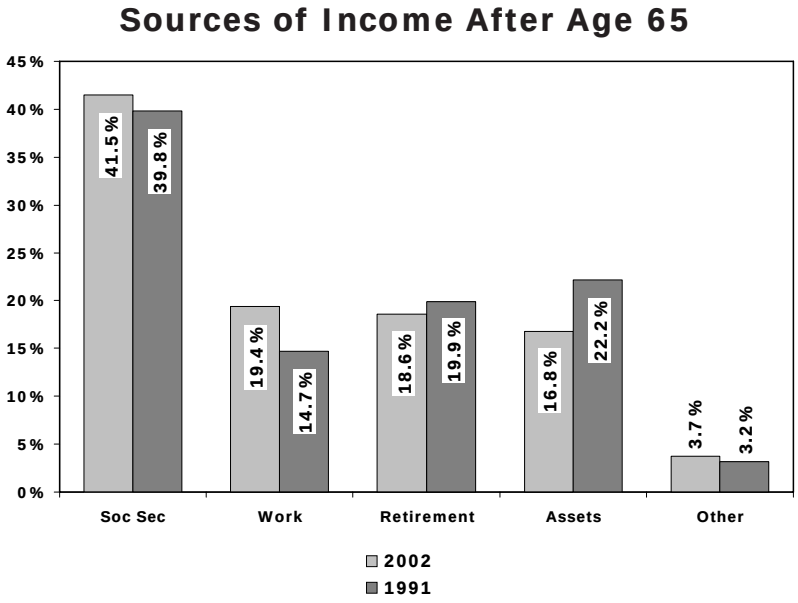
"an important step toward preparing the economy for the demographic challenge of the baby boom." At that time there were 9.6 million people between the ages of 65 and 69, of which 3.0 million were working in Social Security covered employment. The number of people in that age group was projected to double to 20.3 million by the year 2030. (National Economic Council, April 6, 2000.)

Today the full retirement age under Social Security is increasing. As explained on the Social Security Administration's website, www.ssa.gov, Americans are living longer, healthier lives and can expect to spend more time in retirement than their parents and grandparents did. (See also Adequacy of Benefit, Report to the SCPP, June 2004 for more information on the aging workforce.) Today Social Security's full retirement age of 65 applies only to those born in 1937 or earlier. For those born after 1937, a full retirement age schedule has been adopted. The later the birthday, the later the full retirement age. For example, those who are born in 1960 or later have a full retirement age of 67. Persons covered by Social Security can retire as early as 62, but their benefits are reduced to take into account the longer period of time they will receive them.

Social Security Retirement Age

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67





As the Social Security retirement age is increasing, employees are becoming more dependent on income from work after age 65. The Employee Benefit Research Institute has published statistics comparing the 2002 percentage distribution of average income by source for the population age 65 and over to the same figures from 1991. In 2002, 19.4 percent of the income for this group was from earnings from work, 41.5 percent of income was from Social Security, 18.6 percent was from retirement plans of various types, 16.8 percent was income from assets, and 3.7 percent was income from all other sources, including financial assistance, non-pension survivor benefits, disability, unemployment compensation, workers' compensation, veterans' benefits, and public assistance.

These figures were slightly different in 1991, when there was a higher percentage of income from assets (22.4 percent) and less reliance on income from work (14.7 percent). Social Security represented 39.8 percent of income in 1991, 19.9 percent of income was from retirement plans of various types, and 3.2 percent of income was from all other sources.

Employees are also indicating a need or desire to work longer. Among 2,001 workers between the ages of 50 and 70 recently polled by the American Association of Retired Persons (AARP), nearly 70 percent said they planned to continue working past the age of 65, and almost half said they envisioned working into their 70s or beyond. Pre-retirees cited various reasons for believing they will continue to work, including needing money (22 percent), needing health benefits (17 percent), staying mentally active (15 percent), being productive or useful (14 percent), and remaining physically active (9 percent).

Finally, employees are expressing interest in how their work life is structured in their late careers. A recent Watson Wyatt study of workers at or near retirement age indicated that a majority of survey participants would like to work fewer hours later in their careers, but less than half of them expect their employer to offer this opportunity. When asked how they would like to phase into retirement, many older workers said they hope to work part-time (63 percent) or work more flexible hours (48 percent) before retiring completely. Nearly 2/3 (63 percent) of current workers aged 50 and older indicated that they would like to phase into an entirely different career.

Among those currently participating in phased retirement, 80 percent work flexible hours and 79 percent work part-time. Two-thirds (67 percent) have less responsibility in their current job compared with their career job. (See "Older Workers Would Delay Retirement if Employers Offered Phasing," Watson Wyatt Press Release, March 22, 2004.)

Whether older workers retire and return to work, or whether they are given incentives to remain within the workforce, the trend in Washington and throughout the country is toward an aging workforce. Both public and private employers are concerned with sector shortages that may result from an increase in the retirement rate and are looking for ways to keep experienced workers involved in the workforce. (See Adequacy of Retirement Benefit Report to the SCPP, June 2004.)

Federal Perspectives

The 2002 Federal Human Capital Survey (with over 100,000 respondents) found that more than one out of every three federal employees said they are considering leaving government service. In response to these statistics and other similar findings, federal agencies have been developing human capital plans over the last several years. To offset the coming retirement wave, more federal agencies are using reemployed retirees to help fill the knowledge and skills gap in the government workforce.

Historically, federal law has discouraged retirees from coming back to work for the government. General policy has been to deduct the value of retirees' pensions from their salaries when they return to work. This "dual compensation penalty" is designed to prevent large numbers of government workers from retiring as soon as they are eligible, collecting their pensions, getting rehired in their old jobs and taking home both their salary and their pensions.

This policy is changing with workforce dynamics. Already military retirees can collect their pensions and work as federal employees with no major penalty. In the Department of Defense, which anticipates a coming retirement wave, the Pentagon has overhauled the civil service workforce rules to allow retirees who become employed in the department to collect a paycheck and their pension as authorized by the 2004 Defense Authorization Act. In the State Department, retired foreign service officers are allowed to come back to work for the government, but are limited to working six months a year and are used on projects that require special skills.

In the aftermath of September 11, federal agencies are allowed to waive the dual compensation penalty if they are having extreme problems filling critical positions or if they are faced with an emergency. Otherwise, most federal civilian retirees have to be hired as contractors to avoid the dual compensation limits. This has caused the federal Office of Personnel Management to consider other ways to involve retirees in bridging the knowledge and skills gaps in the federal workforce. The following are some of the strategies being considered:

Phased Retirement: Retirement-age employees continue in their old jobs but with scaled back hours.

Retiree Job Bank: Retirees work up to a certain number of hours each year without adversely affecting their pensions.

Emeritus Program: Retirees keep an office and e-mail address at their organization and come in periodically.

Part-time Retired Annuitant/Project Team Consultant: Retirees are part of a project team on a limited basis to share expertise and solve specific problems.

Mentoring Program: Retirees serve as a mentor in a formal mentoring program in their

organization.

Knowledge Sharing Forums: Retirees meet periodically with up-and-coming individuals to share stories, lessons learned and insights.

Rehearsal Retirement/Boomerang Job: After employees retire for a few months or a year, they then bounce back to their organization and work limited hours.

Job-Sharing: Two or more retirees share a job.

Facilitator of an Online Community of Practice: Retirees act as moderators of an online community in their area of expertise.

Knowledge Capture/Retention Program: Retirees are interviewed via video, with their interviews accessible over the web in their organization.

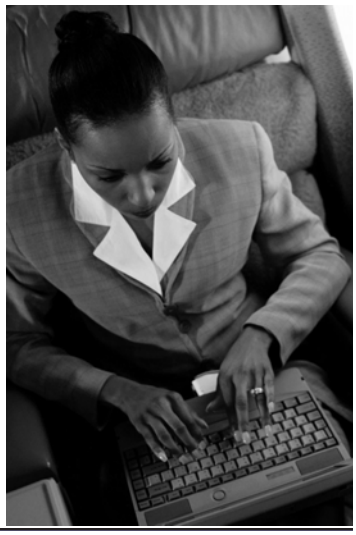
Source: Liebowitz, Jay, Bridging the Knowledge and Skills Gap: Tapping Federal Retirees, IBM Center for the Business of Government, Summer 2004.

Challenges in Responding to Trends: Should the Retirement System be Used as Personnel Tool?

Part of the philosophical debate surrounding post-retirement employment practices is whether retirement systems should be used as a tool in solving personnel issues. Proponents argue that retirement benefits are part of the total compensation package and should be used to address the needs of a changing workforce. Opponents argue that compensation issues should be addressed directly through salary increases, and retirement systems should be utilized only for retirement, i.e. providing security to employees who are no longer working.

Most retirement experts agree that the aging workforce is a trend that is causing some to question how retirement plans and benefits programs are structured. The challenge for policy makers is to distinguish short-term cycles from long-term trends. This is particularly important in the public pension context, as retirement systems are more suited for addressing long-term rather than short-term goals.

Public pension plans are designed and funded over multiple decades. Frequent changes in the benefit structure of public pension plans can contribute to contribution rate instability and inadequacy, as well as possible generational inequities in terms of taxpayer funding. Also, because of well-established legal principles recognizing the contractual nature of pension benefits, it is virtually impossible to take away benefits once they have been given. Even if benefit reductions are prospective and apply only to new hires, there is political difficulty in offering less to new employees than what has been previously offered.



Conclusion

Retire/rehire provisions are used to attract retired workers back to the work force after retirement. They tend to be used with plans that have service-based retirement provisions as in the Plans 1 for TRS and PERS. Washington's current program may be retained, repealed or amended. This report has identified some of the costs and consequences associated with these courses of action.

Another category of tools may be used to retain older workers who are still in the workforce by increasing benefit accruals and other incentives for those working longer periods of years and later in life. Some of these kinds of provisions are already built into the Plans 2/3 of the Washington State Retirement Systems. Several alternatives for increasing the maximum retirement allowance in the Plans 1 have been priced and presented in this report.

The legislature may also wish to consider the possibility of implementing a phased retirement program or a DROP. The design of a phased retirement program will be contingent upon final IRS regulations, and a DROP must be designed with current IRS requirements in mind. These alternatives represent significant program changes. Either program could be designed to achieve specific outcomes and to manage costs. In any event, it will be necessary to define the goals for any program changes in order to effectively implement an alternative workforce strategy.

Whether existing workforce strategies are retained or new strategies are implemented, any resulting increases in Plan 1 costs will be magnified by the existence of the Plan 1 unfunded actuarial accrued liability. Under current funding policy, this multibillion dollar pension liability must be retired by no later than June 30, 2024. Contribution rates for all retirement system employers (including for the Plans 2/3) are already projected to increase significantly in the future in order to address the existing liability. As a result, in deciding whether to incur a cost in connection with any Plan 1 benefit enhancements, policy makers will need to balance the need for long-term benefit security in the Plans 1 against the more immediate human resource needs that may be emerging in the public workforce.

Appendices

Appendix A **51**

Plan 1 Rehires Retiring Since July 1, 2001

Appendix B **53**

Retiree Rehires Reported in Eligible Positions for School/Calendar Year End

PERS and TRS Plan 1 New Service Retirees by School/Calendar Year

Summary of Utilization

Appendix C **55**

TRS Retiree Rehires by Position Type

Appendix D **57**

Retiree Rehires by Employer: Employers Hiring More than 25 Retirees

Retiree Rehires by Employer: Percentage Rehire Employers With 5 or More Retirements and 20%+ Rate of Rehire

Appendix E **63**

Chapter 10, Laws of 2001: Expanded the retire-rehire program for the plans 1.

Appendix F **75**

Chapter 412, Laws of 2003: Added restrictions to expanded program that became applicable only to PERS 1; TRS 1 provisions were vetoed; veto message included.

Appendix G **101**

Substitute House Bill 1326 (2005): Proposal to bring more parity to the Plans 1 by imposing PERS restrictions onto TRS; also would have imposed a cumulative lifetime limit on TRS and would have increased the cumulative lifetime limit in PERS; passed the house: priced in this report as "SCPP Amendments."

Appendix H **137**

Chapter 518, Laws of 2005, Sec. 105: Study Mandate.

Appendix A

Plan 1 Rehires Retiring Since July 1, 2001

System	Years Rehired	Hours Rehired	Service	Age	Benefit	AFC
	Average					
PERS	1.2	1,493	27.6	60.2	$2,477	$4,769
TRS	1.5	1,401	29.3	59.7	$2,363	$5,331
PERS & TRS	1.4	1,423	28.7	59.9	$2,402	$5,137

AFC: Average Final Compensation

Appendix B

Retiree Rehires Reported in Eligible Positions for School/Calendar Year-End

Note: Return to work data as of March, 2005

Note: PERS 2001 based on six months of data.

Plan 1 Members Retiring Before July 1, 2001						
		School/Calendar Year				
SYSTEM	Hours Worked	2001 COUNT	2002 COUNT	2003 COUNT	2004 COUNT	TOTAL COUNT
PERS	Worked up to 840/867 hours	76	351	325	296	1,048
(Calendar Year)	Worked over 840/867 hours	21	240	266	258	785
	% working over 840/867 hours		40.6%	45.0%	46.6%	42.8%
TRS	Worked up to 840/867 hours	0	2,319	2,187	1,947	6,453
(School Year)	Worked over 840/867 hours	0	437	448	381	1,266
	% working over 840/867 hours		15.9%	17.0%	16.4%	16.4%

Plan 1 Members Retiring On or After July 1, 2001						
		School/Calendar Year				
SYSTEM	Hours Worked	2001 COUNT	2002 COUNT	2003 COUNT	2004 COUNT	TOTAL COUNT
PERS	Worked up to 840/867 hours	19	226	304	371	920
(Calendar Year)	Worked over 840/867 hours	0	97	229	296	622
	% working over 840/867 hours		30.0%	43.0%	44.4%	40.3%
TRS	Worked up to 840/867 hours	0	687	840	1,209	2,736
(School Year)	Worked over 840/867 hours	0	323	653	654	1,630
	% working over 840/867 hours		32.0%	43.7%	35.1%	37.3%

PERS and TRS Plan 1 New Service Retirees by School/Calendar Year Members Retiring After June 30, 2001 and Rehired by March 31, 2005

Note: PERS 2001 rehires based on 6 months of data.

Note: 2004 service retiree counts are based on preliminary data.

		School/Calendar Year				
System	Group	2001 COUNT	2002 COUNT	2003 COUNT	2004 COUNT	TOTAL COUNT
PERS	Service retirees	1,052	2,159	1,868	1,808	6,887
(Calendar Year)	Rehired within 12 months	185	379	261	272	1,097
	Rehired after 12 months	111	188	111	n/a	410
TRS	Service retirees	1,525	1,487	1,216	1,321	5,549
(School Year)	Rehired within 12 months	479	510	393	519	1,901
	Rehired after 12 months	391	317	190	n/a	898

Summary of Utilization	PERS	TRS	Total
Total Rehired	1,507	2,799	4,306
%Retirees Rehired	22%	50%	35%
%Rehired within 12 months	73%	68%	70%
%Working Under 840/867	60%	63%	62%
%Working Over 840/867	40%	37%	38%

Note: Return to work data provided by the Department of Retirement Systems, summarized by OSA, and was not audited.

Appendix C

TRS Retiree Rehires By Position Type

Members Retiring Between July 2001 and March 2005 With Reported Hours

POSITION	Expected to Work Under 840/867 hrs COUNT	Expected to Work Over 840/867 hrs COUNT	Total COUNT	% Over 840/867 %
ADMINISTRATOR	164	175	339	52%
OTHER	63	43	106	41%
TEACHER	1,260	460	1,720	27%
Total	1,487	678	2,165	31%

Note: Members averaging 90+ hours/month in 2005 calendar/school year projected to work over the hours limit.

Note: Return to work data provided by the Department of Retirement Systems, summarized by OSA, and was not audited.

Appendix D

Retiree Rehires by Employer
Employers Hiring More than 25 Retirees

Members Retiring Between July 2001 and March 2005

Note: Members averaging 90+ hours/month in 2005 calendar/school year projected to work over the hours limit.

Note: Return to work data provided by the Department of Retirement Systems, summarized by OSA, and was not audited.

Note: Retirees Employed includes members who retired from a different employer.

Employer	Retired From Employer	Rehired by Employer	Retirees Employed	Working Over Limit	Working Under Limit	No hours reported
SEATTLE SD 001	388	134	152	39	75	38
SOCIAL & HEALTH SERV DEPT OF	690	125	140	39	26	75
TACOMA SD 010	246	121	136	22	66	48
PUYALLUP SD 003	104	83	99	25	25	49
UNIVERSITY OF WA	483	56	64			64
NORTHSHORE SD 417	124	51	62	12	40	10
N THURSTON PUBLIC SCHOOLS - SD	88	51	60	10	31	19
TRANSPORTATION DEPT OF	274	54	56	17	8	31
SPOKANE PUBLIC SCHOOLS	196	48	56	4	35	17
KING CO	261	50	55	5	5	45
VANCOUVER SD 037	126	47	54	11	34	9
EVERGREEN SD 114	115	47	54	10	36	8
HIGHLINE SD 401	116	50	54	8	11	35
EDMONDS SD 015	129	45	54	12	27	15
RENTON SD 403	88	45	53	29	15	9
LAKE WASHINGTON SD 414	124	47	53	7	32	14
YAKIMA SD 007	111	36	50	11	33	6
BELLEVUE SD 405	115	41	45	17	14	14
ISSAQUAH SD 411	80	30	41	13	18	10
KENNEWICK SD 017	77	35	38	11	19	8
FEDERAL WAY SD 210	123	31	37	9	16	12
KENT SD 415	141	30	35	7	20	8
KC METRO	218	33	34	5	6	23
SHORELINE SD 412	95	27	33	10	21	2
MUKILTEO SD 006	49	22	32	6	20	6
EMPLOYMENT SECURITY DEPT OF	175	27	31	11	2	18
AUBURN SD 408	70	26	31	13	12	6
CLOVER PARK SD 400	76	27	31	15	10	6
EVERETT SD 002	81	22	31	4	17	10
WA STATE UNIVERSITY	121		55	6	18	31
TACOMA SD 010	86	25	29	2	1	26
BETHEL SD 403	60	24	29	15	9	5
BELLINGHAM SD 501	65	24	29	3	21	5
LABOR & INDUSTRIES DEPT OF	146	27	27	13	7	7
Total	5,441	1,541	1,840	421	730	689

Retiree Rehires by Employer
Percentage Rehire Emloyers With 5 or More Retirements and a 20%+ Rate of Rehire
Members Retiring Between July 2001 and March 2005

Note: Members averaging 90+ hours/month in 2005 calendar/school year projected to work over the hours limit.

Note: Return to work data provided by the Department of Retirement Systems, summarized by OSA, and was not audited.

Note: Retirees Employed includes members who retired from a different employer

Employer	Retired From Employer	Rehired by Employer	% Rehired	Retirees Employed	Working Over Limit	Working Under Limit	No hours reported
UTILITIES & TRANSPORTATION COM	9	8	89%	9	3	2	4
PUYALLUP SD 003	104	83	80%	99	25	25	49
SULTAN SD 311	10	7	70%	7	2	5	
SELAH SD 119	16	11	69%	14	1	10	3
CAMAS SD 117	16	11	69%	11	2	4	5
COMMUNITY COLLEGE OF SPOKANE	9	6	67%	14		11	3
CLOVER PARK TECHNICAL COLLEGE	8	5	63%	6		2	4
NACHES VALLEY SD 003 JT	13	8	62%	9	3	4	2
YELM SD 002	23	14	61%	20	12	2	6
ENUMCLAW SD 216	30	18	60%	20	4	13	3
N THURSTON PUBLIC SCHOOLS - SD	88	51	58%	60	10	31	19
RAYMOND SD 116	7	4	57%	6		4	2
EVERETT PORT OF	7	4	57%	4	1	1	2
OTHELLO SD 147	7	4	57%	4	1	1	2
S BEND SD 118	7	4	57%	4		3	1
PUYALLUP SD 003	16	9	56%	11	1		10
SEATTLE COMMUNITY COLLEGE	36	20	56%	22			22
STEVENSON-CARSON SD 303	9	5	56%	6	1	4	1
RAINIER SD 307	9	5	56%	6	3	3	
YAKIMA VALLEY COLLEGE	11	6	55%	10	1	7	2
BAINBRIDGE ISLAND SD 303	24	13	54%	14	6	6	2
ABERDEEN SD 005	28	15	54%	16	3	11	2
WHITE RIVER SD 416	15	8	53%	10	2	5	3
EASTMONT SD 206	29	15	52%	18	1	12	5
RENTON SD 403	88	45	51%	53	29	15	9
ANACORTES SD 103	12	6	50%	15	7	6	2
SUNNYSIDE SD 201	12	6	50%	6	1		5
ED SERV DIST 105	6	3	50%	6	3	3	
MEAD SD 354	8	4	50%	4			4
HOQUIAM SD 028	8	4	50%	4			4
QUILLAYUTE SD 402	6	3	50%	3			3
SAN JUAN ISLAND SD 149	6	3	50%	3		1	2
LA CONNER SD 311	6	3	50%	3	2		1
TACOMA SD 010	246	121	49%	136	22	66	48
TAHOMA SD 409	21	10	48%	16	8	6	2
SNOQUALMIE VALLEY SD 410	34	16	47%	18	8	8	2
KENNEWICK SD 017	77	35	45%	38	11	19	8
CHEHALIS SD 302	22	10	45%	15	1	13	1
WHITE PASS SD 303	11	5	45%	7	3	3	1
TOPPENISH SD 202	11	5	45%	6	1	2	3
GREEN RIVER COMMUNITY COLLEGE	11	5	45%	5			5
MUKILTEO SD 006	49	22	45%	32	6	20	6
UNIVERSITY PLACE SD 083	38	17	45%	22	12	8	2
KETTLE FALLS SD 212	9	4	44%	7	1	5	1

Employer	Retired From Employer	Rehired by Employer	% Rehired	Retirees Employed	Working Over Limit	Working Under Limit	No hours reported
N FRANKLIN SD 051	9	4	44%	5	2	1	2
HIGHLINE SD 401	116	50	43%	54	8	11	35
DEER PARK SD 414	7	3	43%	5		4	1
CHIMACUM SD 049	7	3	43%	4	1	3	
PORT TOWNSEND SD 050	7	3	43%	4		4	
GOLDENDALE SD 404	7	3	43%	4		4	
CASHMERE SD 222	7	3	43%	3		3	
NINE MILE FALLS SD 325	7	3	43%	3		2	1
LAKE STEVENS SD 004	31	13	42%	19	10	5	4
KIONA-BENTON CITY SD 052	12	5	42%	7	3	4	
PRINTING DEPT OF	12	5	42%	5		1	4
QUILLAYUTE SD 402	12	5	42%	5		2	3
GRAND COULEE DAM SD 301	12	5	42%	5		5	
NORTHSHORE SD 417	124	51	41%	62	12	40	10
EVERGREEN SD 114	115	47	41%	54	10	36	8
FERNDALE SD 502	27	11	41%	18	2	8	8
PORT ANGELES SD 121	47	19	40%	23	2	14	7
BETHEL SD 403	60	24	40%	29	15	9	5
OAK HARBOR SD 201	10	4	40%	7			7
CASCADE SD 228	10	4	40%	4	1	1	2
LIBERTY SD 362	10	4	40%	4		3	1
COLVILLE SD 115	13	5	38%	7	2	4	1
ENUMCLAW SD 216	13	5	38%	5	1		4
LAKE WASHINGTON SD 414	124	47	38%	53	7	32	14
ISSAQUAH SD 411	80	30	38%	41	13	18	10
OAK HARBOR SD 201	48	18	38%	19		15	4
COLLEGE PLACE SD 250	8	3	38%	4	1	1	2
HIGHLAND SD 203	8	3	38%	4	1	3	
VANCOUVER SD 037	126	47	37%	54	11	34	9
AUBURN SD 408	70	26	37%	31	13	12	6
SNOHOMISH SD 201	35	13	37%	21	6	12	3
FRANKLIN PIERCE SD 402	46	17	37%	21	2	17	2
BELLINGHAM SD 501	65	24	37%	29	3	21	5
OTHELLO SD 147	19	7	37%	8	2	6	
HOQUIAM SD 028	19	7	37%	7	2	4	1
MONROE SD 103	33	12	36%	15	4	8	3
N BEACH SD 064	11	4	36%	7		5	2
BELLEVUE COMMUNITY COLLEGE	11	4	36%	5			5
W VALLEY SD 208	11	4	36%	4			4
STANWOOD-CAMANO SD #401	25	9	36%	15	3	9	3
MOUNT VERNON SD 320	28	10	36%	14	3	9	2
EVERGREEN STATE COLLEGE	14	5	36%	5	1		4
BELLEVUE SD 405	115	41	36%	45	17	14	14
CLOVER PARK SD 400	76	27	36%	31	15	10	6
SHELTON SD 309	17	6	35%	10	3	6	1
KELSO SD 458	40	14	35%	17	5	10	2
EDMONDS SD 015	129	45	35%	54	12	27	15
INFORMATION SERVICES DEPT OF	23	8	35%	8	8		
SEATTLE SD 001	388	134	35%	152	39	75	38
ENERGY NORTHWEST	58	20	34%	20	11	5	4
MERCER ISLAND SD 400	32	11	34%	17	2	11	4

Employer	Retired From Employer	Rehired by Employer	% Rehired	Retirees Employed	Working Over Limit	Working Under Limit	No hours reported
LONGVIEW SD 122	60	20	33%	21	4	12	5
GRANDVIEW SD 200	15	5	33%	8	4	1	3
LONGVIEW SD 122	21	7	33%	7		1	6
EPHRATA SD 165	18	6	33%	6		2	4
BLAINE SD 503	9	3	33%	6	3	3	
PENINSULA COLLEGE	6	2	33%	5		3	2
BELLEVUE COMMUNITY COLLEGE	6	2	33%	4		3	1
EPHRATA SD 165	6	2	33%	3	1		2
VASHON ISLAND SD 402	9	3	33%	3		2	1
BREWSTER SD 111	6	2	33%	3	1	1	1
METHOW VALLEY SD 350	6	2	33%	3		3	
NASELLE-GRAYS RIVER VALLEY SD	6	2	33%	3		2	1
HIGHLINE COMMUNITY COLLEGE	6	2	33%	2		1	1
OKANOGAN CO PUD 01	6	2	33%	2		1	1
YELM SD 002	6	2	33%	2			2
LAKE STEVENS SD 004	6	2	33%	2	1		1
ED SERV DIST 105	6	2	33%	2			2
LAKE CHELAN SD 129	6	2	33%	2			2
BATES TECHNICAL COLLEGE	6	2	33%	2			2
BATTLE GROUND SD 119	52	17	33%	23	9	9	5
YAKIMA SD 007	111	36	32%	50	11	33	6
CENTRAL KITSAP SD 401	53	17	32%	18	2	10	6
BURLINGTON-EDISON SD 100	22	7	32%	12	2	6	4
PENINSULA SD 401	51	16	31%	17	3	10	4
PROSSER SD 116	16	5	31%	6	2	2	2
MOSES LAKE SD 161	26	8	31%	8	2	5	1
WALLA WALLA CO	13	4	31%	4			4
N KITSAP SD 400	36	11	31%	19	6	11	2
MARYSVILLE SD 025	60	18	30%	22	4	9	9
E VALLEY SD 090	20	6	30%	8	2	5	1
QUINCY SD 144	10	3	30%	4	3		1
RIVERSIDE SD 416	10	3	30%	4		4	
DOUGLAS CO	10	3	30%	3	1		2
HEALTH DEPT OF	51	15	29%	17	5	5	7
CENTRALIA SD 401	34	10	29%	14	3	6	5
SUNNYSIDE SD 201	17	5	29%	9	3	5	1
EVERETT SD 002	24	7	29%	9	2		7
TACOMA SD 010	86	25	29%	29	2	1	26
SUPERINTENDENT OF PUBLIC INSTR	21	6	29%	7	3	2	2
ED SERV DIST PUGET SOUND	7	2	29%	7	1	2	4
FINANCIAL MANAGEMENT OFFICE OF	14	4	29%	5	2	1	2
COMMUNITY TRADE & ECONOMIC DEV	14	4	29%	5		3	2
BREMERTON SD 100	14	4	29%	5		1	4
PASCO SD 001	14	4	29%	5			5
TUMWATER SD 033	7	2	29%	3	2	1	
ORTING SD 344	7	2	29%	3	2	1	
E VALLEY SD 090	7	2	29%	2		2	
SHORELINE SD 412	95	27	28%	33	10	21	2
SEDRO WOOLLEY SD 101	25	7	28%	9	1	6	2
ELLENSBURG SD 401	18	5	28%	6	4		2

Employer	Retired From Employer	Rehired by Employer	% Rehired	Retirees Employed	Working Over Limit	Working Under Limit	No hours reported
WALLA WALLA SD 140	40	11	28%	11	2	9	
S KITSAP SD 402	55	15	27%	19	1	16	2
CENTRAL WA UNIVERSITY	33	9	27%	12			12
AGRICULTURE DEPT OF	22	6	27%	10	3	1	6
MEDICAL LAKE SD 326	22	6	27%	9		7	2
KENNEWICK CITY OF	11	3	27%	3			3
EVERETT SD 002	81	22	27%	31	4	17	10
PASCO SD 001	37	10	27%	12	5	4	3
WESTERN WA UNIVERSITY	41	11	27%	11			11
W VALLEY SD 208	27	7	26%	9	1	6	2
BREMERTON SD 100	31	8	26%	10	2	2	6
SUMNER SD 320	35	9	26%	11	2	6	3
RICHLAND SD 400	51	13	25%	15	6	6	3
FEDERAL WAY SD 210	123	31	25%	37	9	16	12
ATTORNEY GENERAL	40	10	25%	12	6	3	3
KING CO PUBLIC HEALTH DEPT	16	4	25%	4		1	3
PENINSULA SD 401	16	4	25%	4			4
ABERDEEN SD 005	12	3	25%	4			4
EDMONDS COMMUNITY COLLEGE	8	2	25%	3			3
FINLEY SD 053	8	2	25%	3	2		1
MERIDIAN SD 505	8	2	25%	3	3		
ELMA SD 068	8	2	25%	2	1		1
REARDAN-EDWALL SD 009	8	2	25%	2	2		
SPOKANE PUBLIC SCHOOLS	196	48	24%	56	4	35	17
CORRECTIONS NORTHEAST REGION	25	6	24%	12	5		7
VANCOUVER SD 037	51	12	24%	13		5	8
BELLEVUE SD 405	17	4	24%	4	2		2
LAKE WASHINGTON SD 414	30	7	23%	7		2	5
REVENUE DEPT OF	57	13	23%	13	5		8
HOUSE OF REPRESENTATIVES	18	4	22%	9	2		7
TUKWILA SD 406	18	4	22%	5	2		3
PERSONNEL DEPT OF	9	2	22%	4	1	2	1
STEILACOOM HISTORICAL SD 001	9	2	22%	3	1		2
GREEN HILL SCHOOL	9	2	22%	2		2	
CHENEY SD 360	9	2	22%	2			2
COMMUNITY COLLEGE OF SPOKANE	32	7	22%	8			8
STATE PATROL WA	56	12	21%	12	3	4	5
EVERGREEN SD 114	14	3	21%	3	1	1	1
OLYMPIA SD 111	75	16	21%	23	5	7	11
KENT SD 415	141	30	21%	35	7	20	8
RENTON SD 403	24	5	21%	6	1		5

Appendix E

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 5937

Chapter 10, Laws of 2001

(partial veto)

57th Legislature
2001 Second Special Session

POSTRETIREMENT EMPLOYMENT--RETIREMENT SYSTEM RETIREES

EFFECTIVE DATE: 7/1/01 - Except section 12, which becomes effective 12/31/04.

Passed by the Senate June 20, 2001
YEAS 39 NAYS 0

BRAD OWEN
President of the Senate

Passed by the House June 19, 2001
YEAS 84 NAYS 1

FRANK CHOPP
Speaker of the House of Representatives

CLYDE BALLARD
Speaker of the House of Representatives

Approved June 26, 2001, with the exception of sections 5 and 6, which are vetoed.

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5937** as passed by the Senate and the House of Representatives on the dates hereon set forth.

TONY M. COOK
Secretary

FILED

June 26, 2001 - 11:47 a.m.

Secretary of State
State of Washington

ENGROSSED SUBSTITUTE SENATE BILL 5937

AS AMENDED BY THE HOUSE

Passed Legislature - 2001 2nd Special Session

State of Washington 57th Legislature 2001 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Shin, Rasmussen, Jacobsen, Winsley, Kohl-Welles and McAuliffe; by request of Governor Locke and Superintendent of Public Instruction)

READ FIRST TIME 03/08/01.

AN ACT Relating to postretirement employment for teachers' retirement system, public employees' retirement system, and school employees' retirement system retirees; amending RCW 28A.405.900, 41.32.570, 41.40.037, 41.32.802, 41.32.860, 41.32.862, 41.35.060, 41.40.037, and 41.40.750; creating new sections; providing effective dates; providing expiration dates; and declaring an emergency.

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

NEW SECTION. **Sec. 1.** (1) The department of retirement systems, the office of the superintendent of public instruction, the department of personnel, and the health care authority shall jointly develop publications for use during the 2001-03 biennium to explain options for, and implications of, postretirement employment for members and retirees of the teachers' retirement system plan 1 and the public employees' retirement system plan 1.

(2) The publications shall address such issues as: (a) Health insurance coverage upon reemployment; (b) health benefit options upon termination of postretirement employment; (c) sick leave, annual leave, and other compensation practices; (d) options for, and implications of, reentry into active retirement system membership; (e) hiring procedures

for retirees; and (f) collective bargaining rights and responsibilities.

Sec. 2. RCW 28A.405.900 and 1990 c 33 s 404 are each amended to read as follows:

Certificated employees subject to the provisions of RCW 28A.310.250, 28A.405.010 through 28A.405.240, 28A.405.400 through 28A.405.410, 28A.415.250, and 28A.405.900 shall not include those certificated employees hired to replace certificated employees who have been granted sabbatical, regular, or other leave by school districts, and shall not include retirees hired for postretirement employment under the provisions of this act.

It is not the intention of the legislature that this section apply to any regularly hired certificated employee or that the legal or constitutional rights of such employee be limited, abridged, or abrogated.

Sec. 3. RCW 41.32.570 and 1999 c 387 s 1 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state and who has satisfied the break in employment requirement of subsection (1) of this section shall cease to receive pension payments while engaged in such service((~~: PROVIDED, That service may be rendered up to five hundred twenty-five hours per school year without reduction of pension.~~

~~(3) In addition to the five hundred twenty-five hours of service permitted under subsection (2) of this section, a retired teacher or retired administrator may also serve only as a substitute teacher for~~

~~up to an additional three hundred fifteen hours per school year without reduction of pension if:~~

~~(a) A school district, which is not a member of a multidistrict substitute cooperative, determines that it has exhausted or can reasonably anticipate that it will exhaust its list of qualified and available substitutes and the school board of the district adopts a resolution to make its substitute teachers who are retired teachers or retired administrators eligible for the extended service once the list of qualified and available substitutes has been exhausted. The resolution by the school district shall state that the services of retired teachers and retired administrators are necessary to address the shortage of qualified and available substitutes. The resolution shall be valid only for the school year in which it is adopted. The district shall forward a copy of the resolution with a list of retired teachers and retired administrators who have been employed as substitute teachers to the department and may notify the retired teachers and retired administrators included on the list of their right to take advantage of the provisions of this subsection; or~~

~~(b) A multidistrict substitute cooperative determines that the school districts have exhausted or can reasonably anticipate that they will exhaust their list of qualified and available substitutes and each of the school boards adopts a resolution to make their substitute teachers who are retired teachers or retired administrators eligible for the extended service once the list of qualified and available substitutes has been exhausted. The resolutions by each of the school districts shall state that the services of retired teachers and retired administrators are necessary to address the shortage of qualified and available substitutes. The resolutions shall be valid only for the school year in which they are adopted. The cooperative shall forward a copy of the resolutions with a list of retired teachers and retired administrators who have been employed as substitute teachers to the department and may notify the retired teachers and retired administrators included on the list of their right to take advantage of the provisions of this subsection.~~

~~(4) In addition to the five hundred twenty-five hours of service permitted under subsection (2) of this section, a retired administrator or retired teacher may also serve as a substitute administrator up to an additional one hundred five hours per school year without reduction of pension if a school district board of directors adopts a resolution~~

~~declaring that the services of a retired administrator or retired teacher are necessary because it cannot find a replacement administrator to fill a vacancy. The resolution shall be valid only for the school year in which it is adopted. The district shall forward a copy of the resolution with the name of the retired administrator or retired teacher who has been employed as a substitute administrator to the department.~~

~~(5) In addition to the five hundred twenty-five hours of service permitted under subsection (2) of this section and the one hundred five hours permitted under subsection (4) of this section, a retired principal may also serve as a substitute principal up to an additional two hundred ten hours per school year without a reduction of pension if a school district board of directors adopts a resolution declaring that the services of a retired principal are necessary because it cannot find a replacement principal to fill a vacancy. The resolution shall be valid only for the school year in which it is adopted. The district shall forward a copy of the resolution with the name of the retired principal who has been employed as a substitute principal to the department.~~

~~(6) Subsection (2) of this section shall apply to all persons governed by the provisions of plan 1, regardless of the date of their retirement, but shall apply only to benefits payable after June 11, 1986.~~

~~(7) Subsection (3) of this section shall apply to all persons governed by the provisions of plan 1, regardless of the date of their retirement, but shall only apply to benefits payable after September 1, 1994~~)), after the retiree has rendered service for more than one thousand five hundred hours in a school year. When a retired teacher or administrator renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

(3) The department shall collect and provide the state actuary with information relevant to the use of this section for the joint committee on pension policy.

(4) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five hundred twenty-five hours per year without a reduction of his or her pension.

Sec. 4. RCW 41.40.037 and 1997 c 254 s 14 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2)(a) A retiree from plan 1 who has satisfied the break in employment requirement of subsection (1) of this section and who enters employment with an employer may continue to receive pension payments while engaged in such service for up to one thousand five hundred hours of service in a calendar year without a reduction of pension. When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

(b) A retiree from plan 2 or plan 3 who has satisfied the break in employment requirement of subsection (1) of this section((~~,~~)) may work up to ((~~five months per~~)) eight hundred sixty-seven hours in a calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the joint committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

***NEW SECTION.** Sec. 5. Sections 2 and 3 of this act expire June 30, 2004.*

***Sec. 5 was vetoed. See message at end of chapter.**

***NEW SECTION.** Sec. 6. Section 4 of this act expires December 31, 2004.*

***Sec. 6 was vetoed. See message at end of chapter.**

NEW SECTION. **Sec. 7.** The office of the state actuary shall review the actuarial impact of the temporary expansion of the postretirement employment limitations provided by sections 3 and 4 of this act. No later than July 1, 2003, the state actuary shall prepare a report for the joint committee on pension policy regarding the fiscal and policy impacts of this act. The joint committee shall solicit information from the superintendent of public instruction, the department of personnel, the office of financial management, the department of retirement systems, and the health care authority regarding the program impacts of this act and shall report to the legislative fiscal committees no later than October 1, 2003, on any proposed changes or improvements to this act. If the state actuary determines the expansion of postretirement options under sections 3 and 4 of this act has resulted in increased costs for the state retirement funds, the joint committee report shall include a proposal for a process to charge those employers who employ retirees pursuant to an extension of sections 3 and 4 of this act for the costs incurred by the retirement funds under the extension.

Sec. 8. RCW 41.32.802 and 1997 c 254 s 8 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for

every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) A retiree who has satisfied the break in employment requirement of subsection (1) of this section, may work up to ((~~five months~~)) eight hundred sixty-seven hours per calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.32.044, he or she terminates his or her retirement status and immediately becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible.

Sec. 9. RCW 41.32.860 and 1997 c 254 s 7 are each amended to read as follows:

(1) Except under RCW 41.32.862, no retiree shall be eligible to receive such retiree's monthly retirement allowance if he or she is employed in an eligible position as defined in RCW 41.40.010 ((~~or~~)), 41.32.010, or 41.35.010, or as a law enforcement officer or fire fighter as defined in RCW 41.26.030.

(2) If a retiree's benefits have been suspended under this section, his or her benefits shall be reinstated when the retiree terminates the employment that caused the suspension of benefits. Upon reinstatement, the retiree's benefits shall be actuarially recomputed pursuant to the rules adopted by the department.

Sec. 10. RCW 41.32.862 and 1997 c 254 s 9 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be

applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) A retiree who has satisfied the break in employment requirement of subsection (1) of this section, may work up to ((~~five months~~)) eight hundred sixty-seven hours per calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.32.044, he or she terminates his or her retirement status and immediately becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible.

Sec. 11. RCW 41.35.060 and 1998 c 341 s 7 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) A retiree who has satisfied the break in employment requirement of subsection (1) of this section may work up to ((~~five months~~)) eight hundred sixty-seven hours per calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.35.030, he or she terminates his or her retirement status and

becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.35.420 or 41.35.680. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

Sec. 12. RCW 41.40.037 and 1997 c 254 s 14 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) A retiree who has satisfied the break in employment requirement of subsection (1) of this section, may work up to ((~~five months~~)) <u>eight hundred sixty-seven hours</u> per calendar year in an eligible position<u>, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030,</u> without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

Sec. 13. RCW 41.40.750 and 1998 c 341 s 113 are each amended to read as follows:

(1) Effective September 1, 2000, the membership of all plan 2 members currently employed in eligible positions in a school district or educational service district and all plan 2 service credit for such members, is transferred to the Washington school employees' retirement system plan 2. Plan 2 members who have withdrawn their member contributions for prior plan 2 service may restore contributions and service credit to the Washington school employees' retirement system plan 2 as provided under RCW 41.40.740.

(2)(a) The membership and previous service credit of a plan 2 member not employed in an eligible position on September 1, 2000, will be transferred to the Washington school employees' retirement system plan 2 when he or she becomes employed in an eligible position. Plan 2 members not employed in an eligible position on September 1, 2000, who have withdrawn their member contributions for prior plan 2 service may restore contributions and service credit to the Washington school employees' retirement system plan 2 as provided under RCW 41.40.740.

(b) The membership and previous service credit of a plan 2 member last employed by a school district or educational service district and retired prior to September 1, 2000, will be transferred to the Washington school employees' retirement system plan 2 if the member opts to reestablish membership.

(3) Members who restore contributions and service credit under subsection (1) or (2) of this section shall have their contributions and service credit transferred to the Washington school employees' retirement system.

NEW SECTION. **Sec. 14.** Except for section 12 of this act which takes effect December 31, 2004, this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2001.

Passed the Senate June 20, 2001.
Passed the House June 19, 2001.
Approved by the Governor June 26, 2001, with the exception of certain items that were vetoed.
Filed in Office of Secretary of State June 26, 2001.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to sections 5 and 6, Engrossed Substitute Senate Bill No. 5937 entitled:

"AN ACT Relating to postretirement employment for teachers' retirement system, public employees' retirement system, and school employees' retirement system retirees;"

This bill addresses worker retention problems in public employment by expanding post-retirement employment opportunities for Plan 1 members of the teachers' and public employees' retirement systems.

The state is facing a critical shortage of experienced teachers and other employees with skills that are in high demand. To meet this shortage, we need to attract retirees back to work. ESSB 5937 will help us in this task by creating a program for post-retirement employment. To improve the effectiveness of this program and ensure a steady supply of people with valuable expertise in our schools and state and local agencies, I have vetoed sections 5 and 6, which would have terminated the program in 2004. This sunset date would have been premature and would not have allowed sufficient time for the program to develop.

The bill contains provisions for a study of the program, and a means to recover any resulting costs from employers. These provisions provide adequate safeguards for the program and make sections 5 and 6 unnecessary.

For these reasons, I have vetoed sections 5 and 6 of Engrossed Substitute Senate Bill No. 5937.

With the exception of sections 5 and 6, Engrossed Substitute Senate Bill 5937 is approved."

Appendix F

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1829

Chapter 412, Laws of 2003

(partial veto)

58th Legislature
2003 Regular Session

POSTRETIREMENT EMPLOYMENT

EFFECTIVE DATE: 7/27/03

Passed by the House April 26, 2003
Yeas 97 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 25, 2003
Yeas 38 Nays 11

BRAD OWEN

President of the Senate

Approved May 20, 2003, with the exception of sections 1 and 2, which are vetoed.

GARY LOCKE

Governor of the State of Washington

CERTIFICATE

I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1829** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER

Chief Clerk

FILED

May 20, 2003 - 4:04 p.m.

Secretary of State
State of Washington

SUBSTITUTE HOUSE BILL 1829

AS AMENDED BY THE SENATE

Passed Legislature - 2003 Regular Session

State of Washington 58th Legislature 2003 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Bailey, Sehlin, Talcott, Kristiansen, Clements, Tom, Pearson, McMahan, Benson, Woods and Pflug)

READ FIRST TIME 03/05/03.

AN ACT Relating to postretirement employment in the public employees' retirement system and the teachers' retirement system; amending RCW 41.32.010, 41.32.570, 41.40.010, and 41.40.037; creating a new section; repealing 2001 c 317 s 1; and prescribing penalties.

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

Sec. 1. RCW 41.32.010 and 1997 c 254 s 3 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1)(a) "Accumulated contributions" for plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when

computed upon the basis of such mortality tables and regulations as shall be adopted by the director and regular interest.

(3) "Annuity" means the moneys payable per year during life by reason of accumulated contributions of a member.

(4) "Member reserve" means the fund in which all of the accumulated contributions of members are held.

(5)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(6) "Contract" means any agreement for service and compensation between a member and an employer.

(7) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to plan 1 members.

(8) "Dependent" means receiving one-half or more of support from a member.

(9) "Disability allowance" means monthly payments during disability. This subsection shall apply only to plan 1 members.

(10)(a) "Earnable compensation" for plan 1 members, means:

(i) All salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money.

(ii) "Earnable compensation" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation and the individual shall receive the equivalent service credit.

(B) If a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(iii) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(iv) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Earnable compensation" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but

shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

(11) "Employer" means the state of Washington, the school district, or any agency of the state of Washington by which the member is paid.

(12) "Fiscal year" means a year which begins July 1st and ends June 30th of the following year.

(13) "Former state fund" means the state retirement fund in operation for teachers under chapter 187, Laws of 1923, as amended.

(14) "Local fund" means any of the local retirement funds for teachers operated in any school district in accordance with the provisions of chapter 163, Laws of 1917 as amended.

(15) "Member" means any teacher included in the membership of the retirement system. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the member reserve.

(16) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

(17) "Pension" means the moneys payable per year during life from the pension reserve.

(18) "Pension reserve" is a fund in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

(19) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to plan 1 members.

(20) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to plan 1 members.

(21) "Public school" means any institution or activity operated by the state of Washington or any instrumentality or political subdivision thereof employing teachers, except the University of Washington and Washington State University.

(22) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the member reserve. This subsection shall apply only to plan 1 members.

(23) "Regular interest" means such rate as the director may determine.

(24)(a) "Retirement allowance" for plan 1 members, means monthly payments based on the sum of annuity and pension, or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for plan 2 and plan 3 members, means monthly payments to a retiree or beneficiary as provided in this chapter.

(25) "Retirement system" means the Washington state teachers' retirement system.

(26)(a) "Service" for plan 1 members means the time during which a member has been employed by an employer for compensation.

(i) If a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered.

(ii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(iii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member for one or more employers for which earnable compensation is earned subject to the following conditions:

(i) A member employed in an eligible position or as a substitute shall receive one service credit month for each month of September through August of the following year if he or she earns earnable compensation for eight hundred ten or more hours during that period and is employed during nine of those months, except that a member may not receive credit for any period prior to the member's employment in an eligible position except as provided in RCW 41.32.812 and 41.50.132;

(ii) If a member is employed either in an eligible position or as a substitute teacher for nine months of the twelve month period between September through August of the following year but earns earnable compensation for less than eight hundred ten hours but for at least six hundred thirty hours, he or she will receive one-half of a service credit month for each month of the twelve month period;

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

(vi) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(vii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in

addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990, through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

(c) For purposes of this chapter an employer shall not define

"position" in such a manner that an employee's monthly work for that employer is divided into more than one position.

(d) The elected position of the superintendent of public instruction is an eligible position.

(38) "Plan 1" means the teachers' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(39) "Plan 2" means the teachers' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and prior to July 1, 1996.

(40) "Plan 3" means the teachers' retirement system, plan 3 providing the benefits and funding provisions covering persons who first become members of the system on and after July 1, 1996, or who transfer under RCW 41.32.817.

(41) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items compiled by the bureau of labor statistics, United States department of labor.

(42) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer. <u>Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination.</u>

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

**Sec. 1 was vetoed. See message at end of chapter.*

**Sec. 2. RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 are each amended to read as follows:*

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Except as provided in subsection (3) of this section, any retired teacher or retired administrator who enters service in any public educational institution in Washington state ((~~and who has satisfied the break in employment requirement of subsection (1) of this section~~)) at least one calendar month after his or her accrual date shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than ((~~one thousand five hundred~~)) eight hundred sixty-seven hours in a school year.

(3) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state one and one-half calendar months or more after his or her accrual date and:

(a) Is hired into a position for which the school board has documented a justifiable need to hire a retiree into the position;

(b) Is hired through the established process for the position with the approval of the school board of the prospective employer;

(c) The employer retains records of the procedures followed and the decisions made in hiring the retired teacher or retired administrator and provides those records in the event of an audit; and

(d) The employee has not already rendered a cumulative total of more than (i) three thousand one hundred sixty-five hours of service as

a teacher or principal, or (ii) one thousand nine hundred hours in any other capacity, while receiving pension payments, beyond an annual threshold of eight hundred sixty-seven hours;
shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a school year. The cumulative total limitations under this subsection apply prospectively to those retiring after the effective date of this act and retroactively to those who retired prior to the effective date of this act, and shall be calculated from the date of retirement.

(4) When a retired teacher or administrator renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

((~~(3)~~)) (5) The department shall collect and provide the state actuary with information relevant to the use of this section for the joint committee on pension policy.

((~~(4)~~)) (6) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than ((~~five hundred twenty-five~~)) eight hundred sixty-seven hours per year without a reduction of his or her pension.

****Sec. 2 was vetoed. See message at end of chapter.***

NEW SECTION. **Sec. 3.** 2001 c 317 s 1 is repealed.

Sec. 4. RCW 41.40.010 and 2000 c 247 s 102 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1) "Retirement system" means the public employees' retirement system provided for in this chapter.

(2) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(3) "State treasurer" means the treasurer of the state of Washington.

(4)(a) "Employer" for plan 1 members, means every branch, department, agency, commission, board, and office of the state, any political subdivision or association of political subdivisions of the

state admitted into the retirement system, and legal entities authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the term shall also include any labor guild, association, or organization the membership of a local lodge or division of which is comprised of at least forty percent employees of an employer (other than such labor guild, association, or organization) within this chapter. The term may also include any city of the first class that has its own retirement system.

(b) "Employer" for plan 2 and plan 3 members, means every branch, department, agency, commission, board, and office of the state, and any political subdivision and municipal corporation of the state admitted into the retirement system, including public agencies created pursuant to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August 31, 2000, school districts and educational service districts will no longer be employers for the public employees' retirement system plan 2.

(5) "Member" means any employee included in the membership of the retirement system, as provided for in RCW 41.40.023. RCW 41.26.045 does not prohibit a person otherwise eligible for membership in the retirement system from establishing such membership effective when he or she first entered an eligible position.

(6) "Original member" of this retirement system means:

(a) Any person who became a member of the system prior to April 1, 1949;

(b) Any person who becomes a member through the admission of an employer into the retirement system on and after April 1, 1949, and prior to April 1, 1951;

(c) Any person who first becomes a member by securing employment with an employer prior to April 1, 1951, provided the member has rendered at least one or more years of service to any employer prior to October 1, 1947;

(d) Any person who first becomes a member through the admission of an employer into the retirement system on or after April 1, 1951, provided, such person has been in the regular employ of the employer for at least six months of the twelve-month period preceding the said admission date;

(e) Any member who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement becomes entitled to be credited

with ten years or more of membership service except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member;

(f) Any member who has been a contributor under the system for two or more years and who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement has rendered five or more years of service for the state or any political subdivision prior to the time of the admission of the employer into the system; except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member.

(7) "New member" means a person who becomes a member on or after April 1, 1949, except as otherwise provided in this section.

(8)(a) "Compensation earnable" for plan 1 members, means salaries or wages earned during a payroll period for personal services and where the compensation is not all paid in money, maintenance compensation shall be included upon the basis of the schedules established by the member's employer.

(i) "Compensation earnable" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, the salary which would have been received for the position from which the leave of absence was taken, shall be considered as compensation earnable if the employee's contribution is paid by the employee and the employer's contribution is paid by the employer or employee;

(C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(D) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(E) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(F) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(ii) "Compensation earnable" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Compensation earnable" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude nonmoney maintenance compensation and lump sum or other payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Compensation earnable" for plan 2 and plan 3 members also includes the following actual or imputed payments, which are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

(ii) In any year in which a member serves in the legislature, the member shall have the option of having such member's compensation earnable be the greater of:

(A) The compensation earnable the member would have received had such member not served in the legislature; or

(B) Such member's actual compensation earnable received for nonlegislative public employment and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions;

(iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(iv) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(v) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(vi) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(9)(a) "Service" for plan 1 members, except as provided in RCW 41.40.088, means periods of employment in an eligible position or positions for one or more employers rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Compensation earnable earned in full time work for seventy hours or more in any given calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service except as provided in RCW 41.40.088. Only service credit months and one-quarter service credit months shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits. Time spent in standby status, whether compensated or not, is not service.

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if such service has been used to establish benefits in any other public retirement system.

(ii) An individual shall receive no more than a total of twelve service credit months of service during any calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for seventy or more hours is rendered.

(iii) A school district employee may count up to forty-five days of sick leave as creditable service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than twenty-two days equals one-quarter service credit month;

(B) Twenty-two days equals one service credit month;

(C) More than twenty-two days but less than forty-five days equals one and one-quarter service credit month.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member in an eligible position or positions for one or more employers for which compensation earnable is paid. Compensation earnable earned for ninety or more hours in any calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for at least seventy hours but less than ninety hours in any calendar month shall constitute one-half service credit month of service. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service. Time spent in standby status, whether compensated or not, is not service.

Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits.

(i) Service in any state elective position shall be deemed to be full time service, except that persons serving in state elective positions who are members of the Washington school employees' retirement system, teachers' retirement system, or law enforcement officers' and fire fighters' retirement system at the time of election or appointment to such position may elect to continue membership in the Washington school employees' retirement system, teachers' retirement system, or law enforcement officers' and fire fighters' retirement system.

(ii) A member shall receive a total of not more than twelve service credit months of service for such calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for ninety or more hours is rendered.

(iii) Up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(10) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(11) "Service credit month" means a month or an accumulation of months of service credit which is equal to one.

(12) "Prior service" means all service of an original member rendered to any employer prior to October 1, 1947.

(13) "Membership service" means:

(a) All service rendered, as a member, after October 1, 1947;

(b) All service after October 1, 1947, to any employer prior to the time of its admission into the retirement system for which member and employer contributions, plus interest as required by RCW 41.50.125, have been paid under RCW 41.40.056 or 41.40.057;

(c) Service not to exceed six consecutive months of probationary service rendered after April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of the total amount of the employer's contribution to the retirement fund which would have been required under the law in effect when such probationary service was rendered if the member had been a member during such period, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member;

(d) Service not to exceed six consecutive months of probationary service, rendered after October 1, 1947, and before April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of five percent of such member's salary during said period of probationary service, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member.

(14)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance, pension or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(15) "Regular interest" means such rate as the director may determine.

(16) "Accumulated contributions" means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(17)(a) "Average final compensation" for plan 1 members, means the annual average of the greatest compensation earnable by a member during any consecutive two year period of service credit months for which service credit is allowed; or if the member has less than two years of

service credit months then the annual average compensation earnable during the total years of service for which service credit is allowed.

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.40.710(2).

(18) "Final compensation" means the annual rate of compensation earnable by a member at the time of termination of employment.

(19) "Annuity" means payments for life derived from accumulated contributions of a member. All annuities shall be paid in monthly installments.

(20) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments.

(21) "Retirement allowance" means the sum of the annuity and the pension.

(22) "Employee" or "employed" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

(23) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the director.

(24) "Retirement" means withdrawal from active service with a retirement allowance as provided by this chapter.

(25) "Eligible position" means:

(a) Any position that, as defined by the employer, normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof. For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position;

(b) Any position occupied by an elected official or person appointed directly by the governor, or appointed by the chief justice

of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which compensation is paid.

(26) "Ineligible position" means any position which does not conform with the requirements set forth in subsection (25) of this section.

(27) "Leave of absence" means the period of time a member is authorized by the employer to be absent from service without being separated from membership.

(28) "Totally incapacitated for duty" means total inability to perform the duties of a member's employment or office or any other work for which the member is qualified by training or experience.

(29) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(30) "Director" means the director of the department.

(31) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(32) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(33) "Plan 1" means the public employees' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(34) "Plan 2" means the public employees' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and are not included in plan 3.

(35) "Plan 3" means the public employees' retirement system, plan 3 providing the benefits and funding provisions covering persons who:

(a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual

average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 5. RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2)(a) Except as provided in (b) of this subsection, a retiree from plan 1 who ((~~has satisfied the break in employment requirement of subsection (1) of this section and who~~)) enters employment with an

employer at least one calendar month after his or her accrual date may continue to receive pension payments while engaged in such service for up to ((~~one thousand five hundred~~)) eight hundred sixty-seven hours of service in a calendar year without a reduction of pension.

(b) A retiree from plan 1 who enters employment with an employer at least three calendar months after his or her accrual date and:

(i) Is hired into a position for which the employer has documented a justifiable need to hire a retiree into the position;

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the legislative transportation committee, the joint committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer;

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit; and

(iv) The employee has not already rendered a cumulative total of more than one thousand nine hundred hours of service while in receipt of pension payments beyond an annual threshold of eight hundred sixty-seven hours;

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year. The one thousand nine hundred hour cumulative total under this subsection applies prospectively to those retiring after the effective date of this act and retroactively to those who retired prior to the effective date of this act, and shall be calculated from the date of retirement.

(c) When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

((~~(b)~~)) (d) A retiree from plan 2 or plan 3 who has satisfied the break in employment requirement of subsection (1) of this section may work up to eight hundred sixty-seven hours in a calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the joint committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

NEW SECTION. **Sec. 6.** The department of retirement systems shall, in consultation with the employment security department, prepare a notice to employers to be included in the established process of informing employers of changes in the retirement systems. This notice will inform employers about the possible unemployment compensation consequences of hiring retirees.

Passed by the House April 26, 2003.
Passed by the Senate April 25, 2003.
Approved by the Governor May 20, 2003, with the exception of certain items that were vetoed.
Filed in Office of Secretary of State May 20, 2003.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to sections 1 and 2, Substitute House Bill No. 1829 entitled:

"AN ACT Relating to postretirement employment in the public employees' retirement system and the teachers' retirement system;"

This bill would impose new standards and procedures for rehiring members of the Teachers Retirement System and the Public Employees Retirement System who have retired from public employment.

I initially proposed the retire-rehire legislation in 2001 to address the shortage of qualified teachers and school administrators. Prior to this law, the Teachers Retirement System penalized experienced teachers by limiting them to 30 years of retirement service credit, even if they taught longer than that.

Section 1 would make it a felony for a member of the Teachers Retirement System to enter into an oral or written agreement to resume employment after retirement. While I appreciate the intent of the Legislature to prohibit employees and employers from entering into private handshake deals, the penalty in this section is significantly more severe than the penalty for similar acts committed by members of the Public Employees Retirement System. Therefore, I am vetoing section 1.

Section 2 would provide new standards and procedures for the future employment of retirees within the public school system. I strongly support those accountability provisions. However, section 2 would also place an artificial "lifetime limit" on the number of hours that a retired member of the system could work after being rehired, and would make that limit retroactive. The retroactive lifetime limit will place an unreasonable recruitment burden on school districts facing significant shortages of qualified teachers and principals. We must protect the ability of school districts to provide for the education of our children, and trust their locally elected school boards to properly administer the retire-rehire law. Therefore, I am vetoing section 2.

While I am not vetoing Section 4, which would make it a gross misdemeanor for a member of the Public Employees Retirement System to enter into an oral or written agreement to resume employment after retirement, I am concerned that the language of the section is flawed and therefore almost impossible to prosecute under. I believe the Legislature should consider legislation to perfect the language to make the elements of the crime clear and to place the language into RCW 41.40.055, which is the section dealing with pension fraud for this retirement system.

For these reasons, I have vetoed sections 1 and 2 of Substitute House Bill No. 1829.

With the exception of sections 1 and 2, Substitute House Bill No. 1829 is approved."

Appendix G

H-2031.1

SUBSTITUTE HOUSE BILL 1326

State of Washington 59th Legislature 2005 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Conway, Crouse, Simpson and Chase; by request of Select Committee on Pension Policy)

READ FIRST TIME 02/23/05.

AN ACT Relating to the public employment of retirees from the teachers' retirement system and the public employees' retirement system; amending RCW 41.32.010, 41.32.055, 41.32.570, 41.40.010, 41.40.010, and 41.40.037; reenacting and amending RCW 41.40.037; prescribing penalties; providing effective dates; and providing an expiration date.

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

Sec. 1. RCW 41.32.010 and 2003 c 31 s 1 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1)(a) "Accumulated contributions" for plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality tables and regulations as shall be adopted by the director and regular interest.

(3) "Annuity" means the moneys payable per year during life by reason of accumulated contributions of a member.

(4) "Member reserve" means the fund in which all of the accumulated contributions of members are held.

(5)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(6) "Contract" means any agreement for service and compensation between a member and an employer.

(7) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to plan 1 members.

(8) "Dependent" means receiving one-half or more of support from a member.

(9) "Disability allowance" means monthly payments during disability. This subsection shall apply only to plan 1 members.

(10)(a) "Earnable compensation" for plan 1 members, means:

(i) All salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money.

(ii) For an employee member of the retirement system teaching in an extended school year program, two consecutive extended school years, as defined by the employer school district, may be used as the annual period for determining earnable compensation in lieu of the two fiscal years.

(iii) "Earnable compensation" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation and the individual shall receive the equivalent service credit.

(B) If a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(iv) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(v) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Earnable compensation" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

(11) "Employer" means the state of Washington, the school district, or any agency of the state of Washington by which the member is paid.

(12) "Fiscal year" means a year which begins July 1st and ends June 30th of the following year.

(13) "Former state fund" means the state retirement fund in operation for teachers under chapter 187, Laws of 1923, as amended.

(14) "Local fund" means any of the local retirement funds for teachers operated in any school district in accordance with the provisions of chapter 163, Laws of 1917 as amended.

(15) "Member" means any teacher included in the membership of the retirement system. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the member reserve.

(16) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

(17) "Pension" means the moneys payable per year during life from the pension reserve.

(18) "Pension reserve" is a fund in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

(19) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to plan 1 members.

(20) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to plan 1 members.

(21) "Public school" means any institution or activity operated by the state of Washington or any instrumentality or political subdivision thereof employing teachers, except the University of Washington and Washington State University.

(22) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the member reserve. This subsection shall apply only to plan 1 members.

(23) "Regular interest" means such rate as the director may determine.

(24)(a) "Retirement allowance" for plan 1 members, means monthly payments based on the sum of annuity and pension, or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for plan 2 and plan 3 members, means monthly payments to a retiree or beneficiary as provided in this chapter.

(25) "Retirement system" means the Washington state teachers' retirement system.

(26)(a) "Service" for plan 1 members means the time during which a member has been employed by an employer for compensation.

(i) If a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered.

(ii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(iii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member for one or more employers for which earnable compensation is earned subject to the following conditions:

(i) A member employed in an eligible position or as a substitute shall receive one service credit month for each month of September through August of the following year if he or she earns earnable compensation for eight hundred ten or more hours during that period and is employed during nine of those months, except that a member may not receive credit for any period prior to the member's employment in an eligible position except as provided in RCW 41.32.812 and 41.50.132;

(ii) If a member is employed either in an eligible position or as a substitute teacher for nine months of the twelve month period between September through August of the following year but earns earnable compensation for less than eight hundred ten hours but for at least six hundred thirty hours, he or she will receive one-half of a service credit month for each month of the twelve month period;

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

(vi) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(vii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990,

through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

(c) For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position.

(d) The elected position of the superintendent of public instruction is an eligible position.

(38) "Plan 1" means the teachers' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(39) "Plan 2" means the teachers' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and prior to July 1, 1996.

(40) "Plan 3" means the teachers' retirement system, plan 3 providing the benefits and funding provisions covering persons who first become members of the system on and after July 1, 1996, or who transfer under RCW 41.32.817.

(41) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items compiled by the bureau of labor statistics, United States department of labor.

(42) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this subsection.

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

Sec. 2. RCW 41.32.055 and 2003 c 53 s 218 are each amended to read as follows:

(1) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement system, except under subsection (2) of this section, in any attempt to defraud such system as a result of such act, is guilty of a class B felony punishable according to chapter 9A.20 RCW.

(2) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement systems related to a member's separation from service and qualification for a retirement allowance under RCW 41.32.480 in any attempt to defraud such system as a result of such act, is guilty of a gross misdemeanor.

Sec. 3. RCW 41.32.570 and 2003 c 295 s 6 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for

every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Except under subsection (3) of this section, any retired teacher or retired administrator who enters service in any public educational institution in Washington state ((~~and who has satisfied the break in employment requirement of subsection (1) of this section~~)) at least one calendar month after his or her accrual date shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than ((~~one thousand five hundred~~)) eight hundred sixty-seven hours in a school year.

(3) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state one and one-half calendar months or more after his or her accrual date and:

(a) Is hired pursuant to a written policy into a position for which the school board has documented a justifiable need to hire a retiree into the position;

(b) Is hired through the established process for the position with the approval of the school board or other highest decision-making authority of the prospective employer;

(c) The employer retains records of the procedures followed and the decisions made in hiring the retired teacher or retired administrator and provides those records in the event of an audit; and

(d) The employee has not already rendered a cumulative total of more than one thousand nine hundred hours of service while receiving pension payments beyond an annual threshold of eight hundred sixty-seven hours;

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a school year. The cumulative total limitations under this subsection apply prospectively after the effective date of this act.

(4) When a retired teacher or administrator renders service beyond

eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

((~~(3)~~)) (5) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

((~~(4)~~)) (6) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than ((~~five hundred twenty-five~~)) eight hundred sixty-seven hours per year without a reduction of his or her pension.

Sec. 4. RCW 41.40.010 and 2003 c 412 s 4 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1) "Retirement system" means the public employees' retirement system provided for in this chapter.

(2) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(3) "State treasurer" means the treasurer of the state of Washington.

(4)(a) "Employer" for plan 1 members, means every branch, department, agency, commission, board, and office of the state, any political subdivision or association of political subdivisions of the state admitted into the retirement system, and legal entities authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the term shall also include any labor guild, association, or organization the membership of a local lodge or division of which is comprised of at least forty percent employees of an employer (other than such labor guild, association, or organization) within this chapter. The term may also include any city of the first class that has its own retirement system.

(b) "Employer" for plan 2 and plan 3 members, means every branch, department, agency, commission, board, and office of the state, and any political subdivision and municipal corporation of the state admitted into the retirement system, including public agencies created pursuant

to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August 31, 2000, school districts and educational service districts will no longer be employers for the public employees' retirement system plan 2.

(5) "Member" means any employee included in the membership of the retirement system, as provided for in RCW 41.40.023. RCW 41.26.045 does not prohibit a person otherwise eligible for membership in the retirement system from establishing such membership effective when he or she first entered an eligible position.

(6) "Original member" of this retirement system means:

(a) Any person who became a member of the system prior to April 1, 1949;

(b) Any person who becomes a member through the admission of an employer into the retirement system on and after April 1, 1949, and prior to April 1, 1951;

(c) Any person who first becomes a member by securing employment with an employer prior to April 1, 1951, provided the member has rendered at least one or more years of service to any employer prior to October 1, 1947;

(d) Any person who first becomes a member through the admission of an employer into the retirement system on or after April 1, 1951, provided, such person has been in the regular employ of the employer for at least six months of the twelve-month period preceding the said admission date;

(e) Any member who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement becomes entitled to be credited with ten years or more of membership service except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member;

(f) Any member who has been a contributor under the system for two or more years and who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement has rendered five or more years of service for the state or any political subdivision prior to the time of the admission of the employer into the system; except that the provisions relating to the minimum amount of retirement allowance for the member

upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member.

(7) "New member" means a person who becomes a member on or after April 1, 1949, except as otherwise provided in this section.

(8)(a) "Compensation earnable" for plan 1 members, means salaries or wages earned during a payroll period for personal services and where the compensation is not all paid in money, maintenance compensation shall be included upon the basis of the schedules established by the member's employer.

(i) "Compensation earnable" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, the salary which would have been received for the position from which the leave of absence was taken, shall be considered as compensation earnable if the employee's contribution is paid by the employee and the employer's contribution is paid by the employer or employee;

(C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(D) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(E) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(F) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(ii) "Compensation earnable" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Compensation earnable" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude nonmoney maintenance compensation and lump sum or other payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Compensation earnable" for plan 2 and plan 3 members also includes the following actual or imputed payments, which are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

(ii) In any year in which a member serves in the legislature, the member shall have the option of having such member's compensation earnable be the greater of:

(A) The compensation earnable the member would have received had such member not served in the legislature; or

(B) Such member's actual compensation earnable received for nonlegislative public employment and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions;

(iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(iv) Compensation that a member would have received but for a

disability occurring in the line of duty only as authorized by RCW 41.40.038;

(v) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(vi) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(9)(a) "Service" for plan 1 members, except as provided in RCW 41.40.088, means periods of employment in an eligible position or positions for one or more employers rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Compensation earnable earned in full time work for seventy hours or more in any given calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service except as provided in RCW 41.40.088. Only service credit months and one-quarter service credit months shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits. Time spent in standby status, whether compensated or not, is not service.

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if such service has been used to establish benefits in any other public retirement system.

(ii) An individual shall receive no more than a total of twelve service credit months of service during any calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for seventy or more hours is rendered.

(iii) A school district employee may count up to forty-five days of sick leave as creditable service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than twenty-two days equals one-quarter service credit month;

(B) Twenty-two days equals one service credit month;

(C) More than twenty-two days but less than forty-five days equals one and one-quarter service credit month.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member in an eligible position or positions for one or more employers for which compensation earnable is paid. Compensation earnable earned for ninety or more hours in any calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for at least seventy hours but less than ninety hours in any calendar month shall constitute one-half service credit month of service. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service. Time spent in standby status, whether compensated or not, is not service.

Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits.

(i) Service in any state elective position shall be deemed to be full time service, except that persons serving in state elective positions who are members of the Washington school employees' retirement system, teachers' retirement system, or law enforcement officers' and fire fighters' retirement system at the time of election or appointment to such position may elect to continue membership in the Washington school employees' retirement system, teachers' retirement system, or law enforcement officers' and fire fighters' retirement system.

(ii) A member shall receive a total of not more than twelve service credit months of service for such calendar year. If an individual is employed in an eligible position by one or more employers the

individual shall receive no more than one service credit month during any calendar month in which multiple service for ninety or more hours is rendered.

(iii) Up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(10) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(11) "Service credit month" means a month or an accumulation of months of service credit which is equal to one.

(12) "Prior service" means all service of an original member rendered to any employer prior to October 1, 1947.

(13) "Membership service" means:

(a) All service rendered, as a member, after October 1, 1947;

(b) All service after October 1, 1947, to any employer prior to the time of its admission into the retirement system for which member and employer contributions, plus interest as required by RCW 41.50.125, have been paid under RCW 41.40.056 or 41.40.057;

(c) Service not to exceed six consecutive months of probationary service rendered after April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of the total amount of the employer's contribution to the retirement fund which would have been required under the law in effect when such probationary service was rendered if the member had been a member during such period, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member;

(d) Service not to exceed six consecutive months of probationary service, rendered after October 1, 1947, and before April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of five percent of such member's salary during said period of probationary service, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member.

(14)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance, pension or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(15) "Regular interest" means such rate as the director may determine.

(16) "Accumulated contributions" means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(17)(a) "Average final compensation" for plan 1 members, means the annual average of the greatest compensation earnable by a member during any consecutive two year period of service credit months for which service credit is allowed; or if the member has less than two years of service credit months then the annual average compensation earnable during the total years of service for which service credit is allowed.

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.40.710(2).

(18) "Final compensation" means the annual rate of compensation earnable by a member at the time of termination of employment.

(19) "Annuity" means payments for life derived from accumulated contributions of a member. All annuities shall be paid in monthly installments.

(20) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments.

(21) "Retirement allowance" means the sum of the annuity and the pension.

(22) "Employee" or "employed" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

(23) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the director.

(24) "Retirement" means withdrawal from active service with a retirement allowance as provided by this chapter.

(25) "Eligible position" means:

(a) Any position that, as defined by the employer, normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof. For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position;

(b) Any position occupied by an elected official or person appointed directly by the governor, or appointed by the chief justice of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which compensation is paid.

(26) "Ineligible position" means any position which does not conform with the requirements set forth in subsection (25) of this section.

(27) "Leave of absence" means the period of time a member is authorized by the employer to be absent from service without being separated from membership.

(28) "Totally incapacitated for duty" means total inability to perform the duties of a member's employment or office or any other work for which the member is qualified by training or experience.

(29) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(30) "Director" means the director of the department.

(31) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(32) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(33) "Plan 1" means the public employees' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(34) "Plan 2" means the public employees' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and are not included in plan 3.

(35) "Plan 3" means the public employees' retirement system, plan 3 providing the benefits and funding provisions covering persons who:

(a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment

does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this subsection.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 5. RCW 41.40.010 and 2004 c 242 s 53 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1) "Retirement system" means the public employees' retirement system provided for in this chapter.

(2) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(3) "State treasurer" means the treasurer of the state of Washington.

(4)(a) "Employer" for plan 1 members, means every branch, department, agency, commission, board, and office of the state, any political subdivision or association of political subdivisions of the state admitted into the retirement system, and legal entities authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the term shall also include any labor guild, association, or organization the membership of a local lodge or division of which is comprised of at least forty percent employees of an employer (other than such labor guild, association, or organization) within this chapter. The term may also include any city of the first class that has its own retirement system.

(b) "Employer" for plan 2 and plan 3 members, means every branch, department, agency, commission, board, and office of the state, and any political subdivision and municipal corporation of the state admitted into the retirement system, including public agencies created pursuant to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August

31, 2000, school districts and educational service districts will no longer be employers for the public employees' retirement system plan 2.

(5) "Member" means any employee included in the membership of the retirement system, as provided for in RCW 41.40.023. RCW 41.26.045 does not prohibit a person otherwise eligible for membership in the retirement system from establishing such membership effective when he or she first entered an eligible position.

(6) "Original member" of this retirement system means:

(a) Any person who became a member of the system prior to April 1, 1949;

(b) Any person who becomes a member through the admission of an employer into the retirement system on and after April 1, 1949, and prior to April 1, 1951;

(c) Any person who first becomes a member by securing employment with an employer prior to April 1, 1951, provided the member has rendered at least one or more years of service to any employer prior to October 1, 1947;

(d) Any person who first becomes a member through the admission of an employer into the retirement system on or after April 1, 1951, provided, such person has been in the regular employ of the employer for at least six months of the twelve-month period preceding the said admission date;

(e) Any member who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement becomes entitled to be credited with ten years or more of membership service except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member;

(f) Any member who has been a contributor under the system for two or more years and who has restored all contributions that may have been withdrawn as provided by RCW 41.40.150 and who on the effective date of the individual's retirement has rendered five or more years of service for the state or any political subdivision prior to the time of the admission of the employer into the system; except that the provisions relating to the minimum amount of retirement allowance for the member upon retirement at age seventy as found in RCW 41.40.190(4) shall not apply to the member.

(7) "New member" means a person who becomes a member on or after April 1, 1949, except as otherwise provided in this section.

(8)(a) "Compensation earnable" for plan 1 members, means salaries or wages earned during a payroll period for personal services and where the compensation is not all paid in money, maintenance compensation shall be included upon the basis of the schedules established by the member's employer.

(i) "Compensation earnable" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, the salary which would have been received for the position from which the leave of absence was taken, shall be considered as compensation earnable if the employee's contribution is paid by the employee and the employer's contribution is paid by the employer or employee;

(C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(D) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(E) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(F) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(ii) "Compensation earnable" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Compensation earnable" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude nonmoney maintenance compensation and lump sum or other payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Compensation earnable" for plan 2 and plan 3 members also includes the following actual or imputed payments, which are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

(ii) In any year in which a member serves in the legislature, the member shall have the option of having such member's compensation earnable be the greater of:

(A) The compensation earnable the member would have received had such member not served in the legislature; or

(B) Such member's actual compensation earnable received for nonlegislative public employment and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions;

(iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(iv) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(v) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(vi) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(9)(a) "Service" for plan 1 members, except as provided in RCW 41.40.088, means periods of employment in an eligible position or positions for one or more employers rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Compensation earnable earned in full time work for seventy hours or more in any given calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service except as provided in RCW 41.40.088. Only service credit months and one-quarter service credit months shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits. Time spent in standby status, whether compensated or not, is not service.

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if such service has been used to establish benefits in any other public retirement system.

(ii) An individual shall receive no more than a total of twelve service credit months of service during any calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for seventy or more hours is rendered.

(iii) A school district employee may count up to forty-five days of sick leave as creditable service solely for the purpose of determining

eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than twenty-two days equals one-quarter service credit month;

(B) Twenty-two days equals one service credit month;

(C) More than twenty-two days but less than forty-five days equals one and one-quarter service credit month.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member in an eligible position or positions for one or more employers for which compensation earnable is paid. Compensation earnable earned for ninety or more hours in any calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for at least seventy hours but less than ninety hours in any calendar month shall constitute one-half service credit month of service. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service. Time spent in standby status, whether compensated or not, is not service.

Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits.

(i) Service in any state elective position shall be deemed to be full time service, except that persons serving in state elective positions who are members of the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system at the time of election or appointment to such position may elect to continue membership in the Washington school employees' retirement system, teachers' retirement system, public safety employees' retirement system, or law enforcement officers' and fire fighters' retirement system.

(ii) A member shall receive a total of not more than twelve service credit months of service for such calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during

any calendar month in which multiple service for ninety or more hours is rendered.

(iii) Up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

(10) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(11) "Service credit month" means a month or an accumulation of months of service credit which is equal to one.

(12) "Prior service" means all service of an original member rendered to any employer prior to October 1, 1947.

(13) "Membership service" means:

(a) All service rendered, as a member, after October 1, 1947;

(b) All service after October 1, 1947, to any employer prior to the time of its admission into the retirement system for which member and employer contributions, plus interest as required by RCW 41.50.125, have been paid under RCW 41.40.056 or 41.40.057;

(c) Service not to exceed six consecutive months of probationary service rendered after April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of the total amount of the employer's contribution to the retirement fund which would have been required under the law in effect when such probationary service was rendered if the member had been a member during such period, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member;

(d) Service not to exceed six consecutive months of probationary service, rendered after October 1, 1947, and before April 1, 1949, and prior to becoming a member, in the case of any member, upon payment in full by such member of five percent of such member's salary during said period of probationary service, except that the amount of the employer's contribution shall be calculated by the director based on the first month's compensation earnable as a member.

(14)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance, pension or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(15) "Regular interest" means such rate as the director may determine.

(16) "Accumulated contributions" means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(17)(a) "Average final compensation" for plan 1 members, means the annual average of the greatest compensation earnable by a member during any consecutive two year period of service credit months for which service credit is allowed; or if the member has less than two years of service credit months then the annual average compensation earnable during the total years of service for which service credit is allowed.

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.40.710(2).

(18) "Final compensation" means the annual rate of compensation earnable by a member at the time of termination of employment.

(19) "Annuity" means payments for life derived from accumulated contributions of a member. All annuities shall be paid in monthly installments.

(20) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments.

(21) "Retirement allowance" means the sum of the annuity and the pension.

(22) "Employee" or "employed" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

(23) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the director.

(24) "Retirement" means withdrawal from active service with a retirement allowance as provided by this chapter.

(25) "Eligible position" means:

(a) Any position that, as defined by the employer, normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof. For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position;

(b) Any position occupied by an elected official or person appointed directly by the governor, or appointed by the chief justice of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which compensation is paid.

(26) "Ineligible position" means any position which does not conform with the requirements set forth in subsection (25) of this section.

(27) "Leave of absence" means the period of time a member is authorized by the employer to be absent from service without being separated from membership.

(28) "Totally incapacitated for duty" means total inability to perform the duties of a member's employment or office or any other work for which the member is qualified by training or experience.

(29) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(30) "Director" means the director of the department.

(31) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(32) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(33) "Plan 1" means the public employees' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(34) "Plan 2" means the public employees' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and are not included in plan 3.

(35) "Plan 3" means the public employees' retirement system, plan 3 providing the benefits and funding provisions covering persons who:

(a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment

does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about postretirement employment by an employer or employee that do not constitute a commitment to reemploy the employee after retirement are not an agreement under this subsection.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 6. RCW 41.40.037 and 2003 c 412 s 5 and 2003 c 295 s 7 are each reenacted and amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2)(a) Except as provided in (b) of this subsection, a retiree from plan 1 who enters employment with an employer at least one calendar month after his or her accrual date may continue to receive pension payments while engaged in such service for up to eight hundred sixty-seven hours of service in a calendar year without a reduction of pension.

(b) A retiree from plan 1 who enters employment with an employer at least three calendar months after his or her accrual date and:

(i) Is hired pursuant to a written policy into a position for which the employer has documented a justifiable need to hire a retiree into the position;

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives

for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the legislative transportation committee, the joint committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer;

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit; and

(iv) The employee has not already rendered a cumulative total of more than one thousand nine hundred hours of service while in receipt of pension payments beyond an annual threshold of eight hundred sixty-seven hours;

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year. The ((~~one thousand nine hundred hour~~)) cumulative total limitations under this subsection ((~~applies~~)) apply prospectively ((~~to those retiring after July 27, 2003, and retroactively to those who retired prior to July 27, 2003, and shall be calculated from the date of retirement~~)) after the effective date of this act. Hours beyond the annual threshold of eight hundred sixty-seven that have already been accrued by reemployed retirees prior to the effective date of this act shall not count toward the one thousand nine hundred hour cumulative total.

(c) When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

(d) A retiree from plan 2 or plan 3 who has satisfied the break in employment requirement of subsection (1) of this section may work up to eight hundred sixty-seven hours in a calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and

becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

Sec. 7. RCW 41.40.037 and 2004 c 242 s 63 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2)(a) Except as provided in (b) of this subsection, a retiree from plan 1 who enters employment with an employer at least one calendar month after his or her accrual date may continue to receive pension payments while engaged in such service for up to eight hundred sixty-seven hours of service in a calendar year without a reduction of pension.

(b) A retiree from plan 1 who enters employment with an employer at least three calendar months after his or her accrual date and:

(i) Is hired into a position for which the employer has documented a justifiable need to hire a retiree into the position;

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the legislative transportation committee, the joint committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer;

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit; and

(iv) The employee has not already rendered a cumulative total of more than ((~~one thousand nine hundred~~)) <u>three thousand one hundred sixty-five</u> hours of service while in receipt of pension payments beyond an annual threshold of eight hundred sixty-seven hours;

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year. The ((~~one thousand nine hundred hour~~)) cumulative total <u>limitations</u> under this subsection ((~~applies~~)) <u>apply</u> prospectively ((~~to those retiring after July 27, 2003, and retroactively to those who retired prior to July 27, 2003, and shall be calculated from the date of retirement~~)) <u>after the effective date of this act. Hours beyond the annual threshold of eight hundred sixty-seven that have already been accrued by reemployed retirees prior to the effective date of this act shall not count toward the three thousand one hundred sixty-five hour cumulative total</u>.

(c) When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

(d) A retiree from plan 2 or plan 3 who has satisfied the break in employment requirement of subsection (1) of this section may work up to eight hundred sixty-seven hours in a calendar year in an eligible

position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

NEW SECTION. **Sec. 8.** Sections 1 through 4 and 6 of this act take effect January 1, 2006.

NEW SECTION. **Sec. 9.** Sections 5 and 7 of this act take effect July 1, 2006.

NEW SECTION. **Sec. 10.** Sections 4 and 6 of this act expire July 1, 2006.

--- END ---

Appendix H

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 6090

Chapter 518, Laws of 2005

(partial veto)

59th Legislature
2005 Regular Session

FISCAL MATTERS

EFFECTIVE DATE: 5/17/05 - Except section 923, which becomes effective 7/01/06; and section 931, which becomes effective 6/30/05.

Passed by the Senate April 24, 2005
YEAS 25 NAYS 22

BRAD OWEN

President of the Senate

Passed by the House April 24, 2005
YEAS 56 NAYS 42

FRANK CHOPP

Speaker of the House of Representatives

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6090** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

Approved May 17, 2005, with the exception of Sections 101(1); 204(1)(a); 204(1)(p); 206(11); 209(21); 213(11); 307(9); 307(11); 307(14); 307(19); 717; 718; 721; 805, page 186, lines 21-23; 912; and 1106, page 294, lines 23-24, which are vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

FILED

May 17, 2005 - 3:35 p.m.

Secretary of State
State of Washington

23 NEW SECTION. **Sec. 105. FOR THE OFFICE OF THE STATE ACTUARY**
24 Department of Retirement Systems Expense Account--
25 State Appropriation $3,013,000

26 The appropriation in this section is subject to the following
27 conditions and limitations: By December 1, 2005, the state actuary
28 shall conduct an actuarial analysis that quantifies, to the greatest
29 extent permissible from available experience data, the fiscal impact of
30 the retire-rehire program for plan 1 of the public employees'
31 retirement system and the teachers' retirement system enacted by
32 chapter 10, Laws of 2001 and chapter 412, Laws of 2003. In addition to
33 the actuarial analysis, the state actuary shall present a range of
34 legislative alternatives to the plan 1 retire-rehire program, including
35 an actuarial analysis of the fiscal impact of proposals to increase the
36 maximum retirement allowance beyond sixty percent of average final
1 compensation. The analysis shall be submitted to the select committee
2 on pension policy, the senate committee on ways and means, and the
3 house of representatives committee on appropriations.

ESSB 6090.SL p. 6

2004 Actuarial Valuation Report

Matt Smith, FCA, EA, MAAA
State Actuary

State of Washington
Office of the State Actuary

November 15, 2005

Purpose of Valuation

- The primary purpose of this valuation is:
  - To determine contribution requirements as of September 30, 2004.
  - It should not be used for other purposes.

Care and Feeding

Contribution Rates

- Employer contribution rates for PERS, TRS, and SERS decreased due to the removal of future gain-sharing liability.
- This represents a short-term change in funding policy as prescribed by the Legislature.

Rate-Setting Cycle

- This is an “off-cycle” valuation.
- It will not be presented to the PFC.
- It was not audited.
- It does not include the phase-in from the 2005 session.
  - 2005 valuation will include the cost of current four-year phase-in schedule.

Significant Factors

- 4.49 percent ROR on the actuarial value of assets for the plan year (actuarial loss).
- Exclusion of the liability associated with future gain-sharing benefits (actuarial gain).
- Salary increases were less than assumed (actuarial gain).

Key Findings

- Dollar contributions to the PERS 1 and TRS 1 UAAL will increase steadily as the amortization date approaches.
- Any continued delay in Plan 1 UAAL payments will exacerbate this increase.
- Future gain-sharing benefits represent a material liability that has been excluded from this valuation (statutory change).

Funded Status

- The funded status of all plans combined dropped from 107 to 105 percent.
- Funded status by plan is presented on page 18 of the report.

Funded Status – Market Value Basis

- The market value of assets compared to the liability valued with a “risk-free” rate of return.
- Risk-free rate of return = 5.5 percent (2 percent over 3.5 percent inflation assumption).
- The funded status is 70 percent (all plans combined) under this measure.

Next Steps

- 2005 valuation audited and presented to the PFC next September.
- 2005 valuation will include:
  - Participant and asset data through September 30, 2005;
  - Cost of current phase-in schedule; and,
  - 2006 legislative changes, if any, concerning gain-sharing and the Plan 1 UAAL.

Washington State

Actuarial Valuation Report 2004

By the Office of the State Actuary
Prepared In: November 2005

Report Prepared by:

Office of the State Actuary
Matthew M. Smith, State Actuary

Philip Martin McCaulay, Senior Pension Actuary
Robert Wm. Baker
Kelly Burkhart
Troy Dempsey
Laura Harper
Elizabeth Hyde
Darren Painter
Christine Ryser
Evan Sent
Christi Steele
Charlene Winner

Additional assistance provided by:
Department of Printing
Department of Retirement Systems
Office of the State Treasurer
State Investment Board

Table of Contents

Letter of Introduction

Section 1 - Summary of Key Results 1-5
Contribution Rates 1
Contribution Rate-Setting Cycle 1
Funding Policy 2
Comments on 2004 Results 3
Actuarial Liabilities 3
Assets 4
Funded Status 4
Participant Data 5
Key Assumptions 5

Section 2 - Actuarial Exhibits 7-22
Actuarial Certification 7
Contribution Rates 9
Actuarial Liabilities 11
Plan Assets 14
Funded Status 18
Actuarial Gains/Losses 19
Effect of Plan, Assumption and Method Changes 21

Section 3 - Participant Data 23-28
Overview of System Membership 23
Summary of Plan Participants 26

Section 4 - Appendices 29-87
Actuarial Assumptions and Methods 29
Summary of Plan Provisions 52
Age/Service Distributions 58
Age/Years Retired Distributions 70
Historical Data 81
Glossary 87

WASHINGTON STATE LEGISLATURE

Office of the State Actuary

Report of the Combined Actuarial Valuation As of September 30, 2004

November 2005

As required under Chapter 41.45 RCW, this report documents the results of an actuarial valuation of the following Washington State retirement systems:

- Public Employees' Retirement System (PERS);
- Teachers' Retirement System (TRS);
- School Employees' Retirement System (SERS);
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF); and
- Washington State Patrol Retirement System (WSP).

The primary purpose of this valuation is to determine contribution requirements for the systems listed above as of the valuation date of September 30, 2004. The report is organized in the following four sections:

- Summary of Key Results
- Actuarial Exhibits
- Participant Data
- Appendices

The Summary of Key Results section provides a high-level executive summary of the valuation results for all systems combined. The remaining sections of the report provide detailed actuarial asset and liability information for each system and plan separately. The Appendices provide a summary of the principal actuarial assumptions and methods, summary of the major plan provisions, age-service distributions, historical data, and a glossary of actuarial terms used throughout this report.

We encourage you to submit any questions you might have concerning this report to our regular or e-mail address below. We also invite you to visit our web site (http://osa.leg.wa.gov) for further information regarding the actuarial funding of the Washington State retirement systems.

Sincerely,

Matthew M. Smith
State Actuary

2100 Evergreen Park Drive SW, Suite 150
P.O. Box 40914
Olympia, WA 98504-0914
(360) 786-6140

FAX: (360) 586-8135
TDD: 1-800-635-9993

E-MAIL: actuary.state@leg.wa.gov

Summary of Key Results

SUMMARY OF KEY RESULTS

Contribution Rates

Member and employer contribution rates determined from the actuarial valuation are expressed as a percentage of salary and summarized below along with comparable rates from the previous valuation. See the Actuarial Exhibits section of this report for the development of these rates.

Contribution Rates				
	Plan 1		Plan 2/3	
	2004	2003	2004	2003
PERS				
Member*	6.00%	6.00%	3.42%	3.38%
Total Employer	5.65%	5.73%	5.65%	5.73%
TRS				
Member*	6.00%	6.00%	2.65%	2.48%
Total Employer**	5.96%	6.74%	5.96%	6.74%
SERS				
Member*	N/A	N/A	3.41%	3.51%
Total Employer	N/A	N/A	5.64%	7.56%
LEOFF				
Member	0.00%	0.00%	7.60%	7.20%
Employer	0.00%	0.00%	4.57%	4.32%
Total State	0.00%	0.00%	3.03%	2.88%
WSP				
Member	5.22%	4.51%	5.22%	4.51%
Employer (State)	5.22%	4.51%	5.22%	4.51%

**Plan 3 members do not contribute to the defined benefit plan.*

***The TRS 1 UAAL rate for 2003 includes an additional 0.01% for the non-automatic post-retirement benefit increase provided under Chapter 85, Laws of 2004.*

Employer rates exclude administrative expense rate.

Contribution Rate-Setting Cycle

Under current Washington State law, in September of even-numbered years, the Pension Funding Council created under RCW 41.45.100 reviews the basic contribution rates recommended by the State Actuary based on an actuarial valuation performed on asset, participant and plan information compiled in odd-numbered years. The Pension Funding Council may adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members. The basic rates adopted by the Pension Funding Council will remain in place for the ensuing biennium, subject to revision by the Legislature.

RCW 41.45.070 requires that a temporary and supplemental contribution rate increase be charged to fund the cost of benefit enhancements that are enacted following the adoption of the basic rates by the Pension Funding Council. Supplemental contribution rates are included in the basic rates at the beginning of the next contribution rate-setting cycle.

Funding Policy

The funding policy of the Legislature is contained in Chapter 41.45 RCW - Actuarial Funding of State Retirement Systems. RCW 41.45.010 outlines the intent to achieve the following goals:

- To provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State Retirement Systems;
- To continue to fully fund the retirement system plans 2 and 3, and the Washington State Patrol Retirement System, as provided by law;
- To fully amortize the total cost of PERS 1, TRS 1 and LEOFF 1, not later than June 30, 2024;
- To establish long-term employer contribution rates which will remain a relatively predictable proportion of the future state budgets; and
- To fund, to the extent feasible, benefit increases over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

No member or employer/state contributions are required for LEOFF 1 when the plan has no unfunded actuarial liability. See RCW 41.26.080(2).

Although not codified in law as a policy, the Legislature has established an additional funding policy through consistent legislative practice over time:

- Employers for each system are charged the same contribution rate, regardless of the plan in which employees hold membership (except for LEOFF).

Pension funding legislation was adopted during the 2005 legislative session (Chapter 370, Laws of 2005), which creates a short-term change in funding policy. The policy is to adopt annual contribution rates over a four-year "phase-in" period from 2005-09 (this will be reflected in the 2005 Actuarial Valuation Report), to suspend payments on the Plan 1 unfunded actuarial accrued liability (UAAL) in PERS and TRS during the 2005-07 biennium, and to delay recognition of the cost of future gain-sharing benefits until the 2007-09 biennium.

Comments on 2004 Results

Short-term actuarial gains or losses occur when actual economic and demographic experience differs from what was assumed in the valuation. Actuarial gains will reduce contribution rates; whereas, actuarial losses will increase contribution rates. Under a reasonable set of actuarial assumptions and methods, actuarial gains and losses will offset over long-term experience periods.

Significant changes in plan provisions or actuarial assumptions and methods will also have an impact on contribution rates. Significant factors that impacted the results of this valuation include the following:

- The actual rate of investment return on the actuarial value of assets was below the assumed rate of 8%. Actual investment return was 4.49% (dollar weighted) for the plan year.
- The actual rate of investment return on the market value of assets was above the assumed rate of 8%. Actual investment return was 13.73% (time weighted) for the plan year.
- The exclusion of the liability associated with future gain-sharing benefits generated an actuarial gain (statutory change in funding policy).
- New entrants continue to exert a modest upward adjustment on current contribution rates; and
- A significant gain or loss can occur when actual salary experience is different from what is assumed. Actual experience for 2004 varied by system and plan. However, overall salary increases were less than assumed.

Please see the table, Actuarial Gains/Losses, in the Actuarial Exhibits section of this report for detailed gain and loss information by each individual system.

Actuarial Liabilities

A summary of key measures of actuarial liability is shown below along with comparable information from last year's valuation. See the Actuarial Exhibits section of this report for a summary of actuarial liability by each individual system and plan. See the Glossary for a brief explanation of the actuarial terms.

Actuarial Liabilities

(Dollars in millions)	2004	2003
All Systems		
Present Value of Fully Projected Benefits	$55,710	$55,074
Unfunded Actuarial Accrued Liability*	3,634	3,575
Present Value of Credited Projected Benefits	41,870	40,985
Valuation Interest Rate	8.00%	8.00%

**For PERS 1, TRS 1 and LEOFF 1*

Assets

The market value of assets and actuarial (or smoothed) value of assets are shown below, for all plans combined, along with approximate rates of investment return. See the Actuarial Exhibits section of this report for a summary of assets by each individual system and plan as well as the development of the actuarial value of assets.

Assets		
(Dollars in millions)	**2004**	**2003**
All Systems		
Market Value of Assets	$41,248	$37,732
Actuarial Value of Assets	44,129	43,858
Contributions*	416	378
Disbursements	2,021	1,940
Investment Return	5,105	5,057
Other**	15	13
Rate of Return on Assets	13.73%	14.67%

**Employee and Employer*

***Includes transfers, restorations, payables, etc.*

Funded Status

Several key measures of the combined systems' funded status are displayed below. Assets from an individual qualified retirement plan may not be used to fund benefits from another plan. This table, therefore, is provided for summarization purposes only. See the Actuarial Exhibits section of this report for a summary of funded status by each individual system and plan.

The present value of credited projected benefits was calculated under the Projected Unit Credit (PUC) cost method and is consistent with governmental accounting standards for the disclosure of a plan's funded status. The PUC cost method was not used to determine contribution requirements under this valuation. Please see Glossary for an explanation of PUC.

Funded Status		
(Dollars in millions)	**2004**	**2003**
All Systems		
a. Present Value of Credited Projected Benefits	$41,870	$40,985
b. Actuarial Value of Assets	44,129	43,858
c. Unfunded Liability (a-b)	(2,258)	(2,873)
d. Credited Projected Funded Ratio (b/a)	105%	107%

Totals may not agree due to rounding

Participant Data

Participant data used in the actuarial valuation for the plan year ending September 30, 2004 are summarized below along with comparable information from last year's valuation. See the Participant Data section of this report for participant data summarized by each individual system and plan.

Participant Data		
All Systems	**2004**	**2003**
Active Members		
Number	289,403	286,469
Total Salaries (in millions)	$12,893	$12,527
Average Annual Salary	$44,551	$43,726
Average Attained Age	45.6	45.3
Average Service	10.5	10.3
Retirees and Beneficiaries		
Number	114,070	110,706
Average Annual Benefit	$17,241	$16,629
Terminated Members		
Number Vested	32,807	30,594
Number Non-Vested	94,821	95,845

Key Assumptions

Key economic assumptions used in the actuarial valuation are displayed below. These assumptions were unchanged from the previous year's valuation. See the Appendix - Actuarial Assumptions and Methods for a detailed listing of the actuarial assumptions used in this valuation.

Key Assumptions	
All Systems	
Valuation Interest Rate	8.00%
General Salary Increase	4.50%
Inflation	3.50%
Growth in Membership*	1.25%

**0.90% in TRS*

Actuarial Exhibits

Actuarial Certification

This report documents the results of an actuarial valuation of the retirement plans defined under Chapters 41.26, 41.32, 41.35, 41.40 and 43.43 of the Revised Code of Washington (RCW). The primary purpose of this valuation is to determine contribution requirements for the systems listed above as of the valuation date of September 30, 2004 and should not be used for other purposes.

The valuation results summarized in this report involve calculations that require assumptions about future economic and demographic events. We believe that the assumptions and methods used in the underlying valuation are reasonable and appropriate for the primary purpose stated above. The use of another set of assumptions and methods, however, could also be reasonable and could result in materially different results.

The assumptions used in the valuations for investment return, inflation, salary and membership growth were prescribed by the Legislature in 2001. Demographic assumptions were developed from the 1995-2000 experience study performed by the Office of the State Actuary. The Legislature was responsible for the selection of the actuarial cost and asset valuation methods. In our opinion, all methods, assumptions and calculations are reasonable and are in conformity with generally accepted actuarial principles and standards as of the date of this publication.

The Department of Retirement Systems provided member and beneficiary data. We have checked the data for reasonableness as appropriate based on the purpose of the valuation. The State Investment Board, Department of Retirement Systems and the State Treasurer provided financial and asset information. An audit of the financial and participant data was not performed. We have relied on all the information provided as complete and accurate. In our opinion, this information is adequate and substantially complete for purposes of this valuation.

By law, the unfunded actuarial accrued liability (UAAL) in PERS and TRS Plans 1 must be amortized by June 30, 2024 as a level percentage of projected system payroll. The projected payroll includes pay from PERS, SERS and TRS Plans 2/3 as well as projected payroll from future new members. As a result of this amortization method, required dollar contributions to the Plan 1 UAAL will increase steadily as the amortization date approaches. Any continued delay of required Plan 1 UAAL payments will exacerbate this increase.

The asset smoothing method adopted during the 2003 legislative session (Chapter 11, Laws of 2003, E1) was intended to address the volatility of contribution rates under the aggregate funding method when used in combination with the existing asset allocation policy. The combination of the current asset smoothing method with any other funding method or asset allocation policy may not be appropriate.

Pension funding legislation was adopted during the 2005 legislative session (Chapter 370, Laws of 2005), which creates a short-term change in funding policy. The policy is to adopt annual contribution rates over a four-year "phase-in" period from 2005-09, to suspend payments on the Plan 1 UAAL in PERS and TRS during the 2005-07 biennium, and to delay recognition of the cost of future gain-sharing benefits until the 2007-09 biennium.

Future gain-sharing benefits represent a material liability that has been excluded from the results of this valuation. This was done as prescribed by legislation in 2005. The cost of future gain-sharing benefits, though excluded from the final results, are indicated in the Actuarial Gains and Losses and the Effects of Plan, Assumption and Method Changes sections of this report.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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

Philip Martin McCaulay, EA, FSA, MAAA
Senior Pension Actuary

Contribution Rates

Member and Employer Rate Summary				
	Plan 1		Plan 2/3	
	2004	2003	2004	2003
PERS				
Member*	6.00%	6.00%	3.42%	3.38%
Employer (Normal Cost)	3.42%	3.63%	3.42%	3.63%
Employer (Plan 1 UAAL)	2.23%	2.10%	2.23%	2.10%
Total Employer	5.65%	5.73%	5.65%	5.73%
TRS				
Member*	6.00%	6.00%	2.65%	2.48%
Employer (Normal Cost)	2.90%	3.94%	2.90%	3.94%
Employer (Plan 1 UAAL)**	3.06%	2.80%	3.06%	2.80%
Total Employer	5.96%	6.74%	5.96%	6.74%
SERS				
Member*	N/A	N/A	3.41%	3.51%
Employer (Normal Cost)	N/A	N/A	3.41%	5.46%
Employer (PERS Plan 1 UAAL)	N/A	N/A	2.23%	2.10%
Total Employer	N/A	N/A	5.64%	7.56%
LEOFF				
Member	0.00%	0.00%	7.60%	7.20%
Employer	0.00%	0.00%	4.57%	4.32%
State (Normal Cost)	0.00%	0.00%	3.03%	2.88%
State (Plan 1 UAAL)	0.00%	0.00%	0.00%	0.00%
Total State	0.00%	0.00%	3.03%	2.88%
WSP				
Member	5.22%	4.51%	5.22%	4.51%
Employer (State)	5.22%	4.51%	5.22%	4.51%

**Plan 3 members do not contribute to the defined benefit plan.*

***The TRS 1 UAAL rate for 2003 includes an additional 0.01% for the non-automatic post-retirement benefit increase provided under Chapter 85, Laws of 2004.*

Development of Employer/State Rates									
		PERS		TRS		SERS	LEOFF		WSP
		Plan 1	Plan 2/3	Plan 1	Plan 2/3	Plan 2/3	Plan 1	Plan 2	
a.	Total Normal Cost	9.42%	6.84%	8.90%	5.55%	6.82%	0.00%	15.20%	10.44%
b.	Member Normal Cost*	6.00%	3.42%	6.00%	2.65%	3.41%	0.00%	7.60%	5.22%
c.	Employer Contribution (a-b)	3.42%	3.42%	2.90%	2.90%	3.41%	0.00%	7.60%	5.22%
d.	Cost to Amortize UAAL	2.23%	2.23%	3.06%	3.06%	2.23%	0.00%	0.00%	N/A
e.	Total Employer Contribution Rate (c+d)**	**5.65%**	**5.65%**	**5.96%**	**5.96%**	**5.64%**	**0.00%**	**4.57%**	**5.22%**

**Plan 3 members do not contribute to the defined benefit plan.*

***The state pays 20% of the total normal cost for LEOFF 2. This reduces the total employer contribution rate from 7.60% to 4.57% .*

Development of Normal Cost Rates

(Dollars in millions)		PERS 2/3	TRS 2/3	SERS 2/3	LEOFF 2	WSP
a.	Actuarial Present Value of Fully Projected Benefits	$15,288	$5,256	$2,126	$4,737	$739
b.	Valuation Assets	11,431	$4,138	1,630	2,947	660
c.	Unfunded Fully Projected Benefits (a - b)	3,857	1,118	497	1,790	79
d.	Employer Past Gain-Sharing Responsibility	0	86	0	N/A	N/A
e.	Future Contribution Adjustment	0	0	0	0	0
f.	Adjusted Unfunded (c - d - e)	$3,857	$1,031	$497	$1,790	$79
Present Value of Projected Salaries to Current Members (PVS)						
g.	Plan 1 PVS	N/A	N/A	N/A	N/A	$698
h.	Plan 2 PVS	52,036	3,889	4,143	12,159	55
i.	Plan 3 PVS	8,853	31,107	6,265	N/A	N/A
j.	Weighted PVS (2g + 2h + i)	$112,924	$38,885	$14,550	$24,318	$1,506
k.	Preliminary Normal Cost (2 * f / j)	6.84%	5.30%	6.82%	14.72%	10.44%
l.	Change In Plan Provisions (Laws of 2005)	0.00%	0.00%	0.00%	0.48%	0.00%
m.	100% Normal Cost (k + l)	6.84%	5.30%	6.82%	15.20%	10.44%
n.	50% Normal Cost (m x 50%)	3.42%	2.65%	3.41%	7.60%	5.22%
o.	Employer Past Gain-sharing Responsibility (d / (h + i))	0.00%	0.25%	0.00%	N/A	N/A
p.	Employee Contribution Rate (n) [1,2,3]	3.42%	2.65%	3.41%	7.60%	5.22%
q.	Employer Contribution Rate (n + o) [2,3]	3.42%	2.90%	3.41%	4.57%	5.22%
r.	State Contribution Rate [2]	N/A	N/A	N/A	3.03%	N/A
s.	Total Contribution Rate (p + q + r)	**6.84%**	**5.55%**	**6.82%**	**15.20%**	**10.44%**

Note: Totals may not agree due to rounding

[1] *Plan 3 members do not contribute to the defined benefit plan*

[2] *LEOFF 2 rate: 50% Employee, 30% Employer, 20% State*

[3] *WSP employees pay 50% of the total normal cost, but not less than 2%. The employer pays the excess (if any).*

Amortization of the Plan 1 Unfunded Actuarial Accrued Liability (UAAL)

(Dollars in millions)		PERS 1	TRS 1	LEOFF 1
a.	Actuarial Present Value of Fully Projected Benefits	$12,818	$10,358	$4,321
b.	Valuation Assets	9,928	8,728	4,666
c.	Actuarial Present Value of Future Normal Costs	327	215	0
d.	UAAL (a-b-c)	2,563	1,415	(345)
e.	Expected UAAL Contributions to 2007	0	0	0
f.	Remaining UAAL (d-e)	$2,563	$1,415	($345)
g.	Amortization Date	6/30/2024	6/30/2024	6/30/2024
h.	Present Value of Projected Salaries beyond 2007	$115,069	$46,320	$15,114
i.	Preliminary Rate (f/g)*	2.23%	3.06%	(2.28%)
j.	Change In Plan Provisions (Laws of 2005)	0.00%	0.00%	0.05%
k.	Contribution Rate to Amortize the UAAL (i+j)*	2.23%	3.06%	(2.23%)

Note: Totals may not agree due to rounding

**No Plan 1 UAAL contributions are required when the plan is fully funded under current methods and assumptions.*

Actuarial Liabilities

Present Value of Fully Projected Benefits

(Dollars in millions)	PERS			TRS		
	Plan 1	**Plan 2/3**	**Total**	**Plan 1**	**Plan 2/3**	**Total**
Active Members						
Retirement	$3,791	$12,377	$16,168	$2,937	$4,623	$7,561
Termination	24	466	490	12	123	134
Death	25	113	138	13	55	68
Disability	28	101	129	7	5	12
Return of Contributions on Termination	12	245	257	1	5	6
Return of Contributions on Death	31	138	169	18	11	30
Portability	8	39	46	9	5	14
Uniform Cola	345	N/A	345	260	N/A	260
Total Active	**$4,263**	**$13,479**	**$17,742**	**$3,257**	**$4,827**	**$8,084**
Inactive Members						
Terminated	$249	$791	$1,041	$189	$234	$424
Service Retired	6,880	924	7,804	5,767	184	5,950
Disability Retired	111	52	163	93	5	98
Survivors	385	43	428	220	5	226
Uniform Cola	929	N/A	929	832	N/A	832
Total Inactive	**$8,555**	**$1,810**	**$10,364**	**$7,101**	**$429**	**$7,530**
Laws of 2005	**0**	**(8)**	**(8)**	**2**	**0**	**2**
2004 Total	**$12,818**	**$15,280**	**$28,099**	**$10,360**	**$5,256**	**$15,616**
2003 Total	**$12,715**	**$14,159**	**$26,874**	**$10,341**	**$4,876**	**$15,217**

Note: Totals may not agree due to rounding.

Present Value of Fully Projected Benefits

(Continued)

(Dollars in millions)	SERS	LEOFF			WSP
	Plan 2/3	Plan 1	Plan 2	Total	
Active Members					
Retirement	$1,736	$380	$4,314	$4,695	$371
Termination	119	0	77	77	2
Death	19	5	15	19	4
Disability	11	177	22	199	0
Return of Contributions on Termination	19	0	72	72	2
Return of Contributions on Death	10	2	40	42	2
Portability	6	0	4	4	0
Uniform Cola	N/A	N/A	N/A	N/A	N/A
Total Active	**$1,919**	**$564**	**$4,544**	**$5,108**	**$382**
Inactive Members					
Terminated	$105	$5	$84	$89	$3
Service Retired	96	1,353	97	1,450	333
Disability Retired	4	2,008	8	2,016	1
Survivors	2	392	4	396	19
Uniform Cola	N/A	N/A	N/A	N/A	N/A
Total Inactive	**$207**	**$3,758**	**$193**	**$3,950**	**$357**
Laws of 2005	**0**	**9**	**63**	**72**	**0**
2004 Total	**$2,126**	**$4,330**	**$4,800**	**$9,130**	**$739**
2003 Total	**$1,979**	**$4,342**	**$4,383**	**$8,724**	**$727**

Note: Totals may not agree due to rounding.

Present Value of Credited Projected Benefits

(Dollars in millions)	PERS			TRS		
	Plan 1	Plan 2/3	Total	Plan 1	Plan 2/3	Total
Active Members						
Retirement	$3,228	$6,102	$9,330	$2,541	$2,177	$4,718
Termination	20	258	278	10	64	74
Death	21	58	78	11	26	38
Disability	23	55	78	6	3	9
Return of Contributions on Termination	9	130	139	1	3	4
Return of Contributions on Death	26	74	100	15	7	22
Portability	6	19	26	8	2	10
Uniform Cola	293	N/A	293	225	N/A	225
Total Active	**$3,627**	**$6,695**	**$10,323**	**$2,817**	**$2,282**	**$5,100**
Inactive Members						
Terminated	$249	$791	$1,041	$189	$234	$424
Service Retired	6,880	924	7,804	5,767	184	5,950
Disability Retired	111	52	163	93	5	98
Survivors	385	43	428	220	5	226
Uniform Cola	929	N/A	929	832	N/A	832
Total Inactive	**$8,555**	**$1,810**	**$10,364**	**$7,101**	**$429**	**$7,530**
Laws of 2005	**0**	**(1)**	**(1)**	**2**	**0**	**2**
2004 Total	**$12,182**	**$8,504**	**$20,686**	**$9,920**	**$2,711**	**$12,631**
2003 Total	**$11,974**	**$7,606**	**$19,580**	**$9,813**	**$2,414**	**$12,228**

Note: Totals may not agree due to rounding.

Present Value of Credited Projected Benefits

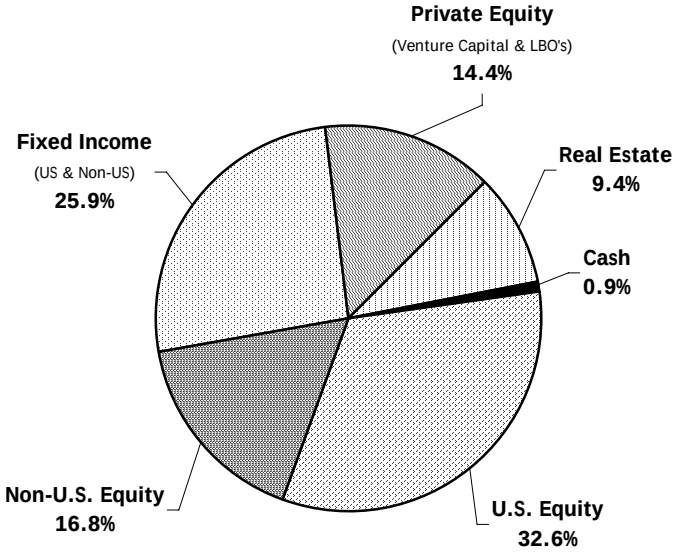
(Continued)

(Dollars in millions)	SERS	LEOFF			WSP
	Plan 2/3	Plan 1	Plan 2	Total	
Active Members					
Retirement	$882	$346	$2,177	$2,523	$198
Termination	66	0	43	43	1
Death	10	4	8	12	2
Disability	6	162	12	175	0
Return of Contributions on Termination	11	0	39	39	1
Return of Contributions on Death	5	1	21	22	1
Portability	3	0	2	2	0
Uniform Cola	N/A	N/A	N/A	N/A	0
Total Active	**$984**	**$514**	**$2,302**	**$2,816**	**$204**
Inactive Members					
Terminated	$105	$5	$82	$87	$3
Service Retired	96	1,353	97	1,450	333
Disability Retired	4	2,008	8	2,016	1
Survivors	2	392	4	396	19
Uniform Cola	N/A	N/A	N/A	N/A	N/A
Total Inactive	**$207**	**$3,758**	**$191**	**$3,948**	**$357**
Laws of 2005	**0**	**9**	**29**	**38**	**0**
2004 Total	**$1,191**	**$4,281**	**$2,521**	**$6,802**	**$560**
2003 Total	**$1,051**	**$4,282**	**$2,194**	**$6,476**	**$540**

Note: Totals may not agree due to rounding.

Plan Assets

Retirement Commingled Trust Fund (CTF) Asset Allocation



Cash: Money held while being transferred between investments or placed temporarily in an interest-bearing account.

U.S. Fixed Income: U.S. Treasury and government bonds; investment-grade corporate bonds; publicly traded mortgage-backed securities; mortgages; asset-backed and convertible securities.

Non-U.S. Fixed Income: Foreign government bonds.

U.S. Equity: Stock in U.S. companies.

Non-U.S. Equity: Stock in foreign companies.

Venture Capital: Equity financing of early expansion and later-stage growth of small businesses.

Leveraged Buy-outs (LBOs): The purchase of all assets or stock in a company using borrowed funds.

Real Estate: Office and retail space; apartments; warehouses; hotels; etc.

Change in Market Value of Assets

(Dollars in millions)	PERS			TRS		
	Plan 1	Plan 2/3		Plan 1	Plan 2/3	
	Fund 631	Fund 641	Total	Fund 632	Fund 642	Total
2003 Market Value	**$8,730**	**$9,461**	**$18,191**	**$7,358**	**$3,315**	**$10,673**
Revenue						
Contributions						
Employee	56	62	118	41	4	45
Employer/State	21	72	93	10	32	42
Total Contributions	77	134	211	51	36	87
Investment Return	1,163	1,300	2,462	982	456	1,437
Restorations	5	3	8	3	1	4
Transfers In	0	0	0	0	0	1
Miscellaneous	0	0	0	0	0	0
Total Revenue	**$1,245**	**$1,436**	**$2,681**	**$1,036**	**$492**	**$1,529**
Disbursements						
Monthly Benefits*	$841	$91	$932	$711	$14	$725
Refunds	5	27	32	2	3	5
Total Benefits	846	117	964	712	17	730
Transfers Out	0	3	3	0	1	1
Expenses	0	0	1	0	0	0
Total Disbursements	**$847**	**$121**	**$967**	**$713**	**$18**	**$731**
Payables	$0	$0	$0	$0	$0	$0
2004 Market Value	**$9,128**	**$10,776**	**$19,905**	**$7,681**	**$3,789**	**$11,470**
2004 Actuarial Value	**$9,928**	**$11,431**	**$21,359**	**$8,728**	**$4,138**	**$12,866**
Ratio	**109%**	**106%**	**107%**	**114%**	**109%**	**112%**

Note: Totals may not agree due to rounding.

**TRS 1 value includes annuity cashouts.*

Change in Market Value of Assets

(Continued)

(Dollars in millions)	SERS	LEOFF			WSP
	Plan 2/3	Plan 1	Plan 2		
	Fund 633	Fund 819	Fund 829	Total	Fund 615
2003 Market Value	**$1,339**	**$4,380**	**$2,541**	**$6,921**	**$608**
Revenue					
Contributions					
Employee	4	(0)	51	51	1
Employer/State	10	0	52	52	0
Total Contributions	14	0	103	103	1
Investment Return	184	589	351	940	82
Restorations	0	0	1	1	0
Transfers In	1	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenue	**$199**	**$589**	**$455**	**$1,044**	**$84**
Disbursements					
Monthly Benefits	8	274	7	280	26
Refunds	2	0	5	5	0
Total Benefits	10	274	12	286	26
Transfers Out	0	0	0	0	0
Expenses	0	0	0	0	0
Total Disbursements	**$10**	**$274**	**$12**	**$286**	**$26**
Payables	$0	$0	$0	$0	$0
2004 Market Value	**$1,529**	**$4,695**	**$2,984**	**$7,679**	**$665**
2004 Actuarial Value	**$1,630**	**$4,666**	**$2,947**	**$7,613**	**$660**
Ratio	**107%**	**99%**	**99%**	**99%**	**99%**

Note: Totals may not agree due to rounding.

Calculation of Actuarial Value of Assets

(Dollars in Millions)			PERS 1	PERS 2/3*	TRS 1	TRS 2/3*	SERS 2/3*	LEOFF 1	LEOFF 2	WSP
a.	Market Value at 9/30/2004		$9,128	$10,776	$7,681	$3,789	$1,529	$4,695	$2,984	$665
b.	Deferred Gains and (Losses)									
	Plan Year Ending	Percent Deferred								
	9/30/2004	83.33%	413	453	349	159	64	208	121	29
	9/30/2003	75.00%, 71.43%**	392	434	332	153	62	206	116	28
	9/30/2002	62.50%	(782)	(782)	(662)	(271)	(109)	(385)	(200)	(52)
	9/30/2001	50.00%	(824)	(760)	(1,066)	(390)	(118)	0	0	0
	Total Deferral		($800)	($655)	($1,047)	($349)	($101)	$29	$37	$5
c.	Market Value less Deferral (a-b)		$9,928	$11,431	$8,728	$4,138	$1,630	$4,666	$2,947	$660
d.	70% of Market Value of Assets		$6,390	$7,544	$5,377	$2,652	$1,070	$3,286	$2,089	$466
e.	130% of Market Value of Assets		$11,867	$14,009	$9,986	$4,926	$1,987	$6,103	$3,879	$865
f.	**Actuarial Value of Assets*** **		**$9,928**	**$11,431**	**$8,728**	**$4,138**	**$1,630**	**$4,666**	**$2,947**	**$660**

Note: Totals may not agree due to rounding.

**Defined Benefit portion only.*

***PERS Plan 1 and TRS Plan 1 = 71.43% deferred; All other plans = 75.00% deferred.*

****Actuarial Value of Assets can never be less than 70% or greater than 130% of the market value of assets.*

Investment Gains and (Losses) for Prior Year

(Dollars in Millions)		PERS 1	PERS 2/3*	TRS 1	TRS 2/3*	SERS 2/3*	LEOFF 1	LEOFF 2	WSP
a.	2003 Market Value (at SIB)	$ 8,726	$ 9,453	$ 7,353	$ 3,312	$ 1,339	$ 4,379	$ 2,533	$ 608
b.	Total Cash Flow	(767)	17	(658)	19	5	(274)	93	(25)
c.	2004 Market Value (at SIB)	9,123	10,770	7,677	3,787	1,528	4,693	2,978	665
d.	Actual return (c-b-a)	$ 1,164	$ 1,301	$ 982	$ 456	$ 184	$ 589	$ 352	$ 82
e.	Weighted asset amount	$ 8,350	$ 9,462	$ 7,049	$ 3,321	$ 1,341	$ 4,243	$ 2,580	$ 595
f.	Expected return (8% x e)	668	757	564	266	107	339	206	48
g.	Investment Gain/(Loss) for Prior Year (d-f)	496	544	418	191	77	250	145	35
h.	Dollar weighted rate of return	13.93%	13.75%	13.93%	13.74%	13.74%	13.88%	13.64%	13.83%

Note: Totals may not agree due to rounding.

**Defined Benefit portion only.*

Funded Status

Funded Status on an Actuarial Value Basis

(Dollars in millions)	PERS		TRS		SERS	LEOFF		WSP	Total
	Plan 1	Plan 2/3	Plan 1	Plan 2/3	Plan 2/3	Plan 1	Plan 2		
Credited Projected Liability	$12,182	$8,504	$9,920	$2,711	$1,191	$4,281	$2,521	$560	$41,870
Valuation Assets	$9,928	$11,431	$8,728	$4,138	$1,630	$4,666	$2,947	$660	$44,129
Unfunded Liability	$2,254	($2,927)	$1,192	($1,427)	($439)	($385)	($426)	($100)	($2,258)
Funded Ratio:									
2004 *	**81%**	**134%**	**88%**	**153%**	**137%**	**109%**	**117%**	**118%**	**105%**
2003 *	82%	142%	89%	155%	138%	112%	125%	123%	107%
2002 *	92%	158%	98%	182%	169%	119%	137%	135%	118%
2001 *	97%	179%	100%	197%	197%	129%	154%	147%	126%
2000 *	98%	190%	100%	196%	170%	136%	161%	152%	
1999	93%	189%	93%	188%	N/A	125%	154%	159%	
1998	86%	191%	86%	185%	N/A	117%	160%	147%	
1997 *	83%	187%	82%	181%	N/A	108%	155%	140%	
1996	73%	157%	70%	144%	N/A	89%	130%	128%	
1995	68%	150%	65%	136%	N/A	80%	126%	119%	
1994 *	67%	142%	65%	130%	N/A	68%	124%	110%	
1993	70%	142%	62%	126%	N/A	68%	127%	110%	
1992	67%	139%	59%	127%	N/A	65%	128%	108%	
1991	67%	149%	59%	131%	N/A	66%	154%	106%	
1990	66%	154%	60%	140%	N/A	65%	153%	105%	
1989 *	65%	162%	58%	144%	N/A	65%	158%	103%	
1988	66%	165%	59%	143%	N/A	66%	153%	102%	
1987	71%	175%	58%	135%	N/A	69%	157%	95%	
1986	63%	162%	50%	125%	N/A	57%	142%	87%	

Note: Totals may not agree due to rounding.

**Assumptions and/or method change.*

Funded Status on a Market Value Basis*

(Dollars in millions)	PERS		TRS		SERS	LEOFF		WSP	Total
	Plan 1	Plan 2/3	Plan 1	Plan 2/3	Plan 2/3	Plan 1	Plan 2		
Credited Projected Liability	$15,594	$13,473	$12,845	$4,498	$1,881	$5,717	$4,146	$814	$58,968
Market Value of Assets	$9,128	$10,776	$7,681	$3,789	$1,529	$4,695	$2,984	$665	$41,248
Unfunded Liability	$6,466	$2,696	$5,163	$709	$353	$1,022	$1,162	$149	$17,720
Funded Ratio:									
2004	**59%**	**80%**	**60%**	**84%**	**81%**	**82%**	**72%**	**82%**	**70%**

**Liabilities have been valued using an interest rate of 5.5% while assets have been valued at market value.*

Actuarial Gains/Losses

Change in Employer and State Contribution Rate by Source

Change in Employer Rate	PERS	TRS	SERS	LEOFF	WSP
2003 Contribution Rate	**5.73%**	**6.74%**	**7.56%**	**0.03%**	**4.51%**
Minus the Rate for Future Gain-Sharing	(0.65%)	(2.01%)	(2.35%)	N/A	N/A
2003 Adjusted Contribution Rate	**5.08%**	**4.73%**	**5.21%**	**0.03%**	**4.51%**
Economic Gains/Losses	0.40%	1.03%	0.22%	1.05%	1.12%
Demographic Gains/Losses	0.05%	(0.12%)	(0.09%)	0.02%	(0.20%)
Other Gains/Losses	0.12%	0.32%	0.30%	(0.44%)	(0.21%)
Total Change	0.57%	1.23%	0.43%	0.63%	0.71%
2004 Preliminary Contribution Rate	**5.65%**	**5.96%**	**5.64%**	**0.66%**	**5.22%**
Laws of 2005 Applied to 2004	0.00%	0.00%	0.00%	0.14%	0.00%
2004 Adjusted Contribution Rate	**5.65%**	**5.96%**	**5.64%**	**0.80%**	**5.22%**
Additional Rate for Future Gain-Sharing	0.62%	1.93%	2.05%	N/A	N/A
Contribution Rate Including Gain-Sharing	**6.27%**	**7.89%**	**7.69%**	**0.80%**	**5.22%**

The SERS rate includes the UAAL rate for PERS Plan 1.

The LEOFF contribution rate is the State's portion for Plan 2 (20% of the Normal Cost) plus the UAAL rate for Plan 1.

Change in Employer and State Normal Cost by Source

Change in Normal Costs	PERS	TRS	SERS	LEOFF	WSP
2003 Normal Cost	**3.63%**	**3.94%**	**5.46%**	**2.88%**	**4.51%**
Minus the Rate for Future Gain-Sharing	(0.25%)	(1.21%)	(1.95%)	N/A	N/A
2003 Adjusted Normal Cost	**3.38%**	**2.73%**	**3.51%**	**2.88%**	**4.51%**
Assets	0.26%	0.38%	0.31%	0.18%	2.06%
Salaries	(0.22%)	(0.31%)	(0.30%)	(0.10%)	(1.31%)
Growth	0.16%	0.36%	0.21%	0.06%	0.37%
Economic Gains/Losses	0.20%	0.43%	0.22%	0.14%	1.12%
Termination/Return to Work	(0.02%)	(0.14%)	(0.11%)	(0.02%)	(0.16%)
Retirement	0.04%	0.03%	0.02%	0.01%	(0.04%)
Demographic Gains/Losses	0.02%	(0.11%)	(0.09%)	(0.01%)	(0.20%)
Other Gains/Losses	(0.18%)	(0.15%)	(0.23%)	(0.07%)	(0.21%)
Total Change	0.04%	0.17%	(0.10%)	0.06%	0.71%
2004 Preliminary Normal Cost	**3.42%**	**2.90%**	**3.41%**	**2.94%**	**5.22%**
Laws of 2005 Applied to 2004	0.00%	0.00%	0.00%	0.09%	0.00%
2004 Adjusted Normal Cost	**3.42%**	**2.90%**	**3.41%**	**3.03%**	**5.22%**
Additional Rate for Future Gain-Sharing	0.20%	1.07%	1.63%	N/A	N/A
Normal Cost Rate Including Gain-Sharing	**3.62%**	**3.97%**	**5.04%**	**3.03%**	**5.22%**

The LEOFF contribution rate is the State's portion only (20% of the Plan 2 Normal Cost).

Change in Employer and State UAAL Rate by Source

Change in UAAL Rate	PERS	TRS	SERS	LEOFF	WSP
2003 UAAL Rate	**2.10%**	**2.80%**	**2.10%**	**(2.85%)**	**N/A**
Minus the Rate for Future Gain-Sharing	(0.40%)	(0.80%)	(0.40%)	N/A	N/A
2003 Adjusted UAAL Rate	**1.70%**	**2.00%**	**1.70%**	**(2.85%)**	**N/A**
Assets	0.24%	0.73%	N/A	1.54%	N/A
Salaries	(0.08%)	(0.19%)	N/A	(0.09%)	N/A
Growth	0.04%	0.06%	N/A	(0.04%)	N/A
Inflation (CPI)	0.00%	0.00%	N/A	(0.50%)	N/A
Economic Gains/Losses	0.20%	0.60%	N/A	0.91%	N/A
Termination/Return to Work	0.02%	0.01%	N/A	0.02%	N/A
Retirement	0.01%	(0.02%)	N/A	0.01%	N/A
Demographic Gains/Losses	0.03%	(0.01%)	N/A	0.03%	N/A
Other Gains/Losses	0.30%	0.47%	0.53%	(0.37%)	N/A
Total Change	0.53%	1.06%	0.53%	0.57%	N/A
2004 Preliminary UAAL Rate	**2.23%**	**3.06%**	**N/A**	**(2.28%)**	**N/A**
Laws of 2005 Applied to 2004	0.00%	0.00%	N/A	0.05%	N/A
2004 UAAL Rate	**2.23%**	**3.06%**	**2.23%**	**(2.23%)**	**N/A**
Additional Rate for Future Gain-Sharing	0.42%	0.86%	0.42%	N/A	N/A
Normal Cost Rate Including Gain-Sharing	**2.65%**	**3.92%**	**2.65%**	**(2.23%)**	**N/A**

The SERS rate is to fund the PERS Plan 1 UAAL.

The LEOFF contribution rate is the UAAL rate for plan 1. The plan has a surplus of assets over liabilities, so no rate is currently payable.

Effect of Plan, Assumption and Method Changes

In addition to experience gains or losses, significant changes in plan provisions or actuarial assumptions and methods will also have an impact on contribution rates.

Plan Changes:

- PERS 1 Veterans (Chapter 255, Laws 2005)
- PERS 2/3 EMTs into LEOFF 2 (Chapter 459, Laws 2005)
- TRS 1 Part-time ESAs (Chapter 23, Laws 2005)
- LEOFF 1 Ex-spouse survivor benefit (Chapter 62, Laws 2005)
- LEOFF 2 Disability (Chapter 451, Laws 2005)

Assumption Changes:

- LEOFF 2 Disability (Chapter 451, Laws 2005)

Method Changes:

- The cost of future gain-sharing benefits was reflected in the 2003 valuation, but is not reflected in the 2004 valuation (statutory funding policy change).

- The suspension of payments on the Plan 1 UAAL in PERS and TRS during the 2005-07 biennium is reflected in the valuation (statutory funding policy change).

- The Plan 2/3 normal cost rates were determined without adjustment for the lag in time between the valuation date and the date the rates become effective. (The 2003 valuation had an adjustment.)

The table below shows the effect of the above changes on the current actuarial valuation results.

Effect of Plan, Assumption and Method Changes

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	SERS 2/3	LEOFF 1	LEOFF 2	WSP
Before Changes								
Present Value Fully Projected Benefits	$13,312	$15,414	$10,773	$5,632	$2,296	$4,321	$4,737	$739
Present Value Credited Projected Benefits	12,636	8,562	10,306	2,867	1,270	4,272	2,492	560
Actuarial Value of Assets	9,928	11,431	8,728	4,138	1,630	4,666	2,947	660
Unfunded Liability	2,708	(2,869)	1,578	(1,271)	(360)	(394)	(455)	(100)
Employer Contribution Rate	**6.41%**	**6.41%**	**7.97%**	**7.97%**	**8.54%**	**0.00%**	**4.53%**	**5.72%**
After Changes								
Present Value Fully Projected Benefits	$12,818	$15,280	$10,360	$5,256	$2,126	$4,330	$4,800	$739
Present Value Credited Projected Benefits	12,182	8,504	9,920	2,711	1,191	4,281	2,521	560
Actuarial Value of Assets	9,928	11,431	8,728	4,138	1,630	4,666	2,947	660
Unfunded Liability	2,254	(2,927)	1,192	(1,427)	(439)	(385)	(426)	(100)
Employer Contribution Rate	**5.65%**	**5.65%**	**5.96%**	**5.96%**	**5.64%**	**0.00%**	**4.57%**	**5.22%**
Increase/(Decrease) in Rate	**(0.76%)**	**(0.76%)**	**(2.01%)**	**(2.01%)**	**(2.90%)**	**0.00%**	**0.04%**	**(0.50%)**

Before and after changes include actuarial gains and losses for the year ending 9/30/2004.

The LEOFF contribution rate is the Employer's portion only (30% of the Plan 2 Normal Cost).

Participant Data

PARTICIPANT DATA

Overview of System Membership

The state administers eight retirement systems for state and local public employees. Retirement system membership is determined according to the participant's occupation and employer. Coverage of employees by each system is defined in separate chapters of the Revised Code of Washington (RCW).

The state also administers benefits for volunteer fire fighters and two small judicial systems (not included in this valuation). The judicial systems are closed to new members. Judges hired after June 30, 1988 are members of PERS 2/3.

The five largest retirement systems and a general description of their membership are listed below.

PERS - Public Employees' Retirement System *Chapter 41.40 RCW*	State employees; employees of all counties and most cities (the exceptions are Tacoma, Seattle, and Spokane); non-teaching employees of institutions of higher learning and community colleges; employees of ports, service districts, Energy Northwest (formerly known as the Washington Public Power Supply System) and public utility districts. Judges first elected or appointed after June 30, 1988 are also included.
TRS - Teachers' Retirement System *Chapter 41.32 RCW*	Certificated teachers; administrators; and educational staff associates.
SERS - School Employees' Retirement System *Chapter 41.35 RCW*	Classified school district employees.
LEOFF - Law Enforcement Officers' and Fire Fighters' Retirement System *Chapter 41.26 RCW*	Fire fighters; Emergency Medical Technicians; law enforcement officers including sheriffs; university, port, city police officers, and enforcement officers with the Department of Fish and Wildlife.
WSP - Washington State Patrol Retirement System *Chapter 43.43 RCW*	Commissioned officers of the Washington State Patrol.

Active Membership By Employer and Plan

Employer	Total by Employer	PERS			TRS		
		Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
State Agencies	60,171	6,648	44,098	8,121	89	4	59
Higher Education	20,078	1,691	14,588	3,628	52	7	9
Community Colleges	6,038	500	4,313	951	189	39	46
K-12	117,458	3,348	0	0	9,486	7,366	48,996
Counties	29,205	2,208	21,626	2,592	0	0	0
County Sub Divisions	17,010	1,251	13,981	1,745	0	0	0
First Class Cities	8,336	323	2,556	442	0	0	0
Other Cities	16,995	892	9,863	1,316	0	0	0
Ports	2,112	168	1,614	150	0	0	0
Education Service District	1,959	75	0	0	46	54	192
Fire Districts	3,021	29	469	50	0	0	0
Public Utility District	4,046	415	3,216	415	0	0	0
Water Districts	1,742	175	1,416	151	0	0	0
Energy Northwest	1,196	70	832	294	0	0	0
Unions	36	36	0	0	0	0	0
TOTAL	**289,403**	**17,829**	**118,572**	**19,855**	**9,862**	**7,470**	**49,302**

Active Membership By Employer and Plan

(Continued)

Employer	SERS		LEOFF		WSP	
	Plan 2	Plan 3	Plan 1	Plan 2	Plan 1	Plan 2
State Agencies	0	0	0	95	997	60
Higher Education	0	0	0	103	0	0
Community Colleges	0	0	0	0	0	0
K-12	19,791	28,471	0	0	0	0
Counties	0	0	119	2,660	0	0
County Sub Divisions	0	0	3	30	0	0
First Class Cities	0	0	411	4,604	0	0
Other Cities	0	0	233	4,691	0	0
Ports	0	0	6	174	0	0
Education Service District	633	959	0	0	0	0
Fire Districts	0	0	76	2,397	0	0
Public Utility District	0	0	0	0	0	0
Water Districts	0	0	0	0	0	0
Energy Northwest	0	0	0	0	0	0
Unions	0	0	0	0	0	0
TOTAL	**20,424**	**29,430**	**848**	**14,754**	**997**	**60**

The tables below summarize participant data changes from last year's valuation to the current year's valuation. The participant data is divided into two main categories: (1) Actives and (2) Annuitants (receiving a pension or annuity payment). The "+" symbol indicates new participants entering the system or actives and new beneficiaries entering the annuitant status; whereas the "–" symbol indicates participants that have left either active or annuitant status.

Reconciliation of Participant Data

	PERS			TRS		
	Plan 1	**Plan 2**	**Plan 3**	**Plan 1**	**Plan 2**	**Plan 3**
2003 Actives	19,740	117,262	17,548	11,175	7,637	47,263
Transfers	0	(434)	4,241	0	(47)	49
Hires/Rehires (+)	445	10,582	234	161	274	4,704
New Retirees (-)	(1,732)	(732)	(104)	(1,281)	(94)	(97)
Deaths (-)	(50)	(172)	(16)	(20)	(4)	(20)
Terminations (-)	(574)	(7,934)	(2,048)	(173)	(296)	(2,597)
2004 Actives	**17,829**	**118,572**	**19,855**	**9,862**	**7,470**	**49,302**
2003 Annuitants	54,372	10,904	86	33,855	957	385
New Retirees (+)	2,149	1,333	130	1,544	175	148
Annuitant Deaths (-)	(2,278)	(246)	(4)	(921)	(9)	(2)
New Survivors (+)	359	127	10	180	8	12
Other (-)	(34)	(12)	0	(34)	(4)	(2)
2004 Annuitants	**54,568**	**12,106**	**222**	**34,624**	**1,127**	**541**
Ratio Actives to Annuitants	**0.33**	**9.79**	**89.44**	**0.28**	**6.63**	**91.13**

Reconciliation of Participant Data

(Continued)

	SERS		LEOFF		WSP	
	Plan 2	**Plan 3**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**
2003 Actives	21,504	27,710	991	14,560	1,045	34
Transfers	401	80	0	0	0	0
Hires/Rehires (+)	387	4,432	5	690	3	27
New Retirees (-)	(274)	(128)	(139)	(80)	(27)	0
Deaths (-)	(36)	(13)	(4)	(10)	(1)	0
Terminations (-)	(1,558)	(2,651)	(5)	(406)	(23)	(1)
2004 Actives	**20,424**	**29,430**	**848**	**14,754**	**997**	**60**
2003 Annuitants	736	306	8,054	316	735	0
New Retirees (+)	354	173	150	117	30	0
Annuitant Deaths (-)	(9)	(1)	(194)	(2)	(13)	0
New Survivors (+)	16	4	102	3	10	0
Other (-)	0	(1)	(2)	(2)	0	0
2004 Annuitants	**1,097**	**481**	**8,110**	**432**	**762**	**0**
Ratio Actives to Annuitants	**18.62**	**61.19**	**0.10**	**34.15**	**1.31**	**0.00**

Summary of Plan Participants

Summary of Plan Participants								
PERS:	**2004**				**2003**			
	Plan 1	**Plan 2**	**Plan 3**	**Total**	**Plan 1**	**Plan 2**	**Plan 3**	**Total**
Active Members								
Number	17,829	118,572	19,855	156,256	19,740	117,262	17,548	154,550
Total Salaries (millions)	$863	$5,340	$880	$7,083	$945	$5,143	$787	$6,875
Average Age	55.9	45.1	41.8	45.9	55.2	44.6	42.2	45.7
Average Service	21.7	9.4	7.9	10.6	21.4	9.0	8.5	10.5
Average Salary	$48,383	$45,038	$44,335	$45,330	$47,876	$43,855	$44,823	$44,478
Terminated Members								
Number Vested	2,993	16,754	1,284	21,031	3,142	16,089	770	20,001
Number Non-Vested	5,847	78,411	0	84,258	6,525	78,853	0	85,378
Retirees (including L&I disabled)								
Number of Retirees (All)	54,568	12,106	222	66,896	54,372	10,904	86	65,362
Average Monthly Benefit, All Retirees	$1,325	$657	$401	$1,201	$1,250	$618	$407	$1,144
Number of New Service Retirees	2,059	1,191	114	3,364	2,148	1,126	70	3,344
Average Monthly Benefit, New Service Retirees	$2,262	$910	$418	$1,721	$2,255	$828	$429	$1,736

Summary of Plan Participants								
	Continued							
TRS:	**2004**				**2003**			
	Plan 1	**Plan 2**	**Plan 3**	**Total**	**Plan 1**	**Plan 2**	**Plan 3**	**Total**
Active Members								
Number	9,862	7,470	49,302	66,634	11,175	7,637	47,263	66,075
Total Salaries (millions)	$616	$415	$2,463	$3,494	$692	$415	$2,308	$3,415
Average Age	56.1	50.1	41.5	44.6	55.4	49.3	41.1	44.5
Average Service	24.3	12.8	8.7	11.5	23.9	12.1	8.4	11.4
Average Salary	$62,470	$55,540	$49,958	$52,436	$61,954	$54,333	$48,836	$51,690
Terminated Members								
Number Vested	1,475	2,510	2,761	6,746	1,647	2,493	2,418	6,558
Number Non-Vested	720	3,931	0	4,651	776	4,169	0	4,945
Temporarily Disabled	0	0	0	0	2	0	0	2
Retirees								
Number of Retirees (All)	34,624	1,127	541	36,292	33,855	957	385	35,197
Average Monthly Benefit, All Retirees	$1,603	$991	$436	$1,567	$1,539	$941	$407	$1,510
Number of New Service Retirees	1,517	161	138	1,816	1,459	136	94	1,689
Average Monthly Benefit, New Service Retirees	$2,315	$1,198	$535	$2,081	$2,206	$1,036	$482	$2,016

Summary of Plan Participants

Continued

SERS:	2004			2003		
	Plan 2	Plan 3	Total	Plan 2	Plan 3	Total
Active Members						
Number	20,424	29,430	49,854	21,504	27,710	49,214
Total Salaries (millions)	$482	$686	$1,168	$494	$639	$1,133
Average Age	49.1	46.2	47.4	48.3	45.8	46.9
Average Service	9.4	7.2	8.1	8.6	7.1	7.8
Average Salary	$23,604	$23,315	$23,433	$22,967	$23,051	$23,014
Terminated Members						
Number Vested	2,428	2,035	4,463	1,902	1,648	3,550
Number Non-Vested	4,588	0	4,588	4,232	0	4,232
Retirees						
Number of Retirees (All)	1,097	481	1,578	736	306	1,042
Average Monthly Benefit, All Retirees	$534	$248	$447	$518	$231	$434
Number of New Service Retirees	323	165	488	273	115	388
Average Monthly Benefit, New Service Retirees	$581	$273	$477	$562	$259	$472

Summary of Plan Participants

Continued

LEOFF:	2004			2003		
	Plan 1	Plan 2	Total	Plan 1	Plan 2	Total
Active Members						
Number	848	14,754	15,602	991	14,560	15,551
Total Salaries (millions)	$64	$1,020	$1,083	$71	$967	$1,038
Average Age	54.8	40.1	40.9	54.0	39.5	40.4
Average Service	30.2	11.3	12.3	29.3	10.7	11.9
Average Salary	$75,222	$69,098	$69,431	$71,924	$66,388	$66,741
Terminated Members						
Number Vested	7	521	528	14	439	453
Number Non-Vested	70	1,233	1,303	84	1,186	1,270
Retirees						
Number of Retirees (All)	8,110	432	8,542	8,054	316	8,370
Average Monthly Benefit, All Retirees	$2,846	$1,485	$2,778	$2,796	$1,341	$2,741
Number of New Service Retirees*	148	104	252	163	66	229
Average Monthly Benefit, New Service Retirees*	$3,749	$1,848	$2,965	$3,642	$1,720	$3,088

**Inclues disabled retirees for Plan 1 only.*

Summary of Plan Participants

Continued

WSP:	2004			2003		
	Plan 1	Plan 2	Total	Plan 1	Plan 2	Total
Active Members						
Number	997	60	1,057	1,045	34	1,079
Total Salaries (millions)	$62	$3	$65	$65	$1	$66
Average Age	39.4	29.1	38.8	38.8	28.8	38.5
Average Service	12.8	2.0	12.2	12.2	0.8	11.8
Average Salary	$62,042	$44,206	$61,030	$61,848	$41,018	$61,192
Terminated Members						
Number Vested	39	0	39	32	0	32
Number Non-Vested	20	1	21	20	0	20
Disabled Members*	61	0	61	61	0	61
Retirees						
Number of Retirees (All)	762	0	762	735	0	735
Average Monthly Benefit, All Retirees	$2,980	$0	$2,980	$2,884	$0	$2,884
Number of New Service Retirees	30	0	30	25	0	25
Average Monthly Benefit, New Service Retirees	$3,473	$0	$3,473	$3,811	$0	$3,811

**Benefits provided outside of pension funds*

Appendices

Actuarial Assumptions and Methods

Actuarial Cost Methods

The method employed varies by plan:

Plans 1: A variation of the Aggregate Cost Method was used to determine the normal cost and the actuarial accrued liability for retirement, termination and ancillary benefits. Under this method, the unfunded actuarial accrued liability is equal to the unfunded actuarial present value of projected benefits less the actuarial present value of future normal costs for all active members. The present value of future normal costs is based on the Aggregate normal cost rate for Plan 2/3 and the resulting unfunded actuarial accrued liability is amortized by June 30, 2024 as a level percentage of projected system payroll. The projected payroll includes pay from plan 2 and plan 3 as well as projected payroll from future new entrants.

As a result of this hybrid method, employers for each system are charged the same contribution rate regardless of the plan in which employees hold membership (except for LEOFF).

Plans 2 and Plans 3: The Aggregate Cost Method was used to determine the normal cost and the actuarial accrued liability for retirement, termination and ancillary benefits. Under this method, the unfunded actuarial present value of fully projected benefits is amortized over the future payroll of the active group. The entire contribution is considered normal cost and no unfunded actuarial accrued liability exists.

Washington State Patrol: The Aggregate Cost Method was used to determine the normal cost and the actuarial accrued liability for retirement, termination and ancillary benefits. The entire normal cost is divided equally between the employee and the employer. The minimum employee normal cost rate is 2%.

The Projected Unit Credit (PUC) cost method was used to calculate the plan's funded status and is consistent with governmental accounting standards. Please see the Glossary for an explanation of the PUC cost method.

Asset Valuation Method

The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition):

	Annual Gain/Loss	
Rate of Return	**Smoothing Period**	**Annual Recognition**
15% and up	8 years	12.50%
14-15%	7 years	14.29%
13-14%	6 years	16.67%
12-13%	5 years	20.00%
11-12%	4 years	25.00%
10-11%	3 years	33.33%
9-10%	2 years	50.00%
7-9%	1 year	100.00%
6-7%	2 years	50.00%
5-6%	3 years	33.33%
4-5%	4 years	25.00%
3-4%	5 years	20.00%
2-3%	6 years	16.67%
1-2%	7 years	14.29%
1% and lower	8 years	12.50%

Additionally, the actuarial value of assets may not exceed 130% nor drop below 70% of the market value of assets.

Gain-Sharing Valuation Method

The difference between the present value of future benefits valued at a gross and net valuation interest rate was used to determine the liability associated with future gain-sharing benefits. See the table of Economic Assumptions in this Appendix for a listing of the valuation interest rates used for each individual retirement system and plan. The gross valuation interest rate, the rate before reduction for gain-sharing, was used to determine the present value of future salaries.

Changes in Assumptions and Methods since Last Valuation

Pension funding legislation was adopted during the 2005 legislative session (Chapter 370, Laws of 2005), which creates a short-term change in funding policy. The policy is to adopt annual contribution rates over a four-year "phase-in" period from 2005-09, to suspend payments on the Plan 1 UAAL in PERS and TRS during the 2005-07 biennium, and to delay recognition of the cost of future gain-sharing benefits until the 2007-09 biennium.

Future gain-sharing benefits represent a material liability that has been excluded from the results of this valuation. This was done as prescribed by legislation in 2005. The cost of future gain-sharing benefits, though excluded from the final results, is provided in the Actuarial Gains and Losses and the Effects of Plan, Assumption and Method Changes sections of this report.

The Plan 2/3 normal cost rates were determined without adjustment for the lag in time between the valuation date and the date the rates become effective.

Economic Assumptions

Economic Assumptions					
By System	**PERS**	**TRS**	**SERS**	**LEOFF**	**WSP**
Annual Growth in Membership	1.25%	0.90%	1.25%	1.25%	1.25%
Interest on Member Contributions[1]	5.50%	5.50%	5.50%	5.50%	5.50%
Return on Investment Earnings[2]	8.00%	8.00%	8.00%	8.00%	8.00%
Reduction (due to future gain-sharing payments)[3]	0.40%	0.40%	0.40%	N/A	N/A
Net Return on Investment Earnings	7.60%	7.60%	7.60%	8.00%	8.00%
Inflation[4]	3.50%	3.50%	3.50%	3.50%	3.50%
General Salary Increases (due to inflation)[5]	4.50%	4.50%	4.50%	4.50%	4.50%
Annual COLA					
Plan 1:	Uniform COLA[6]	Uniform COLA[6]	N/A	3.50%[8]	3.00%[7]
Plan 2/3:	3.00%[7]	3.00%[7]	3.00%[7]	3.00%[7]	3.00%[7]

[1] *Annual rate, compounded quarterly*

[2] *Annual rate, compounded annually*

[3] *Gain-sharing applies only in PERS, TRS and SERS. Rate reductions shown are for plan 1 only.*

Plan 2/3 reductions: PERS = 0.04%, TRS = 0.30%, SERS = 0.38%. These rate reductions are smaller than the plan 1 reductions because the plan 2/3 defined benefits are combined, but only plan 3 members receive gain-sharing benefits.

[4] *Based on the CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

[5] *Excludes longevity, merit or step increases that usually apply to members in the early part of their careers*

[6] *As provided in the plan provisions*

[7] *Based on the CPI (3% maximum per year).*

[8] *Equal to the CPI*

Demographic Assumptions

Probability of Service Retirement

	PERS						TRS								SERS				LEOFF		WSP	
	Plan 1		Plan 2/3*		Plan 2/3*		Plan 1		Plan 1		Plan 2/3*		Plan 2/3*		Plan 2/3		Plan 2/3*		Plan 1	Plan 2	Plan 1	Plan 2
			Service less than 30 years		Service greater than or equal to 30 years		Service not equal to 30 years		Service equal to 30 years		Service less than 30 years		Service greater than or equal to 30 years		Service less than 30 years		Service greater than or equal to 30 years		Male & Female	Male & Female	Male & Female	Male & Female
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**				
45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.31
46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.31
47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.31
48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.31
49	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.20	0.40	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.31
50	0.64	0.40	0.00	0.00	0.00	0.00	0.25	0.20	0.40	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.10	0.31	0.31
51	0.57	0.43	0.00	0.00	0.00	0.00	0.25	0.20	0.40	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.10	0.23	0.23
52	0.52	0.37	0.00	0.00	0.00	0.00	0.25	0.20	0.40	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.10	0.23	0.23
53	0.52	0.33	0.00	0.00	0.00	0.00	0.25	0.20	0.40	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.16	0.23	0.23
54	0.52	0.52	0.00	0.00	0.00	0.00	0.25	0.20	0.40	0.30	0.05	0.03	0.08	0.05	0.02	0.02	0.04	0.04	0.10	0.19	0.23	0.23
55	0.22	0.26	0.05	0.05	0.07	0.07	0.20	0.20	0.35	0.30	0.05	0.05	0.08	0.08	0.05	0.05	0.07	0.07	0.16	0.24	0.23	0.23
56	0.22	0.18	0.05	0.05	0.07	0.07	0.20	0.20	0.35	0.30	0.05	0.10	0.08	0.15	0.05	0.05	0.07	0.07	0.16	0.25	0.28	0.28
57	0.22	0.18	0.05	0.05	0.07	0.07	0.20	0.20	0.40	0.30	0.05	0.10	0.08	0.15	0.05	0.05	0.07	0.07	0.16	0.25	0.28	0.28
58	0.22	0.22	0.10	0.05	0.14	0.07	0.20	0.25	0.45	0.30	0.05	0.10	0.08	0.15	0.10	0.05	0.14	0.07	0.23	0.33	0.28	0.28
59	0.22	0.37	0.10	0.05	0.14	0.07	0.20	0.25	0.45	0.30	0.20	0.15	0.30	0.23	0.10	0.05	0.14	0.07	0.23	0.33	0.28	0.28
60	0.22	0.18	0.14	0.14	0.21	0.21	0.20	0.20	0.60	0.35	0.40	0.20	0.60	0.30	0.14	0.14	0.21	0.21	0.23	0.33	1.00	1.00
61	0.22	0.22	0.14	0.18	0.21	0.27	0.45	0.35	0.60	0.55	0.30	0.30	0.45	0.45	0.14	0.18	0.21	0.27	0.28	0.37	1.00	1.00
62	0.40	0.37	0.33	0.30	0.50	0.45	0.30	0.25	0.60	0.50	0.30	0.30	0.45	0.45	0.33	0.30	0.50	0.45	0.28	0.37	1.00	1.00
63	0.26	0.26	0.26	0.26	0.39	0.39	0.25	0.20	0.60	0.50	0.60	0.50	0.90	0.75	0.26	0.26	0.39	0.39	0.28	0.37	1.00	1.00
64	0.30	0.26	0.79	0.82	0.90	0.90	0.45	0.45	0.90	0.90	0.50	0.50	0.50	0.50	0.79	0.82	0.90	0.90	0.40	0.48	1.00	1.00
65	0.49	0.46	0.52	0.49	0.52	0.49	0.45	0.35	0.90	0.90	0.50	0.30	0.50	0.30	0.52	0.49	0.52	0.49	1.00	1.00	1.00	1.00
66	0.30	0.26	0.30	0.30	0.30	0.30	0.35	0.30	0.90	0.90	0.50	0.25	0.50	0.25	0.30	0.30	0.30	0.30	1.00	1.00	1.00	1.00
67	0.30	0.26	0.22	0.26	0.22	0.26	0.30	0.35	0.90	0.90	0.50	0.25	0.50	0.25	0.22	0.26	0.22	0.26	1.00	1.00	1.00	1.00
68	0.30	0.26	0.22	0.26	0.22	0.26	0.30	0.25	0.90	0.90	0.50	0.40	0.50	0.40	0.22	0.26	0.22	0.26	1.00	1.00	1.00	1.00
69	0.30	0.26	0.26	0.22	0.26	0.22	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
70+	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

**Approximately 50% of those eligible to retire with at least 20, but less than 30 years of service in Plan 3 elect to defer their benefits.*

Mortality

RP-2000 Mortality Rates			Age Offset	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - All Plans		WSP - All Plans	
	Combined Healthy Table		(Years) -->	0	0	-2	-2	0	-2	0	0	0	0
Age	Male	Female	Age	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
20	0.000345	0.000191	20	0.000345	0.000191	0.000345	0.000191	0.000345	0.000191	0.000345	0.000191	0.000345	0.000191
21	0.000357	0.000192	21	0.000357	0.000192	0.000345	0.000191	0.000357	0.000191	0.000357	0.000192	0.000357	0.000192
22	0.000366	0.000194	22	0.000366	0.000194	0.000345	0.000191	0.000366	0.000191	0.000366	0.000194	0.000366	0.000194
23	0.000373	0.000197	23	0.000373	0.000197	0.000357	0.000192	0.000373	0.000192	0.000373	0.000197	0.000373	0.000197
24	0.000376	0.000201	24	0.000376	0.000201	0.000366	0.000194	0.000376	0.000194	0.000376	0.000201	0.000376	0.000201
25	0.000376	0.000207	25	0.000376	0.000207	0.000373	0.000197	0.000376	0.000197	0.000376	0.000207	0.000376	0.000207
26	0.000378	0.000214	26	0.000378	0.000214	0.000376	0.000201	0.000378	0.000201	0.000378	0.000214	0.000378	0.000214
27	0.000382	0.000223	27	0.000382	0.000223	0.000376	0.000207	0.000382	0.000207	0.000382	0.000223	0.000382	0.000223
28	0.000393	0.000235	28	0.000393	0.000235	0.000378	0.000214	0.000393	0.000214	0.000393	0.000235	0.000393	0.000235
29	0.000412	0.000248	29	0.000412	0.000248	0.000382	0.000223	0.000412	0.000223	0.000412	0.000248	0.000412	0.000248
30	0.000444	0.000264	30	0.000444	0.000264	0.000393	0.000235	0.000444	0.000235	0.000444	0.000264	0.000444	0.000264
31	0.000499	0.000307	31	0.000499	0.000307	0.000412	0.000248	0.000499	0.000248	0.000499	0.000307	0.000499	0.000307
32	0.000562	0.000350	32	0.000562	0.000350	0.000444	0.000264	0.000562	0.000264	0.000562	0.000350	0.000562	0.000350
33	0.000631	0.000394	33	0.000631	0.000394	0.000499	0.000307	0.000631	0.000307	0.000631	0.000394	0.000631	0.000394
34	0.000702	0.000435	34	0.000702	0.000435	0.000562	0.000350	0.000702	0.000350	0.000702	0.000435	0.000702	0.000435
35	0.000773	0.000475	35	0.000773	0.000475	0.000631	0.000394	0.000773	0.000394	0.000773	0.000475	0.000773	0.000475
36	0.000841	0.000514	36	0.000841	0.000514	0.000702	0.000435	0.000841	0.000435	0.000841	0.000514	0.000841	0.000514
37	0.000904	0.000554	37	0.000904	0.000554	0.000773	0.000475	0.000904	0.000475	0.000904	0.000554	0.000904	0.000554
38	0.000964	0.000598	38	0.000964	0.000598	0.000841	0.000514	0.000964	0.000514	0.000964	0.000598	0.000964	0.000598
39	0.001021	0.000648	39	0.001021	0.000648	0.000904	0.000554	0.001021	0.000554	0.001021	0.000648	0.001021	0.000648
40	0.001079	0.000706	40	0.001079	0.000706	0.000964	0.000598	0.001079	0.000598	0.001079	0.000706	0.001079	0.000706
41	0.001142	0.000774	41	0.001142	0.000774	0.001021	0.000648	0.001142	0.000648	0.001142	0.000774	0.001142	0.000774
42	0.001215	0.000852	42	0.001215	0.000852	0.001079	0.000706	0.001215	0.000706	0.001215	0.000852	0.001215	0.000852
43	0.001299	0.000937	43	0.001299	0.000937	0.001142	0.000774	0.001299	0.000774	0.001299	0.000937	0.001299	0.000937
44	0.001397	0.001029	44	0.001397	0.001029	0.001215	0.000852	0.001397	0.000852	0.001397	0.001029	0.001397	0.001029

Mortality

(Continued)

RP-2000 Mortality Rates			Age Offset	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - All Plans		WSP - All Plans	
Combined Healthy			(Years) -->	0	0	-2	-2	0	-2	0	0	0	0
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
45	0.001508	0.001124	**45**	0.001508	0.001124	0.001299	0.000937	0.001508	0.000937	0.001508	0.001124	0.001508	0.001124
46	0.001616	0.001223	**46**	0.001616	0.001223	0.001397	0.001029	0.001616	0.001029	0.001616	0.001223	0.001616	0.001223
47	0.001734	0.001326	**47**	0.001734	0.001326	0.001508	0.001124	0.001734	0.001124	0.001734	0.001326	0.001734	0.001326
48	0.001860	0.001434	**48**	0.001860	0.001434	0.001616	0.001223	0.001860	0.001223	0.001860	0.001434	0.001860	0.001434
49	0.001995	0.001550	**49**	0.001995	0.001550	0.001734	0.001326	0.001995	0.001326	0.001995	0.001550	0.001995	0.001550
50	0.002138	0.001676	**50**	0.002138	0.001676	0.001860	0.001434	0.002138	0.001434	0.002138	0.001676	0.002138	0.001676
51	0.002449	0.001852	**51**	0.002449	0.001852	0.001995	0.001550	0.002449	0.001550	0.002449	0.001852	0.002449	0.001852
52	0.002667	0.002018	**52**	0.002667	0.002018	0.002138	0.001676	0.002667	0.001676	0.002667	0.002018	0.002667	0.002018
53	0.002916	0.002207	**53**	0.002916	0.002207	0.002449	0.001852	0.002916	0.001852	0.002916	0.002207	0.002916	0.002207
54	0.003196	0.002424	**54**	0.003196	0.002424	0.002667	0.002018	0.003196	0.002018	0.003196	0.002424	0.003196	0.002424
55	0.003624	0.002717	**55**	0.003624	0.002717	0.002916	0.002207	0.003624	0.002207	0.003624	0.002717	0.003624	0.002717
56	0.004200	0.003090	**56**	0.004200	0.003090	0.003196	0.002424	0.004200	0.002424	0.004200	0.003090	0.004200	0.003090
57	0.004693	0.003478	**57**	0.004693	0.003478	0.003624	0.002717	0.004693	0.002717	0.004693	0.003478	0.004693	0.003478
58	0.005273	0.003923	**58**	0.005273	0.003923	0.004200	0.003090	0.005273	0.003090	0.005273	0.003923	0.005273	0.003923
59	0.005945	0.004441	**59**	0.005945	0.004441	0.004693	0.003478	0.005945	0.003478	0.005945	0.004441	0.005945	0.004441
60	0.006747	0.005055	**60**	0.006747	0.005055	0.005273	0.003923	0.006747	0.003923	0.006747	0.005055	0.006747	0.005055
61	0.007676	0.005814	**61**	0.007676	0.005814	0.005945	0.004441	0.007676	0.004441	0.007676	0.005814	0.007676	0.005814
62	0.008757	0.006657	**62**	0.008757	0.006657	0.006747	0.005055	0.008757	0.005055	0.008757	0.006657	0.008757	0.006657
63	0.010012	0.007648	**63**	0.010012	0.007648	0.007676	0.005814	0.010012	0.005814	0.010012	0.007648	0.010012	0.007648
64	0.011280	0.008619	**64**	0.011280	0.008619	0.008757	0.006657	0.011280	0.006657	0.011280	0.008619	0.011280	0.008619
65	0.012737	0.009706	**65**	0.012737	0.009706	0.010012	0.007648	0.012737	0.007648	0.012737	0.009706	0.012737	0.009706
66	0.014409	0.010954	**66**	0.014409	0.010954	0.011280	0.008619	0.014409	0.008619	0.014409	0.010954	0.014409	0.010954
67	0.016075	0.012163	**67**	0.016075	0.012163	0.012737	0.009706	0.016075	0.009706	0.016075	0.012163	0.016075	0.012163
68	0.017871	0.013445	**68**	0.017871	0.013445	0.014409	0.010954	0.017871	0.010954	0.017871	0.013445	0.017871	0.013445
69	0.019802	0.014860	**69**	0.019802	0.014860	0.016075	0.012163	0.019802	0.012163	0.019802	0.014860	0.019802	0.014860

Mortality

(Continued)

RP-2000 Mortality Rates			Age Offset	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - All Plans		WSP - All Plans	
	Combined Healthy		(Years) -->	0	0	-2	-2	0	-2	0	0	0	0
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
70	0.022206	0.016742	**70**	0.022206	0.016742	0.017871	0.013445	0.022206	0.013445	0.022206	0.016742	0.022206	0.016742
71	0.024570	0.018579	**71**	0.024570	0.018579	0.019802	0.014860	0.024570	0.014860	0.024570	0.018579	0.024570	0.018579
72	0.027281	0.020665	**72**	0.027281	0.020665	0.022206	0.016742	0.027281	0.016742	0.027281	0.020665	0.027281	0.020665
73	0.030387	0.022970	**73**	0.030387	0.022970	0.024570	0.018579	0.030387	0.018579	0.030387	0.022970	0.030387	0.022970
74	0.033900	0.025458	**74**	0.033900	0.025458	0.027281	0.020665	0.033900	0.020665	0.033900	0.025458	0.033900	0.025458
75	0.037834	0.028106	**75**	0.037834	0.028106	0.030387	0.022970	0.037834	0.022970	0.037834	0.028106	0.037834	0.028106
76	0.042169	0.030966	**76**	0.042169	0.030966	0.033900	0.025458	0.042169	0.025458	0.042169	0.030966	0.042169	0.030966
77	0.046906	0.034105	**77**	0.046906	0.034105	0.037834	0.028106	0.046906	0.028106	0.046906	0.034105	0.046906	0.034105
78	0.052123	0.037595	**78**	0.052123	0.037595	0.042169	0.030966	0.052123	0.030966	0.052123	0.037595	0.052123	0.037595
79	0.057927	0.041506	**79**	0.057927	0.041506	0.046906	0.034105	0.057927	0.034105	0.057927	0.041506	0.057927	0.041506
80	0.064368	0.045879	**80**	0.064368	0.045879	0.052123	0.037595	0.064368	0.037595	0.064368	0.045879	0.064368	0.045879
81	0.072041	0.050780	**81**	0.072041	0.050780	0.057927	0.041506	0.072041	0.041506	0.072041	0.050780	0.072041	0.050780
82	0.080486	0.056294	**82**	0.080486	0.056294	0.064368	0.045879	0.080486	0.045879	0.080486	0.056294	0.080486	0.056294
83	0.089718	0.062506	**83**	0.089718	0.062506	0.072041	0.050780	0.089718	0.050780	0.089718	0.062506	0.089718	0.062506
84	0.099779	0.069517	**84**	0.099779	0.069517	0.080486	0.056294	0.099779	0.056294	0.099779	0.069517	0.099779	0.069517
85	0.110757	0.077446	**85**	0.110757	0.077446	0.089718	0.062506	0.110757	0.062506	0.110757	0.077446	0.110757	0.077446
86	0.122797	0.086376	**86**	0.122797	0.086376	0.099779	0.069517	0.122797	0.069517	0.122797	0.086376	0.122797	0.086376
87	0.136043	0.096337	**87**	0.136043	0.096337	0.110757	0.077446	0.136043	0.077446	0.136043	0.096337	0.136043	0.096337
88	0.150590	0.107303	**88**	0.150590	0.107303	0.122797	0.086376	0.150590	0.086376	0.150590	0.107303	0.150590	0.107303
89	0.166420	0.119154	**89**	0.166420	0.119154	0.136043	0.096337	0.166420	0.096337	0.166420	0.119154	0.166420	0.119154
90	0.183408	0.131682	**90**	0.183408	0.131682	0.150590	0.107303	0.183408	0.107303	0.183408	0.131682	0.183408	0.131682
91	0.199769	0.144604	**91**	0.199769	0.144604	0.166420	0.119154	0.199769	0.119154	0.199769	0.144604	0.199769	0.144604
92	0.216605	0.157618	**92**	0.216605	0.157618	0.183408	0.131682	0.216605	0.131682	0.216605	0.157618	0.216605	0.157618
93	0.233662	0.170433	**93**	0.233662	0.170433	0.199769	0.144604	0.233662	0.144604	0.233662	0.170433	0.233662	0.170433
94	0.250693	0.182799	**94**	0.250693	0.182799	0.216605	0.157618	0.250693	0.157618	0.250693	0.182799	0.250693	0.182799

Mortality

(Continued)

RP-2000 Mortality Rates			Age Offset	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - All Plans		WSP - All Plans	
Combined Healthy			(Years) -->	0	0	-2	-2	0	-2	0	0	0	0
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
95	0.267491	0.194509	**95**	0.267491	0.194509	0.233662	0.170433	0.267491	0.170433	0.267491	0.194509	0.267491	0.194509
96	0.283905	0.205379	**96**	0.283905	0.205379	0.250693	0.182799	0.283905	0.182799	0.283905	0.205379	0.283905	0.205379
97	0.299852	0.215240	**97**	0.299852	0.215240	0.267491	0.194509	0.299852	0.194509	0.299852	0.215240	0.299852	0.215240
98	0.315296	0.223947	**98**	0.315296	0.223947	0.283905	0.205379	0.315296	0.205379	0.315296	0.223947	0.315296	0.223947
99	0.330207	0.231387	**99**	0.330207	0.231387	0.299852	0.215240	0.330207	0.215240	0.330207	0.231387	0.330207	0.231387
100	0.344556	0.237467	**100**	0.344556	0.237467	0.315296	0.223947	0.344556	0.223947	0.344556	0.237467	0.344556	0.237467
101	0.358628	0.244834	**101**	0.358628	0.244834	0.330207	0.231387	0.358628	0.231387	0.358628	0.244834	0.358628	0.244834
102	0.371685	0.254498	**102**	0.371685	0.254498	0.344556	0.237467	0.371685	0.237467	0.371685	0.254498	0.371685	0.254498
103	0.383040	0.266044	**103**	0.383040	0.266044	0.358628	0.244834	0.383040	0.244834	0.383040	0.266044	0.383040	0.266044
104	0.392003	0.279055	**104**	0.392003	0.279055	0.371685	0.254498	0.392003	0.254498	0.392003	0.279055	0.392003	0.279055
105	0.397886	0.293116	**105**	0.397886	0.293116	0.383040	0.266044	0.397886	0.266044	0.397886	0.293116	0.397886	0.293116
106	0.400000	0.307811	**106**	0.400000	0.307811	0.392003	0.279055	0.400000	0.279055	0.400000	0.307811	0.400000	0.307811
107	0.400000	0.322725	**107**	0.400000	0.322725	0.397886	0.293116	0.400000	0.293116	0.400000	0.322725	0.400000	0.322725
108	0.400000	0.337441	**108**	0.400000	0.337441	0.400000	0.307811	0.400000	0.307811	0.400000	0.337441	0.400000	0.337441
109	0.400000	0.351544	**109**	0.400000	0.351544	0.400000	0.322725	0.400000	0.322725	0.400000	0.351544	0.400000	0.351544
110	0.400000	0.364617	**110**	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000

Disabled Mortality

RP-2000 Mortality Rates			Age Offset	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - All Plans		WSP - All Plans	
			(Years) -->	6	6	5	2	5	2	2	2	2	2
	Combined Healthy Table		Minimum Probability	0.05	0.035	0.03	0.0175	0.03	0.03	0.005	0.005	0.005	0.005
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	0.000345	0.000191	**20**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
21	0.000357	0.000192	**21**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
22	0.000366	0.000194	**22**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
23	0.000373	0.000197	**23**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
24	0.000376	0.000201	**24**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
25	0.000376	0.000207	**25**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
26	0.000378	0.000214	**26**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
27	0.000382	0.000223	**27**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
28	0.000393	0.000235	**28**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
29	0.000412	0.000248	**29**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
30	0.000444	0.000264	**30**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
31	0.000499	0.000307	**31**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
32	0.000562	0.000350	**32**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
33	0.000631	0.000394	**33**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
34	0.000702	0.000435	**34**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
35	0.000773	0.000475	**35**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
36	0.000841	0.000514	**36**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
37	0.000904	0.000554	**37**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
38	0.000964	0.000598	**38**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
39	0.001021	0.000648	**39**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
40	0.001079	0.000706	**40**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
41	0.001142	0.000774	**41**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
42	0.001215	0.000852	**42**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
43	0.001299	0.000937	**43**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
44	0.001397	0.001029	**44**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000

Disabled Mortality

(Continued)

RP-2000 Mortality Rates			Age Offset (Years) -->	PERS - all plans		TRS - all plans		SERS - all plans		LEOFF - all plans		WSP - all plans	
				6	6	5	2	5	2	2	2	2	2
	Combined Healthy		Minimum Probability	0.05	0.035	0.03	0.0175	0.03	0.03	0.005	0.005	0.005	0.005
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
45	0.001508	0.001124	**45**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
46	0.001616	0.001223	**46**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
47	0.001734	0.001326	**47**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
48	0.001860	0.001434	**48**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
49	0.001995	0.001550	**49**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
50	0.002138	0.001676	**50**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
51	0.002449	0.001852	**51**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
52	0.002667	0.002018	**52**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
53	0.002916	0.002207	**53**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
54	0.003196	0.002424	**54**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
55	0.003624	0.002717	**55**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005000	0.005000	0.005000	0.005000
56	0.004200	0.003090	**56**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005273	0.005000	0.005273	0.005000
57	0.004693	0.003478	**57**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.005945	0.005000	0.005945	0.005000
58	0.005273	0.003923	**58**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.006747	0.005055	0.006747	0.005055
59	0.005945	0.004441	**59**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.007676	0.005814	0.007676	0.005814
60	0.006747	0.005055	**60**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.008757	0.006657	0.008757	0.006657
61	0.007676	0.005814	**61**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.010012	0.007648	0.010012	0.007648
62	0.008757	0.006657	**62**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.011280	0.008619	0.011280	0.008619
63	0.010012	0.007648	**63**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.012737	0.009706	0.012737	0.009706
64	0.011280	0.008619	**64**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.014409	0.010954	0.014409	0.010954
65	0.012737	0.009706	**65**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.016075	0.012163	0.016075	0.012163
66	0.014409	0.010954	**66**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.017871	0.013445	0.017871	0.013445
67	0.016075	0.012163	**67**	0.050000	0.035000	0.030000	0.017500	0.030000	0.030000	0.019802	0.014860	0.019802	0.014860
68	0.017871	0.013445	**68**	0.050000	0.035000	0.030387	0.017500	0.030387	0.030000	0.022206	0.016742	0.022206	0.016742
69	0.019802	0.014860	**69**	0.050000	0.035000	0.033900	0.018579	0.033900	0.030000	0.024570	0.018579	0.024570	0.018579

Disabled Mortality

(Continued)

RP-2000 Mortality Rates			Age Offset (Years) -->	PERS - all plans		TRS - all plans		SERS - all plans		LEOFF - all plans		WSP - all plans	
				6	6	5	2	5	2	2	2	2	2
	Combined Healthy		Minimum Probability	0.05	0.035	0.03	0.0175	0.03	0.03	0.005	0.005	0.005	0.005
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
70	0.022206	0.016742	**70**	0.050000	0.035000	0.037834	0.020665	0.037834	0.030000	0.027281	0.020665	0.027281	0.020665
71	0.024570	0.018579	**71**	0.050000	0.035000	0.042169	0.022970	0.042169	0.030000	0.030387	0.022970	0.030387	0.022970
72	0.027281	0.020665	**72**	0.052123	0.037595	0.046906	0.025458	0.046906	0.030000	0.033900	0.025458	0.033900	0.025458
73	0.030387	0.022970	**73**	0.057927	0.041506	0.052123	0.028106	0.052123	0.030000	0.037834	0.028106	0.037834	0.028106
74	0.033900	0.025458	**74**	0.064368	0.045879	0.057927	0.030966	0.057927	0.030966	0.042169	0.030966	0.042169	0.030966
75	0.037834	0.028106	**75**	0.072041	0.050780	0.064368	0.034105	0.064368	0.034105	0.046906	0.034105	0.046906	0.034105
76	0.042169	0.030966	**76**	0.080486	0.056294	0.072041	0.037595	0.072041	0.037595	0.052123	0.037595	0.052123	0.037595
77	0.046906	0.034105	**77**	0.089718	0.062506	0.080486	0.041506	0.080486	0.041506	0.057927	0.041506	0.057927	0.041506
78	0.052123	0.037595	**78**	0.099779	0.069517	0.089718	0.045879	0.089718	0.045879	0.064368	0.045879	0.064368	0.045879
79	0.057927	0.041506	**79**	0.110757	0.077446	0.099779	0.050780	0.099779	0.050780	0.072041	0.050780	0.072041	0.050780
80	0.064368	0.045879	**80**	0.122797	0.086376	0.110757	0.056294	0.110757	0.056294	0.080486	0.056294	0.080486	0.056294
81	0.072041	0.050780	**81**	0.136043	0.096337	0.122797	0.062506	0.122797	0.062506	0.089718	0.062506	0.089718	0.062506
82	0.080486	0.056294	**82**	0.150590	0.107303	0.136043	0.069517	0.136043	0.069517	0.099779	0.069517	0.099779	0.069517
83	0.089718	0.062506	**83**	0.166420	0.119154	0.150590	0.077446	0.150590	0.077446	0.110757	0.077446	0.110757	0.077446
84	0.099779	0.069517	**84**	0.183408	0.131682	0.166420	0.086376	0.166420	0.086376	0.122797	0.086376	0.122797	0.086376
85	0.110757	0.077446	**85**	0.199769	0.144604	0.183408	0.096337	0.183408	0.096337	0.136043	0.096337	0.136043	0.096337
86	0.122797	0.086376	**86**	0.216605	0.157618	0.199769	0.107303	0.199769	0.107303	0.150590	0.107303	0.150590	0.107303
87	0.136043	0.096337	**87**	0.233662	0.170433	0.216605	0.119154	0.216605	0.119154	0.166420	0.119154	0.166420	0.119154
88	0.150590	0.107303	**88**	0.250693	0.182799	0.233662	0.131682	0.233662	0.131682	0.183408	0.131682	0.183408	0.131682
89	0.166420	0.119154	**89**	0.267491	0.194509	0.250693	0.144604	0.250693	0.144604	0.199769	0.144604	0.199769	0.144604
90	0.183408	0.131682	**90**	0.283905	0.205379	0.267491	0.157618	0.267491	0.157618	0.216605	0.157618	0.216605	0.157618
91	0.199769	0.144604	**91**	0.299852	0.215240	0.283905	0.170433	0.283905	0.170433	0.233662	0.170433	0.233662	0.170433
92	0.216605	0.157618	**92**	0.315296	0.223947	0.299852	0.182799	0.299852	0.182799	0.250693	0.182799	0.250693	0.182799
93	0.233662	0.170433	**93**	0.330207	0.231387	0.315296	0.194509	0.315296	0.194509	0.267491	0.194509	0.267491	0.194509
94	0.250693	0.182799	**94**	0.344556	0.237467	0.330207	0.205379	0.330207	0.205379	0.283905	0.205379	0.283905	0.205379

Disabled Mortality

(Continued)

RP-2000 Mortality Rates			Age Offset (Years) -->	PERS - all plans		TRS - all plans		SERS - all plans		LEOFF - all plans		WSP - all plans	
				6	6	5	2	5	2	2	2	2	2
	Combined Healthy		Minimum Probability	0.05	0.035	0.03	0.0175	0.03	0.03	0.005	0.005	0.005	0.005
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
95	0.267491	0.194509	**95**	0.358628	0.244834	0.344556	0.215240	0.344556	0.215240	0.299852	0.215240	0.299852	0.215240
96	0.283905	0.205379	**96**	0.371685	0.254498	0.358628	0.223947	0.358628	0.223947	0.315296	0.223947	0.315296	0.223947
97	0.299852	0.215240	**97**	0.383040	0.266044	0.371685	0.231387	0.371685	0.231387	0.330207	0.231387	0.330207	0.231387
98	0.315296	0.223947	**98**	0.392003	0.279055	0.383040	0.237467	0.383040	0.237467	0.344556	0.237467	0.344556	0.237467
99	0.330207	0.231387	**99**	0.397886	0.293116	0.392003	0.244834	0.392003	0.244834	0.358628	0.244834	0.358628	0.244834
100	0.344556	0.237467	**100**	0.400000	0.307811	0.397886	0.254498	0.397886	0.254498	0.371685	0.254498	0.371685	0.254498
101	0.358628	0.244834	**101**	0.400000	0.322725	0.400000	0.266044	0.400000	0.266044	0.383040	0.266044	0.383040	0.266044
102	0.371685	0.254498	**102**	0.400000	0.337441	0.400000	0.279055	0.400000	0.279055	0.392003	0.279055	0.392003	0.279055
103	0.383040	0.266044	**103**	0.400000	0.351544	0.400000	0.293116	0.400000	0.293116	0.397886	0.293116	0.397886	0.293116
104	0.392003	0.279055	**104**	0.400000	0.364617	0.400000	0.307811	0.400000	0.307811	0.400000	0.307811	0.400000	0.307811
105	0.397886	0.293116	**105**	0.400000	0.376246	0.400000	0.322725	0.400000	0.322725	0.400000	0.322725	0.400000	0.322725
106	0.400000	0.307811	**106**	0.400000	0.386015	0.400000	0.337441	0.400000	0.337441	0.400000	0.337441	0.400000	0.337441
107	0.400000	0.322725	**107**	0.400000	0.393507	0.400000	0.351544	0.400000	0.351544	0.400000	0.351544	0.400000	0.351544
108	0.400000	0.337441	**108**	0.400000	0.398308	0.400000	0.364617	0.400000	0.364617	0.400000	0.364617	0.400000	0.364617
109	0.400000	0.351544	**109**	0.400000	0.400000	0.400000	0.376246	0.400000	0.376246	0.400000	0.376246	0.400000	0.376246
110	0.400000	0.364617	**110**	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000

Probability of Disablement

	PERS				TRS				SERS		LEOFF			WSP	
	Plan 1		Plan 2/3		Plan 1		Plan 2/3		Plan 2/3		Plan 1	Plan 2	Plan 2	Plan 1	Plan 2
Age	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Both	Duty	Nonduty	Both	Both
20	0.000000	0.000000	0.000000	0.000000	0.000013	0.000014	0.000003	0.000003	0.000000	0.000000	0.001000	0.000850	0.000022	0.001000	0.001000
21	0.000000	0.000000	0.000000	0.000000	0.000020	0.000020	0.000005	0.000004	0.000000	0.000000	0.001000	0.000850	0.000022	0.001000	0.001000
22	0.000000	0.000000	0.000000	0.000000	0.000029	0.000030	0.000008	0.000006	0.000000	0.000000	0.001000	0.000850	0.000022	0.001000	0.001000
23	0.000000	0.000000	0.000017	0.000000	0.000043	0.000043	0.000011	0.000009	0.000000	0.000000	0.001000	0.000850	0.000022	0.001000	0.001000
24	0.000000	0.000000	0.000035	0.000000	0.000062	0.000062	0.000016	0.000013	0.000000	0.000000	0.001000	0.000850	0.000022	0.001000	0.001000
25	0.000000	0.000000	0.000052	0.000000	0.000091	0.000092	0.000024	0.000019	0.000000	0.000000	0.001000	0.000850	0.000022	0.001000	0.001000
26	0.000000	0.000000	0.000069	0.000000	0.000106	0.000107	0.000027	0.000022	0.000000	0.000000	0.002397	0.000850	0.000024	0.001000	0.001000
27	0.000000	0.000000	0.000086	0.000000	0.000122	0.000123	0.000032	0.000026	0.000000	0.000000	0.003793	0.000850	0.000026	0.001000	0.001000
28	0.000000	0.000000	0.000096	0.000019	0.000141	0.000142	0.000036	0.000030	0.000000	0.000016	0.005187	0.000850	0.000028	0.001000	0.001000
29	0.000000	0.000000	0.000106	0.000037	0.000162	0.000164	0.000042	0.000034	0.000000	0.000032	0.006578	0.000850	0.000031	0.001000	0.001000
30	0.000000	0.000000	0.000115	0.000056	0.000187	0.000190	0.000048	0.000040	0.000000	0.000048	0.007968	0.000850	0.000033	0.001000	0.001000
31	0.000000	0.000000	0.000125	0.000074	0.000209	0.000212	0.000054	0.000044	0.000000	0.000064	0.009356	0.000850	0.000035	0.001000	0.001000
32	0.000000	0.000000	0.000135	0.000093	0.000233	0.000236	0.000060	0.000050	0.000000	0.000080	0.010742	0.000850	0.000037	0.001000	0.001000
33	0.000000	0.000000	0.000142	0.000126	0.000258	0.000262	0.000067	0.000055	0.000027	0.000112	0.012126	0.000850	0.000039	0.001000	0.001000
34	0.000000	0.000000	0.000149	0.000160	0.000288	0.000292	0.000074	0.000061	0.000054	0.000144	0.013508	0.000850	0.000042	0.001000	0.001000
35	0.000310	0.000319	0.000156	0.000194	0.000321	0.000326	0.000083	0.000068	0.000081	0.000176	0.014888	0.000850	0.000044	0.001000	0.001000
36	0.000367	0.000377	0.000164	0.000228	0.000340	0.000345	0.000088	0.000072	0.000108	0.000208	0.016267	0.000850	0.000050	0.001000	0.001000
37	0.000432	0.000445	0.000171	0.000262	0.000360	0.000365	0.000093	0.000077	0.000135	0.000241	0.019033	0.000850	0.000057	0.001000	0.001000
38	0.000508	0.000522	0.000192	0.000266	0.000382	0.000387	0.000099	0.000081	0.000176	0.000215	0.020514	0.000850	0.000066	0.001000	0.001000
39	0.000593	0.000610	0.000213	0.000271	0.000404	0.000410	0.000105	0.000086	0.000217	0.000190	0.021994	0.000850	0.000077	0.001000	0.001000
40	0.000762	0.000710	0.000235	0.000275	0.000428	0.000434	0.000111	0.000091	0.000258	0.000164	0.023471	0.000850	0.000088	0.001000	0.001000
41	0.000873	0.000823	0.000256	0.000279	0.000502	0.000509	0.000130	0.000107	0.000300	0.000139	0.024946	0.000850	0.000098	0.001000	0.001000
42	0.000983	0.001257	0.000277	0.000283	0.000588	0.000596	0.000152	0.000125	0.000341	0.000113	0.026419	0.000850	0.000109	0.001000	0.001000
43	0.001149	0.001315	0.000344	0.000345	0.000688	0.000698	0.000178	0.000146	0.000416	0.000143	0.027889	0.000850	0.000123	0.001000	0.001000
44	0.001315	0.001373	0.000410	0.000406	0.000806	0.000817	0.000208	0.000171	0.000492	0.000172	0.036042	0.000850	0.000138	0.001000	0.001000
45	0.001481	0.001431	0.000476	0.000467	0.000944	0.000957	0.000244	0.000201	0.000568	0.000201	0.042372	0.000850	0.000153	0.001000	0.001000
46	0.001647	0.001489	0.000542	0.000528	0.001054	0.001068	0.000272	0.000224	0.000643	0.000231	0.048661	0.000850	0.000197	0.001000	0.001000
47	0.001813	0.001547	0.000609	0.000589	0.001176	0.001192	0.000304	0.000250	0.000719	0.000260	0.054909	0.000850	0.000256	0.001000	0.001000
48	0.002056	0.002039	0.000713	0.000727	0.001312	0.001330	0.000339	0.000279	0.000846	0.000419	0.061118	0.000850	0.000328	0.001000	0.001000
49	0.002299	0.002531	0.000817	0.000865	0.001464	0.001483	0.000378	0.000311	0.000974	0.000579	0.067287	0.000850	0.000424	0.001000	0.001000

No TRS Plan 1 or PERS Plan 1 disabilities are assumed for members beyond 60 years of age. Ten percent of all PERS Plan 1 disabilities are assumed to be duty related.

LEOFF Plan 1 disability retirements are assumed to continue after service retirement begins

Probability of Disablement

(Continued)

	PERS				TRS				SERS		LEOFF			WSP	
	Plan 1		Plan 2/3		Plan 1		Plan 2/3		Plan 2/3		Plan 1	Plan 2	Plan 2	Plan 1	Plan 2
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Both**	**Duty**	**Nonduty**	**Both**	**Both**
50	0.002542	0.003023	0.000922	0.001003	0.001634	0.001656	0.000422	0.000347	0.001102	0.000738	0.073417	0.000850	0.000547	0.001000	0.001000
51	0.002784	0.003514	0.001026	0.001141	0.001885	0.001911	0.000487	0.000401	0.001230	0.000897	0.079508	0.000850	0.000628	0.001000	0.001000
52	0.003027	0.004006	0.001131	0.001278	0.002177	0.002207	0.000563	0.000463	0.001357	0.001057	0.085561	0.000850	0.000722	0.001000	0.001000
53	0.004768	0.004808	0.001631	0.001780	0.002512	0.002546	0.000649	0.000534	0.002048	0.001664	0.091576	0.000850	0.000851	0.001000	0.001000
54	0.006505	0.005610	0.002130	0.002281	0.002900	0.002939	0.000750	0.000617	0.002738	0.002270	0.097553	0.000850	0.000951	0.001000	0.001000
55	0.008240	0.006411	0.002630	0.002782	0.003347	0.003393	0.000866	0.000712	0.003428	0.002876	0.103493	0.000850	0.000951	0.001000	0.001000
56	0.009972	0.007211	0.003129	0.003283	0.003580	0.003629	0.000926	0.000762	0.004117	0.003482	0.109395	0.000850	0.000951	0.001000	0.001000
57	0.011701	0.008011	0.003628	0.003783	0.003829	0.003881	0.000990	0.000814	0.004805	0.004087	0.115262	0.000850	0.000951	0.001000	0.001000
58	0.011701	0.007508	0.004955	0.005084	0.004096	0.004151	0.001059	0.000871	0.006303	0.004588	0.121663	0.000850	0.000951	0.001000	0.001000
59	0.011701	0.007005	0.006280	0.006384	0.004381	0.004440	0.001133	0.000932	0.007799	0.005089	0.121663	0.000850	0.000951	0.001000	0.001000
60	0.011701	0.006502	0.007603	0.007681	0.004686	0.004750	0.001212	0.000997	0.009292	0.005589	0.121663	0.000850	0.000951	0.001000	0.001000
61	0.011701	0.005998	0.008925	0.008977	0.005219	0.005290	0.001349	0.001110	0.010783	0.006089	0.121663	0.000850	0.000951	0.001000	0.001000
62	0.011701	0.005495	0.010244	0.010271	0.005814	0.005892	0.001503	0.001237	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
63	0.011701	0.005495	0.010244	0.010271	0.006475	0.006563	0.001674	0.001377	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
64	0.011701	0.005495	0.010244	0.010271	0.007213	0.007311	0.001865	0.001534	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
65	0.011701	0.005495	0.010244	0.010271	0.000000	0.000000	0.000000	0.000000	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
66	0.011701	0.005495	0.010244	0.010271	0.000000	0.000000	0.000000	0.000000	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
67	0.011701	0.005495	0.010244	0.010271	0.000000	0.000000	0.000000	0.000000	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
68	0.011701	0.005495	0.010244	0.010271	0.000000	0.000000	0.000000	0.000000	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
69	0.011701	0.005495	0.010244	0.010271	0.000000	0.000000	0.000000	0.000000	0.012272	0.006589	0.121663	0.000850	0.000951	0.001000	0.001000
70	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.121663	0.000850	0.000951	0.001000	0.001000

No TRS Plan 1 or PERS Plan 1 disabilities are assumed for members beyond 60 years of age. Ten percent of all PERS Plan 1 disabilities are assumed to be duty related.

LEOFF Plan 1 disability retirements are assumed to continue after service retirement begins

Probability of Termination

Service	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - Plan 1	LEOFF - Plan 2	WSP - All Plans
Years	Male	Female	Male	Female	Male	Female	Male & Female	Male & Female	Male & Female
0	0.2590	0.2639	0.0965	0.1000	0.2590	0.1945	0.1043	0.1034	0.0243
1	0.1546	0.1672	0.0600	0.0700	0.1609	0.1287	0.0469	0.0460	0.0243
2	0.1020	0.1172	0.0400	0.0550	0.1154	0.1007	0.0237	0.0228	0.0243
3	0.0769	0.0925	0.0400	0.0450	0.1007	0.0760	0.0208	0.0199	0.0243
4	0.0639	0.0769	0.0350	0.0400	0.0852	0.0658	0.0198	0.0189	0.0243
5	0.0531	0.0653	0.0300	0.0350	0.0728	0.0597	0.0194	0.0185	0.0138
6	0.0435	0.0587	0.0220	0.0300	0.0606	0.0531	0.0194	0.0185	0.0138
7	0.0407	0.0531	0.0210	0.0260	0.0559	0.0521	0.0194	0.0185	0.0138
8	0.0373	0.0469	0.0200	0.0200	0.0493	0.0483	0.0167	0.0158	0.0138
9	0.0354	0.0411	0.0190	0.0195	0.0464	0.0464	0.0167	0.0158	0.0138
10	0.0325	0.0387	0.0180	0.0190	0.0426	0.0450	0.0167	0.0158	0.0087
11	0.0310	0.0354	0.0180	0.0170	0.0402	0.0445	0.0142	0.0133	0.0087
12	0.0305	0.0315	0.0100	0.0140	0.0383	0.0440	0.0142	0.0133	0.0087
13	0.0286	0.0310	0.0100	0.0140	0.0373	0.0440	0.0142	0.0133	0.0087
14	0.0276	0.0300	0.0100	0.0140	0.0325	0.0421	0.0099	0.0090	0.0087
15	0.0266	0.0286	0.0100	0.0140	0.0296	0.0426	0.0099	0.0090	0.0064
16	0.0237	0.0262	0.0095	0.0110	0.0266	0.0378	0.0099	0.0090	0.0064
17	0.0213	0.0227	0.0090	0.0090	0.0242	0.0344	0.0070	0.0061	0.0064
18	0.0183	0.0198	0.0080	0.0090	0.0203	0.0310	0.0070	0.0061	0.0064
19	0.0149	0.0173	0.0070	0.0090	0.0159	0.0262	0.0070	0.0061	0.0064
20	0.0114	0.0144	0.0050	0.0050	0.0124	0.0203	0.0070	0.0061	0.0019
21	0.0095	0.0114	0.0050	0.0050	0.0114	0.0159	0.0070	0.0061	0.0019
22	0.0075	0.0095	0.0050	0.0050	0.0085	0.0129	0.0070	0.0061	0.0019
23	0.0060	0.0080	0.0050	0.0050	0.0065	0.0085	0.0070	0.0061	0.0019
24	0.0055	0.0055	0.0050	0.0050	0.0065	0.0075	0.0070	0.0061	0.0019

Probability of Termination

(Continued)

Service	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - Plan 1	LEOFF - Plan 2	WSP - All Plans
Years	Male	Female	Male	Female	Male	Female	Male & Female	Male & Female	Male & Female
25	0.0050	0.0045	0.0050	0.0050	0.0050	0.0075	0.0070	0.0061	0.0000
26	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0070	0.0061	0.0000
27	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0070	0.0061	0.0000
28	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0070	0.0061	0.0000
29	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
30	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
31	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
32	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
33	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
34	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
35	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
36	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
37	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
38	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
39	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
40	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
41	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
42	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
43	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
44	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
45	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
46	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
47	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
48	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
49	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000
50	0.0040	0.0040	0.0050	0.0050	0.0050	0.0075	0.0000	0.0000	0.0000

Probability of Vesting upon Termination*

(for those not eligible to early retire)

Service	PERS		TRS		SERS	LEOFF	WSP
	Plan 1	Plan 2	Plan 1	Plan 2	Plan 2	Plan 2	
Years	Male & Female	Male & Female	Male & Female	Male & Female	Male & Female	Male & Female	Male & Female
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	0.00	0.00	0.65	0.60	0.50	0.00	0.00
5	0.35	0.35	0.65	0.60	0.50	0.15	0.15
6	0.45	0.35	0.75	0.60	0.55	0.15	0.15
7	0.45	0.40	0.75	0.60	0.55	0.15	0.15
8	0.45	0.40	0.75	0.65	0.55	0.15	0.15
9	0.45	0.45	0.75	0.65	0.60	0.15	0.15
10	0.45	0.45	0.75	0.65	0.60	0.15	0.15
11	0.45	0.45	0.75	0.65	0.60	0.15	0.15
12	0.45	0.45	0.75	0.70	0.60	0.15	0.15
13	0.45	0.45	0.85	0.70	0.65	0.15	0.15
14	0.55	0.45	0.85	0.70	0.65	0.15	0.15
15	0.55	0.50	0.85	0.70	0.70	0.15	0.15
16	0.60	0.50	0.85	0.80	0.70	0.15	0.15
17	0.60	0.55	0.85	0.80	0.70	0.15	0.15
18	0.60	0.55	0.85	0.85	0.70	0.35	0.35
19	0.60	0.60	0.85	0.85	0.70	0.35	0.35
20	0.60	0.60	0.90	0.90	0.75	0.75	0.75
21	0.60	0.60	0.90	0.90	0.80	1.00	1.00
22	0.60	0.60	0.90	0.90	0.80	1.00	1.00
23	0.60	0.60	0.90	0.90	0.80	1.00	1.00
24	0.60	0.60	0.90	0.90	0.80	1.00	1.00

For TRS & SERS, service is as of the beginning of the year, and exit is assumed to occur at the end of the year

**This assumption is the ratio of terminating members selecting an annuity in lieu of a return of contributions benefit.*

Probability of Vesting upon Termination*

(for those not eligible to early retire - Continued))

	PERS		TRS		SERS	LEOFF	WSP
Service	Plan 1	Plan 2	Plan 1	Plan 2	Plan 2	Plan 2	
Years	Male & Female	Male & Female	Male & Female	Male & Female	Male & Female	Male & Female	Male & Female
25	0.65	0.65	0.90	0.90	0.80	1.00	1.00
26	0.65	0.65	0.95	0.95	1.00	1.00	1.00
27	0.75	0.75	1.00	1.00	1.00	1.00	1.00
28	0.75	0.75	1.00	1.00	1.00	1.00	1.00
29	0.75	0.75	1.00	1.00	1.00	1.00	1.00
30	1.00	1.00	1.00	1.00	1.00	1.00	1.00
31	1.00	1.00	1.00	1.00	1.00	1.00	1.00
32	1.00	1.00	1.00	1.00	1.00	1.00	1.00
33	1.00	1.00	1.00	1.00	1.00	1.00	1.00
34	1.00	1.00	1.00	1.00	1.00	1.00	1.00
35	1.00	1.00	1.00	1.00	1.00	1.00	1.00
36	1.00	1.00	1.00	1.00	1.00	1.00	1.00
37	1.00	1.00	1.00	1.00	1.00	1.00	1.00
38	1.00	1.00	1.00	1.00	1.00	1.00	1.00
39	1.00	1.00	1.00	1.00	1.00	1.00	1.00
40	1.00	1.00	1.00	1.00	1.00	1.00	1.00
41	1.00	1.00	1.00	1.00	1.00	1.00	1.00
42	1.00	1.00	1.00	1.00	1.00	1.00	1.00
43	1.00	1.00	1.00	1.00	1.00	1.00	1.00
44	1.00	1.00	1.00	1.00	1.00	1.00	1.00
45	1.00	1.00	1.00	1.00	1.00	1.00	1.00
46	1.00	1.00	1.00	1.00	1.00	1.00	1.00
47	1.00	1.00	1.00	1.00	1.00	1.00	1.00
48	1.00	1.00	1.00	1.00	1.00	1.00	1.00
49	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50	1.00	1.00	1.00	1.00	1.00	1.00	1.00

For TRS & SERS, service is as of the beginning of the year, and exit is assumed to occur at the end of the year.

**This assumption is the ratio of terminating members selecting an annuity in lieu of a return of contributions benefit.*

Step Salary Increases

Service	PERS - All Plans		TRS - All Plans		SERS - All Plans		LEOFF - All Plans		WSP - All Plans	
Years	% Increase	Salary Ratio	% Increase	Salary Ratio	% Increase	Salary Ratio	% Increase	Salary Ratio	% Increase	Salary Ratio
1	6.10%	1.275	6.20%	1.476	7.00%	1.280	11.70%	1.810	6.00%	1.678
2	4.80%	1.201	4.40%	1.390	3.90%	1.196	8.10%	1.621	6.00%	1.583
3	3.80%	1.146	4.20%	1.331	2.80%	1.151	6.60%	1.499	6.00%	1.493
4	2.90%	1.104	3.50%	1.278	2.30%	1.120	4.50%	1.406	6.00%	1.409
5	2.10%	1.073	3.10%	1.235	2.20%	1.095	3.20%	1.346	6.00%	1.329
6	1.30%	1.051	2.70%	1.197	1.50%	1.071	2.50%	1.304	6.00%	1.254
7	1.00%	1.038	2.60%	1.166	1.20%	1.055	2.20%	1.272	1.30%	1.183
8	0.80%	1.027	2.30%	1.136	1.00%	1.043	2.00%	1.245	1.30%	1.168
9	0.60%	1.019	2.10%	1.111	0.80%	1.032	2.00%	1.221	1.30%	1.153
10	0.40%	1.013	1.90%	1.088	0.70%	1.024	2.00%	1.197	1.30%	1.138
11	0.30%	1.009	1.70%	1.068	0.70%	1.017	1.90%	1.173	1.30%	1.123
12	0.20%	1.006	1.60%	1.050	0.30%	1.010	1.80%	1.151	1.30%	1.109
13	0.10%	1.004	1.40%	1.033	0.30%	1.007	1.70%	1.131	1.30%	1.095
14	0.10%	1.003	0.90%	1.019	0.20%	1.004	1.60%	1.112	1.30%	1.081
15	0.10%	1.002	0.80%	1.010	0.10%	1.002	1.60%	1.095	1.30%	1.067
16	0.10%	1.001	0.20%	1.002	0.10%	1.001	1.60%	1.077	1.30%	1.053
17	0.00%	1.000	0.00%	1.000	0.00%	1.000	1.60%	1.060	1.30%	1.040
18	0.00%	1.000	0.00%	1.000	0.00%	1.000	1.60%	1.044	1.30%	1.026
19	0.00%	1.000	0.00%	1.000	0.00%	1.000	1.40%	1.027	1.30%	1.013
20	0.00%	1.000	0.00%	1.000	0.00%	1.000	1.30%	1.013	0.00%	1.000
21+	0.00%	1.000	0.00%	1.000	0.00%	1.000	0.00%	1.000	0.00%	1.000

Ratio of Survivors Selecting Annuities*

	PERS 1		PERS 2		PERS 3		TRS 1		TRS 2		TRS 3		SERS 2		SERS 3		LEOFF 1	LEOFF 2	WSP 1	WSP 2
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Both**	**Both**	**Both**	**Both**
20	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00
21	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00
22	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00
23	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00
24	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00	0.20	0.35	0.00	0.00	0.20	0.35	0.00	0.00	0.00	0.00
25	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00
26	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00
27	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00
28	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00
29	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00	0.48	0.63	0.00	0.00	0.48	0.63	0.00	0.00	0.00	0.00
30	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00
31	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00
32	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00
33	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00
34	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00	0.64	0.73	0.00	0.00	0.64	0.73	0.00	0.00	0.00	0.00
35	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00
36	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00
37	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00
38	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00
39	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00	0.72	0.75	0.00	0.00	0.72	0.75	0.00	0.00	0.00	0.00
40	0.45	0.10	0.05	0.00	0.77	0.76	0.65	0.55	0.00	0.00	0.77	0.76	0.05	0.00	0.77	0.76	0.60	0.00	0.60	0.60
41	0.45	0.10	0.05	0.00	0.77	0.76	0.65	0.55	0.00	0.00	0.77	0.76	0.05	0.00	0.77	0.76	0.60	0.00	0.60	0.60
42	0.45	0.10	0.05	0.00	0.77	0.76	0.65	0.55	0.00	0.00	0.77	0.76	0.05	0.00	0.77	0.76	0.60	0.00	0.60	0.60
43	0.45	0.10	0.05	0.00	0.77	0.76	0.65	0.55	0.00	0.00	0.77	0.76	0.05	0.00	0.77	0.76	0.60	0.00	0.60	0.60
44	0.45	0.10	0.05	0.00	0.77	0.76	0.65	0.55	0.00	0.00	0.77	0.76	0.05	0.00	0.77	0.76	0.60	0.00	0.60	0.60
45	0.55	0.40	0.05	0.00	0.79	0.76	0.65	0.55	0.00	0.00	0.79	0.76	0.05	0.00	0.79	0.76	0.60	0.00	0.60	0.60
46	0.55	0.40	0.05	0.00	0.79	0.76	0.65	0.55	0.00	0.00	0.79	0.76	0.05	0.00	0.79	0.76	0.60	0.00	0.60	0.60
47	0.55	0.40	0.05	0.00	0.79	0.76	0.65	0.55	0.00	0.00	0.79	0.76	0.05	0.00	0.79	0.76	0.60	0.00	0.60	0.60
48	0.55	0.40	0.05	0.00	0.79	0.76	0.65	0.55	0.00	0.00	0.79	0.76	0.05	0.00	0.79	0.76	0.60	0.00	0.60	0.60
49	0.55	0.40	0.05	0.00	0.79	0.76	0.65	0.55	0.00	0.00	0.79	0.76	0.05	0.00	0.79	0.76	0.60	0.00	0.60	0.60
50	0.65	0.45	0.20	0.10	0.80	0.76	0.65	0.45	0.00	0.15	0.80	0.76	0.20	0.10	0.80	0.76	0.60	0.25	0.60	0.60

**Refers to survivor who selects annuity payments (rather than a lump sum payment) upon active or terminated vested member's death. The LEOFF 2 ratio is 0.60 for duty-related deaths.*

Ratio of Survivors Selecting Annuities*

(Continued)

	PERS 1		PERS 2		PERS 3		TRS 1		TRS 2		TRS 3		SERS 2		SERS 3		LEOFF 1	LEOFF 2	WSP 1	WSP 2
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Both**	**Both**	**Both**	**Both**
51	0.65	0.45	0.20	0.10	0.80	0.76	0.65	0.45	0.00	0.15	0.80	0.76	0.20	0.10	0.80	0.76	0.60	0.25	0.60	0.60
52	0.65	0.45	0.20	0.10	0.80	0.76	0.65	0.45	0.00	0.15	0.80	0.76	0.20	0.10	0.80	0.76	0.60	0.25	0.60	0.60
53	0.65	0.45	0.20	0.10	0.80	0.76	0.65	0.45	0.00	0.15	0.80	0.76	0.20	0.10	0.80	0.76	0.60	0.25	0.60	0.60
54	0.65	0.45	0.20	0.10	0.80	0.76	0.65	0.45	0.00	0.15	0.80	0.76	0.20	0.10	0.80	0.76	0.60	0.25	0.60	0.60
55	0.70	0.45	0.40	0.20	0.81	0.72	0.65	0.45	0.50	0.40	0.81	0.72	0.40	0.20	0.81	0.72	0.60	0.25	0.60	0.60
56	0.70	0.45	0.40	0.20	0.81	0.72	0.65	0.45	0.50	0.40	0.81	0.72	0.40	0.20	0.81	0.72	0.60	0.25	0.60	0.60
57	0.70	0.45	0.40	0.20	0.81	0.72	0.65	0.45	0.50	0.40	0.81	0.72	0.40	0.20	0.81	0.72	0.60	0.25	0.60	0.60
58	0.70	0.45	0.40	0.20	0.81	0.72	0.65	0.45	0.50	0.40	0.81	0.72	0.40	0.20	0.81	0.72	0.60	0.25	0.60	0.60
59	0.70	0.45	0.40	0.20	0.81	0.72	0.65	0.45	0.50	0.40	0.81	0.72	0.40	0.20	0.81	0.72	0.60	0.25	0.60	0.60
60	0.70	0.45	0.65	0.20	0.81	0.67	0.75	0.35	0.75	0.50	0.81	0.67	0.65	0.20	0.81	0.67	0.60	0.50	0.60	0.60
61	0.70	0.45	0.65	0.20	0.81	0.67	0.75	0.35	0.75	0.50	0.81	0.67	0.65	0.20	0.81	0.67	0.60	0.50	0.60	0.60
62	0.70	0.45	0.65	0.20	0.81	0.67	0.75	0.35	0.75	0.50	0.81	0.67	0.65	0.20	0.81	0.67	0.60	0.50	0.60	0.60
63	0.70	0.45	0.65	0.20	0.81	0.67	0.75	0.35	0.75	0.50	0.81	0.67	0.65	0.20	0.81	0.67	0.60	0.50	0.60	0.60
64	0.70	0.45	0.65	0.20	0.81	0.67	0.75	0.35	0.75	0.50	0.81	0.67	0.65	0.20	0.81	0.67	0.60	0.50	0.60	0.60
65	0.70	0.45	0.65	0.20	0.79	0.58	0.75	0.35	0.75	0.67	0.79	0.58	0.65	0.20	0.79	0.58	0.60	0.50	0.60	0.60
66	0.70	0.45	0.65	0.20	0.79	0.58	0.75	0.35	0.75	0.67	0.79	0.58	0.65	0.20	0.79	0.58	0.60	0.50	0.60	0.60
67	0.70	0.45	0.65	0.20	0.79	0.58	0.75	0.35	0.75	0.67	0.79	0.58	0.65	0.20	0.79	0.58	0.60	0.50	0.60	0.60
68	0.70	0.45	0.65	0.20	0.79	0.58	0.75	0.35	0.75	0.67	0.79	0.58	0.65	0.20	0.79	0.58	0.60	0.50	0.60	0.60
69	0.70	0.45	0.65	0.20	0.79	0.58	0.75	0.35	0.75	0.67	0.79	0.58	0.65	0.20	0.79	0.58	0.60	0.50	0.60	0.60
70	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
71	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
72	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
73	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
74	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
75	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
76	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
77	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
78	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
79	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
80	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60

**Refers to survivor who selects annuity payments (rather than a lump sum payment) upon active or terminated vested member's death. The LEOFF 2 ratio is 0.60 for duty-related deaths.*

Ratio of Survivors Selecting Annuities*

(Continued)

	PERS 1		PERS 2		PERS 3		TRS 1		TRS 2		TRS 3		SERS 2		SERS 3		LEOFF 1	LEOFF 2	WSP 1	WSP 2
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Both**	**Both**	**Both**	**Both**
81	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
82	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
83	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
84	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
85	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
86	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
87	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
88	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
89	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
90	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
91	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
92	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
93	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
94	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
95	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
96	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
97	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
98	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60
99	0.70	0.45	0.65	0.20	0.77	0.47	0.75	0.35	0.75	0.67	0.77	0.47	0.65	0.20	0.77	0.47	0.60	0.50	0.60	0.60

**Refers to survivor who selects annuity payments (rather than a lump sum payment) upon active or terminated vested member's death. The LEOFF 2 ratio is 0.60 for duty-related deaths.*

Portability Load

System	Plan 1	Plan 2	Plan 3
PERS	0.2%	0.3%	0.3%
TRS	0.3%	0.1%	0.1%
SERS	N/A	0.3%	0.3%
LEOFF	N/A	0.1%	N/A
WSP	0.0%	N/A	N/A

Reflects portability provisions for each plan

AFC Load

System/Plan	Load
PERS 1	5.0%
TRS 1	1.0%
WSP 1	7.5%

Reflects allowances for cashouts of annual and sick leave for calculation of Average Final Compensation

Certain and Life Annuities: Years Certain

System	Plan 1	Plan 2
PERS	3	3
TRS	11*	4
SERS	N/A	3
LEOFF	N/A	5

**Only disabled members get this without a reduction in their benefit*

The certain period applies to only the "annuity" portion of the benefit, typically 30% of the total benefit

Military Service

	Percent with Military Service	Average Military Service Months	Overall Average Additional Service Years
PERS 1*			
Males	48%	37	1.48
Females	1%	35	0.03
WSP 1**	43%	32	1.15

Members with 25 years of service may receive up to 5 years of military service credit

**Members of PERS Plan 1 may use certain prior military service as well as interruptive military service*

***Members of WSP Plan 1 may use all prior military service as well as interruptive military service*

Members of WSP Plan 2 (those commissioned on or after January 1, 2003) may use only interruptive military service

Member/Beneficiary Age Difference (In Years)

System	Male Member	Female Member
PERS	3	(2)
TRS	3	(2)
SERS	3	(2)
LEOFF	4	(4)
WSP	3	(2)

Age difference is Member age minus Beneficiary age

Duty-Related Death Assumption

System	Duty Death Rate*
PERS	0.0026%
TRS	0.0008%
SERS	0.0026%
LEOFF 2	0.0200%
WSP	0.0200%

**The duty death rate is a constant probability applied, regardless of age. The nonduty death rate is obtained by subtracting duty death rate from mortality rate in any given age. LEOFF 1 rate is 8% of deaths for a given age.*

Summary of Plan Provisions

Summary of Plan Provisions - PERS			
	Plan 1	**Plan 2**	**Plan 3**
Effective Date of Plan	10/1/47	10/1/77	3/1/02
Date Closed to New Entrants	9/30/77	Open	Open
Statutory Reference	Chapter 41.40 RCW	Chapter 41.40 RCW	Chapter 41.40 RCW
Normal Retirement Eligibility (age/service)	60/5, 55/25, Any Age/30	65/5	65/10 or vested
Accrued Benefit Formula	2% x YOS x AFC; Maximum 60% AFC	2% x YOS x AFC	1% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of AFC	Annual average of the greatest compensation earnable during a 24 consecutive month period	Average compensation earnable for the highest 60 consecutive months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Monthly, based on hours worked each month (school yr. for edu. emplys.)	Monthly, based on hours worked each month (school yr. for edu. emplys.)	Monthly, based on hours worked each month (school yr. for edu. emplys.)
Vesting	5 years	5 years	10 years (5 under select circumstances)
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus interest, or deferred retirement allowance	Deferred retirement allowance
Early Retirement Eligibility (age/service)	n/a	55/20	55/10
Early Retirement Reduction Factors	n/a	3% ERF with 30 YOS, otherwise actuarial	3% ERF with 30 YOS, otherwise actuarial
Disability Retirement Benefit	Non-duty: reduced accrued benefit; Duty: temporary annuity plus deferred retirement allowance	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced
COLA	$1.25 per month/YOS*** on 7/1/05	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month / YOS	$34.22*** on 7/1/05	n/a	n/a
Gain-Sharing Benefit Provisions**	Chapter 41.31 RCW; An additional increase in the COLA amount	n/a	Chapter 41.31A RCW; Cash transfer to the defined contribution account
Changes in Plan Provisions Since Last Valuation	Veterans (C 255 L 05)	EMTs into LEOFF 2 (C 459 L05)	None
Benefits Not Included in This Valuation	Post-retirement employment; gain-sharing (C 370 L 05)	Creation of PSERS (C 242 L 04, Effective 7/1/2006)	Creation of PSERS (C 242 L 04, Effective 7/1/2006); gain-sharing (C 370 L 05)

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

***Gain-sharing is calculated every odd year; based on half the 4 year compound average annual return in excess of 10%*

****COLA increases by 3% annually; Minimum increases by amount of COLA annually*

Summary of Plan Provisions - TRS

Continued

	Plan 1	Plan 2	Plan 3
Effective Date of Plan	3/1/38	10/1/77	7/1/96
Date Closed to New Entrants	9/30/77	6/30/96	Open
Statutory Reference	Chapter 41.32 RCW	Chapter 41.32 RCW	Chapter 41.32 RCW
Normal Retirement Eligibility (age/service)	60/5, 55/25, Any Age/30	65/5	65/10 or vested
Accrued Benefit Formula	2% x YOS x AFC; Maximum 60% AFC	2% x YOS x AFC	1% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of AFC	Annual average earnable compensation for the two highest consecutive service credit years	Average compensation earnable for the highest 60 consecutive months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Yearly, based on days worked each year	Monthly, based on number of months and hours worked during school year	Monthly, based on number of months and hours worked during school year
Vesting	5 years	5 years	10 years (5 under select circumstances)
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus interest, or deferred retirement allowance	Deferred retirement allowance
Early Retirement Eligibility (age/service)	n/a	55/20	55/10
Early Retirement Reduction Factors	n/a	3% ERF with 30 YOS, otherwise actuarial	3% ERF with 30 YOS, otherwise actuarial
Disability Retirement Benefit	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced
COLA	$1.25 per month/YOS*** on 7/1/05	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month / YOS	$34.22*** on 7/1/05	n/a	n/a
Gain-Sharing Benefit Provisions**	Chapter 41.31 RCW; An additional increase in the COLA amount	n/a	Chapter 41.31A RCW; Cash transfer to the defined contribution account
Changes in Plan Provisions Since Last Valuation	Part-time ESAs (C 23 L 05)	None	None
Benefits Not Included in This Valuation	Post-retirement employment; gain-sharing (C 370 L 05)	None	Gain-sharing (C 370 L 05)

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

***Gain-sharing is calculated every odd year; based on half the 4 year compound average annual return in excess of 10%*

****COLA increases by 3% annually; Minimum increases by amount of COLA annually*

Summary of Plan Provisions - SERS

Continued

	Plan 2	Plan 3
Effective Date of Plan	9/1/00	9/1/00
Date Closed to New Entrants	9/1/00	Open
Statutory Reference	Chapter 41.35 RCW	Chapter 41.35 RCW
Normal Retirement Eligibility (age/service)	65/5	65/10 or vested
Accrued Benefit Formula	2% x YOS x AFC	1% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of AFC	Average compensation earnable for the highest 60 consecutive months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Monthly, based on number of months and hours worked during school year	Monthly, based on number of months and hours worked during school year
Vesting	5 years	10 years (5 under select circumstances)
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Deferred retirement allowance
Early Retirement Eligibility (age/service)	55/20	55/10
Early Retirement Reduction Factors	3% ERF with 30 YOS, otherwise actuarial	3% ERF with 30 YOS, otherwise actuarial
Disability Retirement Benefit	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced
COLA	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month / YOS	n/a	n/a
Gain-Sharing Benefit Provisions**	n/a	Chapter 41.31A RCW; Cash transfer to the defined contribution account
Changes in Plan Provisions Since Last Valuation	None	None
Benefits Not Included in This Valuation	None	Gain-sharing (C 370 L 05)

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

***Gain-sharing is calculated every odd year; based on half the 4 year compound average annual return in excess of 10%*

Summary of Plan Provisions - LEOFF

Continued

	Plan 1	Plan 2
Effective Date of Plan	3/1/70	10/1/77
Date Closed to New Entrants	9/30/77	Open
Statutory Reference	Chapter 41.26 RCW	Chapter 41.26 RCW
Normal Retirement Eligibility (age/service)	50/5	53/5
Accrued Benefit Formula	accrual % (1%, 1.5%, 2%) x YOS (5, 10, 20) x FAS; Maximum 60% FAS	2% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of FAS/AFC	The basic salary attached to the position or rank at retirement if held for at least 12 months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Monthly, based on hours worked each month	Monthly, based on hours worked each month
Vesting	5 years	5 years
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions (x 150% if 10 YOS) plus interest, or deferred retirement allowance
Early Retirement Eligibility (age/service)	n/a	50/20
Early Retirement Reduction Factors	n/a	3% ERF with 20 YOS
Disability Retirement Benefit	50% FAS, (max 60% if children)	Non-duty: accrued benefit, actuarially reduced; Duty: accrued benefit, minimum 10% of AFC
COLA	Full CPI*	Lesser of CPI* or 3%
Minimum Benefit per Month / YOS	n/a	n/a
Gain-Sharing Benefit Provisions	n/a	n/a
Changes in Plan Provisions Since Last Valuation	Ex-spouse survivor benefit (C 62 L 05);	Disability (C 451 L 05); EMTs addition (C 459 L 05)
Benefits Not Included in This Valuation	None	None

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

Summary of Plan Provisions - WSP

Continued

	Plan 1	Plan 2
Effective Date of Plan	6/12/47	1/1/03
Date Closed to New Entrants	12/31/02	Open
Statutory Reference	Chapter 43.43 RCW	Chapter 43.43 RCW
Normal Retirement Eligibility (age/service)	Age 55, Any Age/25, Mandatory at 60	Age 55, Any Age/25, Mandatory at 60
Accrued Benefit Formula	2% x YOS x AFC; Maximum 75% AFC	2% x YOS x AFC; Maximum 75% AFC
Computation of AFS	Average monthly salary of the highest two consecutive years	Average monthly salary of the highest 60 consecutive months
Credited Service	Monthly, based on hours worked each month	Monthly, based on hours worked each month
Vesting	5 years	5 years
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus interest, or deferred retirement allowance
Early Retirement Eligibility (age/service)	n/a	n/a
Early Retirement Reduction Factors	n/a	n/a
Disability Retirement Benefit	50% comp with offsets, paid from WSP operational funds	50% comp with offsets, paid from WSP operational funds
COLA	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month/YOS**	$24.45 on 1/1/05	$24.45 on 1/1/05
Gain-Sharing Benefit Provisions	n/a	n/a
Changes in Plan Provisions Since Last Valuation	None	None
Benefits Not Included in This Valuation	None	None

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

***Amount increases by 3% annually*

Early Retirement Reduction Factors

Years Early	Plan 2/3, PERS 1 TrmVst	LEOFF2, PERS1, TRS1, WSP TrmVst	Plan 2/3 Subsidized 3%*
0	1.0000	1.0000	1.00
1	0.9100	0.9200	0.97
2	0.8200	0.8400	0.94
3	0.7300	0.7600	0.91
4	0.6700	0.7100	0.88
5	0.6100	0.6600	0.85
6	0.5500	0.6100	0.82
7	0.4900	0.5600	0.79
8	0.4300	0.5100	0.76
9	0.4000	0.4700	0.73
10	0.3700	0.4300	0.70
11	0.3400	0.3900	N/A
12	0.3100	0.3500	N/A
13	0.2800	0.3100	N/A
14	0.2600	0.2900	N/A
15	0.2400	0.2700	N/A
16	0.2200	0.2500	N/A
17	0.2000	0.2300	N/A
18	0.1800	0.2100	N/A
19	0.1700	0.2000	N/A
20	0.1600	0.1900	N/A
21	0.1500	0.1800	N/A
22	0.1400	0.1700	N/A
23	0.1300	0.1600	N/A
24	0.1200	0.1500	N/A

TrmVst=Terminated Vested.

**LEOFF 2 members must be at least age 50 with 20 or more years of service to qualify.*

All other plan 2/3 members must be at least 55 with 30 years of service to qualify.

Early Retirement Reduction Factors

(Continued)

Years Early	Plan 2/3, PERS 1 TrmVst	LEOFF2, PERS1, TRS1, WSP TrmVst	Plan 2/3 Subsidized 3%*
25	0.1100	0.1400	N/A
26	0.1000	0.1300	N/A
27	0.1000	0.1200	N/A
28	0.1000	0.1100	N/A
29	0.1000	0.1000	N/A
30	0.1000	0.1000	N/A
31	0.1000	0.1000	N/A
32	0.1000	0.1000	N/A
33	0.1000	0.1000	N/A
34	0.1000	0.1000	N/A
35	0.1000	0.1000	N/A
36	0.1000	0.1000	N/A
37	0.1000	0.1000	N/A
38	0.1000	0.1000	N/A
39	0.1000	0.1000	N/A
40	0.1000	0.1000	N/A
41	0.1000	0.1000	N/A
42	0.1000	0.1000	N/A
43	0.1000	0.1000	N/A
44	0.1000	0.1000	N/A
45	0.1000	0.1000	N/A
46	0.1000	0.1000	N/A
47	0.1000	0.1000	N/A
48	0.1000	0.1000	N/A
49	0.1000	0.1000	N/A

TrmVst=Terminated Vested.

**LEOFF 2 members must be at least age 50 with 20 or more years of service to qualify.*

All other plan 2/3 members must be at least 55 with 30 years of service to qualify.

Age/Service Distributions

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

PERS Plan 1:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
35-39	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
40-44	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
45-49	19	29	25	19	23	152	136	177	163	655	88	0	0	**1,486**
	$32,318	$31,182	$27,852	$44,338	$35,969	$34,298	$38,218	$42,821	$47,888	$52,020	$52,740	$0	$0	**$46,026**
50-54	36	77	74	85	92	473	603	743	797	2,104	977	23	0	**6,084**
	$35,168	$36,075	$33,210	$36,876	$32,748	$37,613	$40,140	$44,275	$49,557	$55,398	$55,852	$57,213	$0	**$49,224**
55-59	47	89	75	86	92	446	619	910	926	1,634	1,201	194	1	**6,320**
	$35,477	$37,909	$36,650	$34,242	$37,636	$40,474	$42,389	$44,803	$49,773	$54,516	$55,479	$56,097	*	**$49,365**
60-64	12	45	32	33	46	202	277	387	391	757	568	227	26	**3,003**
	$31,153	$32,424	$34,017	$34,768	$36,499	$40,571	$43,913	$44,879	$49,575	$47,239	$52,410	$58,123	$54,217	**$47,616**
65-69	6	5	13	8	18	55	70	90	86	161	131	53	20	**716**
	$35,572	$22,556	$29,790	$27,663	$35,222	$45,747	$42,473	$43,195	$44,725	$40,762	$48,013	$53,342	$56,883	**$44,147**
70 & Over	10	2	4	6	8	20	22	12	16	44	37	24	15	**220**
	$27,198	$20,000	$20,000	$23,874	$37,113	$31,218	$36,767	$30,760	$47,139	$39,794	$39,157	$39,664	$41,798	**$37,125**
Total	**130**	**247**	**223**	**237**	**279**	**1,348**	**1,727**	**2,319**	**2,379**	**5,355**	**3,002**	**521**	**62**	**17,829**
	$33,898	**$35,092**	**$33,446**	**$35,585**	**$35,529**	**$38,866**	**$41,452**	**$44,360**	**$49,339**	**$52,994**	**$54,412**	**$55,992**	**$51,963**	**$48,383**

Average:	Age	55.9	Number of Participants:	Vested	16,605	Males	7,569	Early Retirment Eligble:	N/A
	Service	21.7		Not Vested	1,224	Females	10,260	Normal Retirement Eligble:	7,809

**Annual Salary ommitted for privacy reasons*

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

PERS Plan 2:

Attained Age	Attained Years of Service 0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25	894	895	405	307	143	73	0	0	0	0	0	0	0	**2,717**
	$27,788	$26,336	$27,762	$28,775	$32,711	$34,529	$0	$0	$0	$0	$0	$0	$0	**$27,858**
25-29	906	1,330	1,214	1,406	1,157	1,674	16	0	0	0	0	0	0	**7,703**
	$31,063	$31,816	$35,076	$36,441	$37,629	$39,246	$40,259	$0	$0	$0	$0	$0	$0	**$35,591**
30-34	740	1,134	1,168	1,449	1,413	4,519	974	37	0	0	0	0	0	**11,434**
	$32,805	$34,599	$37,067	$39,976	$40,251	$44,088	$45,138	$49,472	$0	$0	$0	$0	$0	**$40,811**
35-39	650	1,051	1,006	1,256	1,309	4,724	3,037	864	25	0	0	0	0	**13,922**
	$34,417	$35,932	$38,439	$40,962	$42,243	$45,645	$49,018	$47,946	$45,560	$0	$0	$0	$0	**$44,003**
40-44	624	1,041	1,023	1,267	1,311	4,841	3,838	2,701	953	63	0	0	0	**17,662**
	$34,073	$34,277	$39,005	$40,156	$41,555	$45,412	$49,915	$52,226	$51,511	$49,949	$0	$0	$0	**$45,686**
45-49	577	905	945	1,247	1,306	5,019	4,319	3,671	2,472	857	0	0	0	**21,318**
	$33,887	$35,095	$39,400	$41,434	$42,011	$45,278	$50,103	$53,037	$55,226	$54,448	$0	$0	$0	**$47,688**
50-54	465	760	760	952	1,030	4,272	4,194	3,630	2,534	1,213	0	0	0	**19,810**
	$34,837	$37,344	$39,557	$40,490	$43,317	$45,057	$49,432	$52,517	$56,210	$57,829	$0	$0	$0	**$48,502**
55-59	267	476	459	582	639	2,831	3,112	2,980	2,098	987	3	0	0	**14,434**
	$36,323	$35,368	$38,852	$42,260	$42,651	$44,929	$49,272	$50,322	$52,883	$57,395	$97,389	$0	$0	**$48,122**
60-64	111	188	195	265	304	1,271	1,599	1,634	1,270	560	1	0	0	**7,398**
	$32,771	$35,435	$38,152	$40,337	$42,019	$43,523	$46,629	$47,814	$49,869	$52,241	*	$0	$0	**$46,208**
65-69	27	57	51	80	64	340	367	373	254	98	0	0	0	**1,711**
	$29,901	$29,073	$32,679	$38,500	$38,417	$38,949	$45,101	$45,377	$48,639	$51,501	$0	$0	$0	**$43,128**
70 & Over	12	47	34	18	29	105	85	81	33	19	0	0	0	**463**
	$27,135	$23,043	$28,226	$25,910	$33,348	$33,606	$36,284	$46,786	$49,659	$39,732	$0	$0	$0	**$35,848**
Total	**5,273**	**7,884**	**7,260**	**8,829**	**8,705**	**29,669**	**21,541**	**15,971**	**9,639**	**3,797**	**4**	**0**	**0**	**118,572**
	$32,451	**$33,606**	**$37,312**	**$39,570**	**$41,103**	**$44,556**	**$49,037**	**$51,246**	**$53,684**	**$55,744**	**$84,989**	**$0**	**$0**	**$45,038**

Average:	Age	45.1	Number of Participants:	Vested	76,987	Males	57,127	Early Retirment Eligble:	4,919
	Service	9.4		Not Vested	41,585	Females	61,445	Normal Retirement Eligble:	1,755

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

PERS Plan 3:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	534	449	131	14	5	1	0	0	0	0	0	0	0	**1,134**
	$26,595	$25,782	$29,482	$30,615	$39,036	*	$0	$0	$0	$0	$0	$0	$0	**$26,718**
25-29	492	707	462	105	91	139	7	0	0	0	0	0	0	**2,003**
	$29,848	$31,313	$35,396	$39,823	$37,702	$41,710	$46,491	$0	$0	$0	$0	$0	$0	**$33,406**
30-34	380	501	374	121	113	612	196	1	0	0	0	0	0	**2,298**
	$33,326	$34,357	$38,590	$42,108	$42,009	$46,058	$47,195	*	$0	$0	$0	$0	$0	**$39,876**
35-39	272	427	284	97	125	597	646	142	2	0	0	0	0	**2,592**
	$34,062	$35,229	$39,087	$42,302	$45,402	$48,300	$52,544	$51,322	$64,045	$0	$0	$0	$0	**$44,514**
40-44	245	332	227	112	99	506	787	584	182	13	0	0	0	**3,087**
	$32,724	$34,107	$38,562	$45,745	$44,546	$49,313	$54,128	$54,926	$55,252	$64,608	$0	$0	$0	**$47,992**
45-49	248	349	227	86	100	488	772	697	434	133	0	0	0	**3,534**
	$32,954	$36,347	$41,539	$44,654	$48,581	$46,468	$52,166	$55,700	$57,693	$53,325	$0	$0	$0	**$48,921**
50-54	143	242	184	69	72	424	596	578	381	158	0	0	0	**2,847**
	$35,251	$38,015	$41,015	$47,094	$44,342	$46,449	$51,361	$54,395	$58,596	$59,294	$0	$0	$0	**$49,761**
55-59	89	153	92	33	37	225	370	341	271	99	0	0	0	**1,710**
	$33,192	$37,670	$43,854	$44,222	$46,038	$44,958	$49,407	$51,979	$57,980	$60,159	$0	$0	$0	**$48,950**
60-64	32	51	38	10	16	64	122	113	62	31	0	0	0	**539**
	$34,700	$40,042	$38,055	$44,377	$42,740	$44,205	$44,763	$48,585	$61,090	$64,147	$0	$0	$0	**$46,907**
65-69	13	18	9	2	7	12	6	10	8	3	0	0	0	**88**
	$33,078	$38,490	$33,392	$31,015	$34,944	$37,262	$51,794	$55,643	$44,581	$62,435	$0	$0	$0	**$40,776**
70 & Over	5	6	1	2	1	5	0	1	2	0	0	0	0	**23**
	$34,000	$28,987	*	$29,023	*	$44,994	$0	*	$35,160	$0	$0	$0	$0	**$33,469**
Total	**2,453**	**3,235**	**2,029**	**651**	**666**	**3,073**	**3,502**	**2,467**	**1,342**	**437**	**0**	**0**	**0**	**19,855**
	$31,272	**$33,339**	**$38,085**	**$43,079**	**$43,788**	**$46,793**	**$51,700**	**$54,107**	**$57,731**	**$58,197**	**$0**	**$0**	**$0**	**$44,335**

Average:	Age	41.8	Number of Participants:	Vested	9,447	Males	9,528	Early Retirment Eligble:	1,409
	Service	7.9		Not Vested	10,408	Females	10,327	Normal Retirement Eligble:	30

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

TRS Plan 1:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
35-39	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
40-44	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
45-49	0	1	2	0	1	6	6	14	29	60	0	0	0	**119**
	$0	*	$39,205	$0	*	$52,916	$51,661	$58,703	$58,414	$68,358	$0	$0	$0	**$62,289**
50-54	15	12	16	21	15	100	198	324	458	1,921	501	1	0	**3,582**
	$38,865	$50,633	$43,478	$47,117	$47,174	$51,191	$54,732	$59,938	$61,804	$65,841	$66,346	*	$0	**$63,387**
55-59	14	14	21	24	24	136	317	582	690	1,239	1,115	192	0	**4,368**
	$40,000	$45,091	$51,155	$49,597	$50,342	$51,085	$56,038	$59,741	$61,691	$64,437	$65,496	$66,918	$0	**$62,369**
60-64	9	8	6	6	12	73	133	267	235	299	252	230	21	**1,551**
	$37,867	$48,390	$47,837	$52,780	$47,649	$49,407	$55,745	$59,138	$61,158	$64,046	$65,019	$63,897	$63,897	**$61,031**
65-69	1	1	1	2	1	7	16	28	17	38	37	35	25	**209**
	*	*	*	$52,064	*	$50,458	$52,627	$55,887	$64,033	$60,994	$61,352	$62,657	$64,483	**$59,984**
70 & Over	0	0	1	0	1	0	1	3	5	3	6	5	8	**33**
	$0	$0	*	$0	*	$0	*	$56,252	$57,455	$71,162	$65,856	$60,276	$63,334	**$60,352**
Total	**39**	**36**	**47**	**53**	**54**	**322**	**671**	**1,218**	**1,434**	**3,560**	**1,911**	**463**	**54**	**9,862**
	$39,071	**$47,391**	**$46,949**	**$49,068**	**$48,809**	**$50,758**	**$55,480**	**$59,552**	**$61,587**	**$65,197**	**$65,577**	**$65,020**	**$64,085**	**$62,470**

Average:	Age	56.1	Number of Participants:	Vested	9,617	Males	2,828	Early Retirment Eligble:	N/A
	Service	24.3		Not Vested	245	Females	7,034	Normal Retirement Eligble:	4,792

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

TRS Plan 2:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
30-34	1	6	2	6	3	145	57	0	0	0	0	0	0	**220**
	*	$43,582	$39,184	$43,110	$41,376	$47,712	$50,510	$0	$0	$0	$0	$0	$0	**$48,000**
35-39	13	15	23	14	32	247	364	15	0	0	0	0	0	**723**
	$39,397	$39,977	$41,440	$48,019	$45,200	$48,650	$52,895	$56,243	$0	$0	$0	$0	$0	**$50,204**
40-44	16	28	31	32	35	246	376	206	26	0	0	0	0	**996**
	$39,632	$43,365	$45,739	$42,470	$44,331	$48,319	$54,982	$59,041	$64,232	$0	$0	$0	$0	**$52,780**
45-49	16	21	39	39	39	301	461	263	214	47	0	0	0	**1,440**
	$45,769	$42,322	$42,154	$42,394	$44,403	$49,174	$54,678	$59,095	$62,092	$64,591	$0	$0	$0	**$54,530**
50-54	13	16	22	23	35	263	612	332	221	88	0	0	0	**1,625**
	$40,000	$45,842	$51,020	$47,946	$46,165	$50,637	$56,107	$60,126	$61,470	$63,159	$0	$0	$0	**$56,525**
55-59	6	4	11	11	17	217	626	374	185	83	0	0	0	**1,534**
	$40,000	$40,944	$49,203	$53,351	$49,159	$52,328	$56,901	$60,496	$63,456	$64,799	$0	$0	$0	**$58,075**
60-64	1	4	3	4	7	84	246	203	154	63	0	0	0	**769**
	*	$48,108	$38,703	$64,742	$44,340	$55,664	$58,569	$61,705	$63,344	$62,062	$0	$0	$0	**$60,068**
65-69	0	1	1	1	2	14	50	31	39	13	0	0	0	**152**
	$0	*	*	*	$45,514	$57,287	$61,625	$57,490	$63,072	$58,959	$0	$0	$0	**$60,348**
70 & Over	1	0	0	0	0	0	4	4	2	0	0	0	0	**11**
	*	$0	$0	$0	$0	$0	$60,763	$57,926	$57,677	$0	$0	$0	$0	**$57,282**
Total	**67**	**95**	**132**	**130**	**170**	**1,517**	**2,796**	**1,428**	**841**	**294**	**0**	**0**	**0**	**7,470**
	$41,173	**$43,296**	**$45,004**	**$45,810**	**$45,334**	**$49,949**	**$55,688**	**$59,997**	**$62,559**	**$63,430**	**$0**	**$0**	**$0**	**$55,540**

Average:	Age	50.1	Number of Participants:	Vested	6,835	Males	1,940	Early Retirment Eligble:	485
	Service	12.8		Not Vested	635	Females	5,530	Normal Retirement Eligble:	157

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

TRS Plan 3:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	616	228	59	1	0	0	0	0	0	0	0	0	0	**904**
	$39,986	$34,565	$34,743	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$38,274**
25-29	1,136	1,128	1,190	1,322	944	637	0	0	0	0	0	0	0	**6,357**
	$40,079	$36,570	$37,149	$37,738	$39,780	$41,971	$0	$0	$0	$0	$0	$0	$0	**$38,566**
30-34	502	597	630	875	888	3,821	334	0	0	0	0	0	0	**7,647**
	$40,236	$39,076	$39,571	$40,591	$41,667	$45,510	$52,189	$0	$0	$0	$0	$0	$0	**$43,455**
35-39	376	356	366	492	442	2,358	2,251	268	0	0	0	0	0	**6,909**
	$40,374	$40,160	$40,918	$41,255	$43,138	$47,591	$54,757	$59,246	$0	$0	$0	$0	$0	**$48,513**
40-44	331	286	350	415	338	1,481	1,691	1,701	239	0	0	0	0	**6,832**
	$40,885	$40,117	$40,260	$42,122	$43,497	$48,726	$56,654	$62,079	$64,228	$0	$0	$0	$0	**$52,721**
45-49	282	305	354	383	337	1,493	1,562	1,376	1,454	348	0	0	0	**7,894**
	$40,578	$39,928	$41,506	$42,024	$43,756	$48,515	$56,880	$61,342	$64,207	$65,767	$0	$0	$0	**$54,609**
50-54	197	227	253	311	345	1,397	1,583	1,301	1,014	622	0	0	0	**7,250**
	$41,438	$41,234	$43,671	$44,792	$45,901	$49,811	$57,570	$62,051	$64,288	$64,832	$0	$0	$0	**$55,903**
55-59	89	110	151	166	192	801	956	957	609	290	0	0	0	**4,321**
	$42,571	$46,657	$46,782	$50,128	$49,648	$52,555	$58,309	$62,141	$64,453	$65,921	$0	$0	$0	**$57,745**
60-64	23	29	42	51	39	179	204	230	189	91	0	0	0	**1,077**
	$46,694	$51,162	$54,114	$51,240	$47,745	$54,179	$59,716	$61,581	$63,353	$65,635	$0	$0	$0	**$58,771**
65-69	4	5	8	7	4	22	17	13	11	7	0	0	0	**98**
	$40,000	$52,829	$50,438	$49,701	$56,971	$53,636	$60,840	$62,055	$64,880	$65,941	$0	$0	$0	**$57,140**
70 & Over	1	0	0	1	1	5	2	1	2	0	0	0	0	**13**
	*	$0	$0	*	*	$61,338	$45,183	*	$66,906	$0	$0	$0	$0	**$59,871**
Total	**3,557**	**3,271**	**3,403**	**4,024**	**3,530**	**12,194**	**8,600**	**5,847**	**3,518**	**1,358**	**0**	**0**	**0**	**49,302**
	$40,411	**$38,719**	**$39,887**	**$40,907**	**$42,658**	**$47,590**	**$56,456**	**$61,761**	**$64,232**	**$65,364**	**$0**	**$0**	**$0**	**$49,958**

Average:	Age	41.5	Number of Participants:	Vested	19,979	Males	14,510	Early Retirment Eligble:	3,526
	Service	8.7		Not Vested	29,323	Females	34,792	Normal Retirement Eligble:	53

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

SERS Plan 2:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	1	10	5	9	15	17	0	0	0	0	0	0	0	**57**
	*	$15,810	$20,157	$16,803	$27,476	$24,761	$0	$0	$0	$0	$0	$0	$0	**$22,179**
25-29	14	27	25	38	92	205	4	0	0	0	0	0	0	**405**
	$21,000	$17,441	$17,596	$22,762	$22,508	$23,720	$31,610	$0	$0	$0	$0	$0	$0	**$22,542**
30-34	27	32	39	50	125	466	89	4	0	0	0	0	0	**832**
	$19,889	$18,970	$19,325	$23,127	$21,572	$26,398	$25,971	$28,617	$0	$0	$0	$0	$0	**$24,613**
35-39	35	53	65	90	201	741	216	54	4	0	0	0	0	**1,459**
	$19,857	$16,359	$21,409	$19,594	$20,804	$23,946	$28,256	$34,126	$36,316	$0	$0	$0	$0	**$23,807**
40-44	31	74	104	166	395	1,637	514	180	46	6	0	0	0	**3,153**
	$19,393	$16,256	$18,814	$17,034	$18,535	$21,873	$25,726	$31,566	$36,008	$37,085	$0	$0	$0	**$22,359**
45-49	59	87	118	181	392	2,191	1,132	355	105	39	0	0	0	**4,659**
	$20,492	$17,717	$17,179	$18,219	$19,343	$21,262	$23,746	$29,382	$36,172	$38,843	$0	$0	$0	**$22,508**
50-54	32	53	96	118	265	1,591	1,264	536	213	65	0	0	0	**4,233**
	$19,750	$17,429	$18,202	$18,176	$20,053	$22,189	$22,984	$26,787	$36,231	$41,113	$0	$0	$0	**$23,592**
55-59	18	36	27	59	158	873	847	643	357	97	0	0	0	**3,115**
	$20,444	$18,742	$19,821	$19,359	$21,816	$23,339	$24,321	$26,292	$31,251	$35,536	$0	$0	$0	**$25,249**
60-64	9	12	11	37	56	466	453	384	305	100	0	0	0	**1,833**
	$21,000	$15,021	$14,207	$16,016	$20,440	$23,437	$25,013	$27,126	$28,536	$33,426	$0	$0	$0	**$25,629**
65-69	1	1	6	12	28	156	124	97	70	17	0	0	0	**512**
	*	*	$13,513	$14,167	$18,546	$22,342	$23,056	$27,096	$28,103	$27,444	$0	$0	$0	**$23,865**
70 & Over	2	0	3	7	6	42	55	26	18	7	0	0	0	**166**
	$21,000	$0	$14,333	$15,899	$12,938	$18,104	$18,175	$24,619	$26,367	$37,926	$0	$0	$0	**$20,567**
Total	**229**	**385**	**499**	**767**	**1,733**	**8,385**	**4,698**	**2,279**	**1,118**	**331**	**0**	**0**	**0**	**20,424**
	$20,127	**$17,266**	**$18,502**	**$18,543**	**$20,062**	**$22,488**	**$24,156**	**$27,652**	**$31,860**	**$36,047**	**$0**	**$0**	**$0**	**$23,604**

Average:	Age	49.1	Number of Participants:	Vested	15,880	Males	4,561	Early Retirment Eligble:	859
	Service	9.4		Not Vested	4,544	Females	15,863	Normal Retirement Eligble:	612

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

SERS Plan 3:

Attained Age	Attained Years of Service													Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	
Under 25	303	208	124	73	35	3	0	0	0	0	0	0	0	**746**
	$20,571	$17,394	$18,361	$19,196	$25,153	$31,632	$0	$0	$0	$0	$0	$0	$0	**$19,443**
25-29	319	287	240	222	107	58	3	0	0	0	0	0	0	**1,236**
	$20,698	$19,230	$21,804	$23,133	$25,331	$30,405	$32,662	$0	$0	$0	$0	$0	$0	**$21,895**
30-34	312	367	307	237	161	211	78	1	0	0	0	0	0	**1,674**
	$20,615	$18,723	$21,351	$23,782	$26,659	$29,649	$31,619	*	$0	$0	$0	$0	$0	**$23,032**
35-39	480	524	481	424	279	436	237	66	2	0	0	0	0	**2,929**
	$20,639	$17,300	$19,226	$20,964	$22,897	$26,368	$31,554	$34,747	$36,151	$0	$0	$0	$0	**$22,136**
40-44	590	720	712	699	412	961	609	224	86	7	0	0	0	**5,020**
	$20,445	$16,509	$18,905	$19,928	$20,613	$22,870	$29,312	$36,205	$42,218	$37,456	$0	$0	$0	**$22,243**
45-49	462	628	587	581	482	1,308	1,412	522	227	54	0	0	0	**6,263**
	$20,367	$16,994	$18,932	$20,917	$20,660	$22,291	$25,255	$33,486	$38,978	$42,901	$0	$0	$0	**$23,434**
50-54	271	384	371	428	317	967	1,562	987	335	88	0	0	0	**5,710**
	$20,420	$17,865	$20,425	$21,234	$21,068	$23,044	$24,074	$28,107	$34,556	$39,346	$0	$0	$0	**$24,239**
55-59	186	221	215	263	150	397	1,031	918	476	115	0	0	0	**3,972**
	$20,383	$18,809	$21,995	$23,234	$24,444	$24,336	$24,494	$27,162	$29,492	$36,451	$0	$0	$0	**$25,311**
60-64	75	114	105	110	85	140	278	333	236	71	0	0	0	**1,547**
	$20,101	$17,417	$18,869	$21,658	$22,711	$21,367	$23,534	$25,875	$28,948	$32,601	$0	$0	$0	**$23,971**
65-69	23	33	32	24	15	29	41	34	18	4	0	0	0	**253**
	$19,696	$16,272	$17,666	$16,037	$19,479	$21,137	$23,770	$26,184	$24,490	$23,158	$0	$0	$0	**$20,726**
70 & Over	8	9	17	7	10	5	15	7	0	2	0	0	0	**80**
	$21,000	$12,838	$16,904	$12,913	$22,793	$16,654	$20,444	$25,272	$0	$22,425	$0	$0	$0	**$18,761**
Total	**3,029**	**3,495**	**3,191**	**3,068**	**2,053**	**4,515**	**5,266**	**3,092**	**1,380**	**341**	**0**	**0**	**0**	**29,430**
	$20,502	**$17,535**	**$19,751**	**$21,252**	**$22,171**	**$23,561**	**$25,491**	**$29,201**	**$32,926**	**$37,200**	**$0**	**$0**	**$0**	**$23,315**

Average:	Age	46.2	Number of Participants:	Vested	11,060	Males	6,210	Early Retirment Eligble:	3,458
	Service	7.2		Not Vested	18,370	Females	23,220	Normal Retirement Eligble:	121

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

LEOFF Plan 1:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
35-39	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
40-44	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
45-49	0	0	0	0	0	0	0	1	4	52	5	0	0	**62**
	$0	$0	$0	$0	$0	$0	$0	*	$60,969	$75,190	$88,283	$0	$0	**$74,979**
50-54	0	0	0	0	0	1	0	3	5	193	141	0	0	**343**
	$0	$0	$0	$0	$0	*	$0	$67,954	$59,096	$75,482	$77,677	$0	$0	**$76,178**
55-59	0	0	0	0	0	1	1	0	2	93	210	47	0	**354**
	$0	$0	$0	$0	$0	*	*	$0	$85,741	$71,795	$73,817	$81,823	$0	**$74,380**
60-64	0	0	0	0	0	0	0	0	1	14	35	28	1	**79**
	$0	$0	$0	$0	$0	$0	$0	$0	*	$79,666	$76,031	$72,387	*	**$74,639**
65-69	0	0	0	0	0	0	0	0	0	0	4	3	3	**10**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$77,048	$75,532	$82,843	**$78,332**
70 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**0**	**0**	**0**	**0**	**0**	**2**	**1**	**4**	**12**	**352**	**395**	**78**	**4**	**848**
	$0	**$0**	**$0**	**$0**	**$0**	**$91,228**	*****	**$64,347**	**$61,369**	**$74,631**	**$75,607**	**$78,194**	**$79,043**	**$75,222**

Average:	Age	54.8	Number of Participants:	Vested	848	Males	836	Early Retirment Eligble:	N/A
	Service	30.2		Not Vested	0	Females	12	Normal Retirement Eligble:	786

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

LEOFF Plan 2:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	33	54	36	14	2	1	0	0	0	0	0	0	0	**140**
	$42,045	$45,567	$50,820	$57,323	$66,825	*	$0	$0	$0	$0	$0	$0	$0	**$47,710**
25-29	76	245	222	248	210	270	0	0	0	0	0	0	0	**1,271**
	$44,223	$46,250	$52,730	$57,682	$60,264	$65,653	$0	$0	$0	$0	$0	$0	$0	**$55,928**
30-34	72	182	211	265	242	1,385	306	1	0	0	0	0	0	**2,664**
	$44,247	$48,648	$54,576	$56,832	$61,099	$66,400	$70,605	*	$0	$0	$0	$0	$0	**$62,712**
35-39	36	110	94	167	139	1,115	1,233	324	1	0	0	0	0	**3,219**
	$44,815	$49,485	$56,809	$56,723	$62,671	$67,385	$72,055	$77,538	*	$0	$0	$0	$0	**$68,270**
40-44	14	56	44	73	75	512	896	930	288	8	0	0	0	**2,896**
	$46,896	$52,536	$59,843	$57,587	$61,709	$66,484	$72,520	$76,623	$81,184	$83,797	$0	$0	$0	**$72,304**
45-49	7	32	27	27	26	205	444	618	783	300	0	0	0	**2,469**
	$42,755	$53,309	$69,328	$58,564	$65,772	$63,594	$71,948	$76,234	$81,776	$84,181	$0	$0	$0	**$76,366**
50-54	9	18	23	11	16	115	166	291	506	368	0	0	0	**1,523**
	$45,753	$60,295	$70,891	$67,758	$62,638	$63,170	$71,078	$75,075	$79,202	$79,439	$0	$0	$0	**$75,571**
55-59	1	15	9	9	8	35	47	86	146	103	1	0	0	**460**
	*	$54,541	$70,747	$76,249	$74,925	$64,722	$70,697	$72,309	$76,275	$81,173	*	$0	$0	**$74,263**
60-64	1	3	5	2	0	10	24	26	22	11	0	0	0	**104**
	*	$76,242	$41,464	$61,120	$0	$79,461	$63,751	$75,361	$68,403	$73,955	$0	$0	$0	**$69,402**
65-69	1	0	0	0	0	0	2	4	0	0	0	0	0	**7**
	*	$0	$0	$0	$0	$0	$50,968	$63,679	$0	$0	$0	$0	$0	**$56,601**
70 & Over	0	0	0	0	0	0	1	0	0	0	0	0	0	**1**
	$0	$0	$0	$0	$0	$0	*	$0	$0	$0	$0	$0	$0	*****
Total	**250**	**715**	**671**	**816**	**718**	**3,648**	**3,119**	**2,280**	**1,746**	**790**	**1**	**0**	**0**	**14,754**
	$44,232	**$48,768**	**$55,694**	**$57,573**	**$61,596**	**$66,417**	**$71,879**	**$76,258**	**$80,302**	**$81,434**	*****	**$0**	**$0**	**$69,098**

Average:	Age	40.1	Number of Participants:	Vested	11,231	Males	13,548	Early Retirment Eligble:	615
	Service	11.3		Not Vested	3,523	Females	1,206	Normal Retirement Eligble:	951

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

WSP Plan 1:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
25-29	0	0	1	18	19	36	0	0	0	0	0	0	0	**74**
	$0	$0	*	$49,769	$50,380	$54,816	$0	$0	$0	$0	$0	$0	$0	**$52,368**
30-34	0	1	3	14	14	143	22	0	0	0	0	0	0	**197**
	$0	*	$48,341	$47,696	$52,677	$58,973	$62,381	$0	$0	$0	$0	$0	$0	**$57,954**
35-39	0	0	2	6	5	107	98	52	0	0	0	0	0	**270**
	$0	$0	$46,198	$48,782	$49,326	$58,601	$64,131	$65,222	$0	$0	$0	$0	$0	**$61,401**
40-44	0	0	0	2	1	35	36	127	18	0	0	0	0	**219**
	$0	$0	$0	$47,851	*	$58,618	$62,400	$66,023	$70,073	$0	$0	$0	$0	**$64,399**
45-49	0	0	0	2	1	15	9	41	39	35	0	0	0	**142**
	$0	$0	$0	$46,905	*	$56,711	$64,710	$64,781	$69,281	$75,881	$0	$0	$0	**$67,550**
50-54	0	0	0	1	0	7	3	10	9	25	10	0	0	**65**
	$0	$0	$0	*	$0	$57,342	$57,467	$63,732	$69,653	$70,181	$68,793	$0	$0	**$66,593**
55-59	0	0	0	0	0	4	1	4	2	1	16	2	0	**30**
	$0	$0	$0	$0	$0	$58,481	*	$69,121	$72,959	*	$65,875	$62,343	$0	**$65,375**
60-64	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
70 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**0**	**1**	**6**	**43**	**40**	**347**	**169**	**234**	**68**	**61**	**26**	**2**	**0**	**997**
	$0	*****	**$47,708**	**$48,695**	**$51,403**	**$58,255**	**$63,430**	**$65,582**	**$69,648**	**$73,367**	**$66,997**	**$62,343**	**$0**	**$62,042**

Average:	Age	39.4	Number of Participants:	Vested	855	Males	919	Early Retirment Eligble:	N/A
	Service	12.8		Not Vested	142	Females	78	Normal Retirement Eligble:	100

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age and Service Distribution of Active Members
(Number of Actives and Average Salary)

(Continued)

WSP Plan 2:

Attained Age	Attained Years of Service													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 25	0	0	2	1	0	0	0	0	0	0	0	0	0	**3**
	$0	$0	$41,396	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$42,372**
25-29	0	2	22	10	0	0	0	0	0	0	0	0	0	**34**
	$0	$43,237	$43,193	$45,122	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$43,763**
30-34	0	0	14	5	0	0	0	0	0	0	0	0	0	**19**
	$0	$0	$44,414	$47,616	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$45,256**
35-39	0	1	3	0	0	0	0	0	0	0	0	0	0	**4**
	$0	*	$45,537	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$44,353**
40-44	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
45-49	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
50-54	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
55-59	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
60-64	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
70 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**0**	**3**	**41**	**16**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**60**
	$0	**$42,425**	**$43,694**	**$45,851**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$44,206**

Average:	Age	29.1	Number of Participants:	Vested	0	Males	55	Early Retirment Eligble:	N/A
	Service	2.0		Not Vested	60	Females	5	Normal Retirement Eligble:	0

**Annual Salary ommitted for privacy reasons*

Numbers of participants eligible for early and normal retirement are estimates only.

Age/Years Retired Distributions

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

PERS Plan 1:

Attained Age	Attained Years Retired													Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	
Under 50	19	16	8	9	10	58	17	6	9	6	2	1	0	**161**
	$2,509	$1,802	$918	$1,071	$579	$918	$547	$422	$274	$221	$120	*	$0	**$1,047**
50-54	159	273	225	122	86	111	43	16	14	5	1	0	0	**1,055**
	$2,958	$2,704	$2,738	$2,452	$2,370	$1,297	$860	$498	$390	$165	*	$0	$0	**$2,392**
55-59	357	700	836	707	580	1,031	226	44	22	17	6	1	0	**4,527**
	$2,651	$2,833	$2,710	$2,580	$2,606	$2,297	$1,543	$465	$413	$200	$292	*	$0	**$2,492**
60-64	443	747	809	691	755	2,192	1,057	89	53	15	13	1	2	**6,867**
	$1,878	$1,928	$1,917	$2,011	$1,967	$2,187	$1,818	$835	$388	$356	$325	*	$201	**$1,968**
65-69	129	305	433	589	723	3,492	2,131	386	129	33	17	4	0	**8,371**
	$1,524	$1,645	$1,713	$1,543	$1,529	$1,485	$1,577	$1,427	$821	$312	$282	$271	$0	**$1,514**
70-74	26	33	67	63	116	2,631	3,814	967	500	97	26	13	4	**8,357**
	$1,582	$1,698	$1,806	$1,859	$1,684	$1,375	$1,206	$1,544	$1,149	$550	$332	$267	$404	**$1,302**
75-79	4	8	13	17	33	417	2,849	3,458	1,515	365	79	14	3	**8,775**
	$1,913	$1,918	$1,843	$1,553	$1,556	$1,432	$1,143	$933	$1,020	$860	$494	$288	$283	**$1,038**
80-84	0	6	5	7	10	64	424	2,711	3,947	828	245	27	7	**8,281**
	$0	$2,171	$1,995	$838	$1,560	$1,526	$1,225	$880	$733	$884	$643	$400	$216	**$826**
85-89	0	1	1	3	2	15	79	347	2,352	2,075	412	33	8	**5,328**
	$0	*	*	$965	$1,853	$1,094	$1,139	$904	$667	$599	$684	$469	$469	**$665**
90-94	0	0	1	0	0	1	9	31	260	1,115	812	82	14	**2,325**
	$0	$0	*	$0	$0	*	$1,021	$884	$683	$604	$579	$500	$541	**$607**
95 & Over	0	0	0	0	0	0	0	1	7	68	310	119	16	**521**
	$0	$0	$0	$0	$0	$0	$0	*	$588	$540	$624	$527	$620	**$590**
Total	**1,137**	**2,089**	**2,398**	**2,208**	**2,315**	**10,012**	**10,649**	**8,056**	**8,808**	**4,624**	**1,923**	**295**	**54**	**54,568**
	$2,235	**$2,287**	**$2,228**	**$2,076**	**$1,977**	**$1,685**	**$1,329**	**$1,006**	**$784**	**$665**	**$604**	**$472**	**$474**	**$1,324**

Average:	Age	73.1		Males	23,326
	Years Retired	13.7		Females	31,242

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

PERS Plan 2:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	8	16	22	7	10	12	3	0	0	0	0	0	0	**78**
	$172	$155	$232	$136	$182	$97	$130	$0	$0	$0	$0	$0	$0	**$170**
50-54	8	26	30	28	19	42	11	0	0	0	0	0	0	**164**
	$354	$266	$226	$200	$186	$225	$287	$0	$0	$0	$0	$0	$0	**$233**
55-59	37	81	68	59	41	112	14	1	0	0	0	0	0	**413**
	$490	$577	$456	$356	$319	$216	$162	*	$0	$0	$0	$0	$0	**$380**
60-64	107	184	125	82	93	222	29	1	0	0	0	0	0	**843**
	$1,137	$879	$754	$584	$493	$329	$193	*	$0	$0	$0	$0	$0	**$653**
65-69	481	899	865	803	693	406	69	8	0	0	0	0	0	**4,224**
	$926	$853	$827	$775	$734	$618	$246	$170	$0	$0	$0	$0	$0	**$788**
70-74	29	71	97	88	272	2,887	139	18	0	0	0	0	0	**3,601**
	$853	$909	$879	$825	$791	$661	$363	$205	$0	$0	$0	$0	$0	**$674**
75-79	10	18	32	18	43	488	1,226	44	5	0	0	0	0	**1,884**
	$693	$424	$569	$615	$573	$604	$543	$321	$143	$0	$0	$0	$0	**$554**
80-84	1	4	4	4	9	107	220	389	12	0	0	0	0	**750**
	*	$595	$817	$724	$595	$515	$504	$392	$194	$0	$0	$0	$0	**$446**
85-89	1	1	0	2	3	15	33	55	23	0	0	0	0	**133**
	*	*	$0	$749	$187	$480	$447	$398	$317	$0	$0	$0	$0	**$408**
90-94	0	0	1	0	1	3	4	5	2	0	0	0	0	**16**
	$0	$0	*	$0	*	$367	$215	$403	$481	$0	$0	$0	$0	**$348**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**682**	**1,300**	**1,244**	**1,091**	**1,184**	**4,294**	**1,748**	**521**	**42**	**0**	**0**	**0**	**0**	**12,106**
	$911	**$815**	**$772**	**$721**	**$691**	**$612**	**$498**	**$377**	**$269**	**$0**	**$0**	**$0**	**$0**	**$657**

Average:	Age	70.2	Males	5,354
	Years Retired	5.8	Females	6,752

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

PERS Plan 3:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	1	1	2	0	0	0	0	0	0	0	0	0	0	**4**
	*	*	$123	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$96**
50-54	2	5	1	0	0	0	0	0	0	0	0	0	0	**8**
	$214	$255	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$232**
55-59	22	32	11	0	0	0	0	0	0	0	0	0	0	**65**
	$264	$320	$213	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$283**
60-64	30	55	16	0	0	0	0	0	0	0	0	0	0	**101**
	$414	$388	$455	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$406**
65-69	8	22	5	0	0	0	0	0	0	0	0	0	0	**35**
	$616	$612	$629	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$615**
70-74	3	3	2	0	0	0	0	0	0	0	0	0	0	**8**
	$843	$506	$613	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$659**
75-79	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
80-84	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
85-89	0	1	0	0	0	0	0	0	0	0	0	0	0	**1**
	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	*****
90-94	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**66**	**119**	**37**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**222**
	$396	**$407**	**$389**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$401**

Average:	Age	61.3	Males	111
	Years Retired	0.9	Females	111

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

TRS Plan 1:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	1	3	1	3	3	10	8	5	3	1	0	0	0	**38**
	*	$2,299	*	$1,810	$1,174	$1,087	$1,128	$435	$803	*	$0	$0	$0	**$1,153**
50-54	198	165	69	13	14	37	22	3	4	3	2	0	0	**530**
	$2,861	$2,809	$2,691	$2,041	$1,895	$1,272	$969	$562	$706	$377	$764	$0	$0	**$2,536**
55-59	605	655	827	845	598	734	109	24	10	2	3	2	0	**4,414**
	$2,678	$2,654	$2,470	$2,324	$2,174	$2,115	$1,404	$634	$459	$584	$671	$668	$0	**$2,355**
60-64	409	500	582	731	713	2,655	834	50	20	13	5	4	1	**6,517**
	$1,938	$1,894	$1,821	$1,811	$1,809	$1,982	$1,764	$905	$506	$340	$690	$571	*	**$1,874**
65-69	71	96	140	236	335	2,435	2,079	285	77	28	13	2	0	**5,797**
	$2,130	$1,985	$2,110	$1,922	$1,752	$1,539	$1,777	$1,531	$747	$315	$329	$599	$0	**$1,661**
70-74	11	10	17	36	46	920	2,527	1,301	455	63	10	0	1	**5,397**
	$1,863	$1,948	$1,786	$1,981	$1,735	$1,783	$1,536	$1,561	$1,195	$630	$499	$0	*	**$1,549**
75-79	0	0	5	4	7	145	968	1,853	1,430	188	19	0	0	**4,619**
	$0	$0	$1,684	$2,614	$1,566	$1,719	$1,588	$1,189	$1,294	$906	$563	$0	$0	**$1,310**
80-84	0	0	1	0	0	8	136	752	1,758	633	71	4	0	**3,363**
	$0	$0	*	$0	$0	$1,298	$1,531	$1,234	$1,017	$1,101	$768	$787	$0	**$1,098**
85-89	0	1	0	0	0	2	20	103	714	1,108	269	8	1	**2,226**
	$0	*	$0	$0	$0	$1,933	$1,489	$1,191	$1,052	$868	$996	$725	*	**$963**
90-94	0	0	0	0	0	0	2	9	42	525	627	45	10	**1,260**
	$0	$0	$0	$0	$0	$0	$1,458	$1,248	$1,091	$985	$891	$864	$760	**$938**
95 & Over	0	0	0	0	0	0	0	0	1	20	272	153	17	**463**
	$0	$0	$0	$0	$0	$0	$0	$0	*	$1,058	$1,089	$744	$706	**$959**
Total	**1,295**	**1,430**	**1,642**	**1,868**	**1,716**	**6,946**	**6,705**	**4,385**	**4,514**	**2,584**	**1,291**	**218**	**30**	**34,624**
	$2,435	**$2,355**	**$2,209**	**$2,064**	**$1,922**	**$1,803**	**$1,642**	**$1,322**	**$1,120**	**$938**	**$933**	**$763**	**$702**	**$1,603**

Average:	Age	70.7	Males	15,094
	Years Retired	12.7	Females	19,530

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

TRS Plan 2:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	0	1	3	0	1	4	0	0	0	0	0	0	0	**9**
	$0	*	$354	$0	*	$279	$0	$0	$0	$0	$0	$0	$0	**$261**
50-54	1	2	1	1	3	5	1	0	0	0	0	0	0	**14**
	*	$104	*	*	$372	$296	*	$0	$0	$0	$0	$0	$0	**$266**
55-59	7	10	2	1	0	4	1	0	0	0	0	0	0	**25**
	$785	$626	$137	*	$0	$298	*	$0	$0	$0	$0	$0	$0	**$542**
60-64	29	23	18	9	12	18	3	0	0	0	0	0	0	**112**
	$1,190	$1,061	$1,021	$816	$528	$540	$495	$0	$0	$0	$0	$0	$0	**$912**
65-69	85	98	89	100	82	47	7	0	0	0	0	0	0	**508**
	$1,279	$1,065	$1,214	$1,071	$1,025	$995	$444	$0	$0	$0	$0	$0	$0	**$1,107**
70-74	2	9	10	10	26	251	11	1	0	0	0	0	0	**320**
	$1,548	$986	$1,287	$1,329	$1,080	$965	$596	*	$0	$0	$0	$0	$0	**$985**
75-79	2	2	0	1	4	35	68	1	0	0	0	0	0	**113**
	$1,140	$866	$0	*	$659	$991	$825	*	$0	$0	$0	$0	$0	**$876**
80-84	0	0	0	0	0	6	10	8	0	0	0	0	0	**24**
	$0	$0	$0	$0	$0	$737	$854	$522	$0	$0	$0	$0	$0	**$714**
85-89	0	0	0	0	0	2	0	0	0	0	0	0	0	**2**
	$0	$0	$0	$0	$0	$500	$0	$0	$0	$0	$0	$0	$0	**$500**
90-94	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**126**	**145**	**123**	**122**	**128**	**372**	**101**	**10**	**0**	**0**	**0**	**0**	**0**	**1,127**
	$1,227	**$1,006**	**$1,146**	**$1,061**	**$955**	**$921**	**$752**	**$480**	**$0**	**$0**	**$0**	**$0**	**$0**	**$991**

Average:	Age	68.6		Males	325
	Years Retired	4.5		Females	802

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

TRS Plan 3:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	0	5	2	2	1	0	0	0	0	0	0	0	0	**10**
	$0	$130	$293	$149	*	$0	$0	$0	$0	$0	$0	$0	$0	**$166**
50-54	2	1	3	2	2	3	0	0	0	0	0	0	0	**13**
	$168	*	$163	$136	$182	$137	$0	$0	$0	$0	$0	$0	$0	**$163**
55-59	34	28	29	17	9	7	0	0	0	0	0	0	0	**124**
	$358	$268	$276	$270	$209	$177	$0	$0	$0	$0	$0	$0	$0	**$285**
60-64	35	37	31	21	29	39	0	0	0	0	0	0	0	**192**
	$610	$534	$421	$377	$344	$284	$0	$0	$0	$0	$0	$0	$0	**$433**
65-69	44	30	32	24	22	29	0	0	0	0	0	0	0	**181**
	$647	$626	$526	$531	$570	$445	$0	$0	$0	$0	$0	$0	$0	**$565**
70-74	3	0	1	0	3	11	0	0	0	0	0	0	0	**18**
	$441	$0	*	$0	$839	$573	$0	$0	$0	$0	$0	$0	$0	**$577**
75-79	0	1	0	0	0	0	0	0	0	0	0	0	0	**1**
	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	*****
80-84	0	0	0	0	0	2	0	0	0	0	0	0	0	**2**
	$0	$0	$0	$0	$0	$185	$0	$0	$0	$0	$0	$0	$0	**$185**
85-89	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
90-94	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**118**	**102**	**98**	**66**	**66**	**91**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**541**
	$539	**$463**	**$400**	**$391**	**$416**	**$355**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$435**

Average:	Age	62.3		Males	141
	Years Retired	2.4		Females	400

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

SERS Plan 2:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	3	2	1	1	0	0	0	0	0	0	0	0	0	**7**
	$125	$160	*	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$143**
50-54	3	4	2	3	1	0	0	0	0	0	0	0	0	**13**
	$136	$191	$248	$125	*	$0	$0	$0	$0	$0	$0	$0	$0	**$165**
55-59	10	13	7	11	3	0	0	0	0	0	0	0	0	**44**
	$483	$323	$247	$154	$100	$0	$0	$0	$0	$0	$0	$0	$0	**$290**
60-64	38	66	31	21	4	0	0	0	0	0	0	0	0	**160**
	$718	$562	$515	$306	$396	$0	$0	$0	$0	$0	$0	$0	$0	**$552**
65-69	148	192	167	151	37	0	0	0	0	0	0	0	0	**695**
	$582	$597	$594	$548	$642	$0	$0	$0	$0	$0	$0	$0	$0	**$585**
70-74	15	38	33	42	17	0	0	0	0	0	0	0	0	**145**
	$429	$384	$451	$471	$410	$0	$0	$0	$0	$0	$0	$0	$0	**$432**
75-79	3	6	7	9	4	0	0	0	0	0	0	0	0	**29**
	$414	$285	$343	$332	$611	$0	$0	$0	$0	$0	$0	$0	$0	**$372**
80-84	1	1	0	1	0	0	0	0	0	0	0	0	0	**3**
	*	*	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$369**
85-89	0	1	0	0	0	0	0	0	0	0	0	0	0	**1**
	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	*****
90-94	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**221**	**323**	**248**	**239**	**66**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,097**
	$576	**$540**	**$544**	**$478**	**$533**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$534**

Average:	Age	66.6	Males	375
	Years Retired	1.7	Females	722

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

SERS Plan 3:

Attained Age	Attained Years Retired													
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 50	0	1	0	0	0	0	0	0	0	0	0	0	0	**1**
	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	*****
50-54	3	1	0	1	0	0	0	0	0	0	0	0	0	**5**
	$153	*	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$133**
55-59	18	15	15	13	1	0	0	0	0	0	0	0	0	**62**
	$233	$160	$110	$118	*	$0	$0	$0	$0	$0	$0	$0	$0	**$161**
60-64	53	63	37	41	4	0	0	0	0	0	0	0	0	**198**
	$283	$239	$201	$198	$202	$0	$0	$0	$0	$0	$0	$0	$0	**$235**
65-69	37	44	44	57	6	0	0	0	0	0	0	0	0	**188**
	$335	$321	$356	$235	$251	$0	$0	$0	$0	$0	$0	$0	$0	**$304**
70-74	2	4	9	7	2	0	0	0	0	0	0	0	0	**24**
	$100	$215	$117	$266	$123	$0	$0	$0	$0	$0	$0	$0	$0	**$176**
75-79	0	0	2	0	0	0	0	0	0	0	0	0	0	**2**
	$0	$0	$295	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$295**
80-84	0	0	0	1	0	0	0	0	0	0	0	0	0	**1**
	$0	$0	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	*****
85-89	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
90-94	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**113**	**128**	**107**	**120**	**13**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**481**
	$286	**$255**	**$247**	**$210**	**$212**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$248**

Average:	Age	63.8	Males	140
	Years Retired	1.6	Females	341

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

LEOFF Plan 1:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	1	2	3	3	2	19	13	9	2	5	2	0	0	**61**
	*	$2,654	$2,949	$2,867	$3,871	$2,683	$2,011	$2,217	$1,107	$1,089	$1,335	$0	$0	**$2,305**
50-54	18	50	55	29	58	137	90	66	48	15	1	0	0	**567**
	$3,528	$3,615	$3,428	$3,162	$2,870	$2,932	$2,602	$2,424	$2,148	$2,037	*	$0	$0	**$2,861**
55-59	29	80	76	111	115	693	311	183	128	108	14	0	0	**1,848**
	$3,714	$3,559	$3,703	$3,561	$3,407	$2,998	$2,723	$2,401	$2,273	$2,248	$2,104	$0	$0	**$2,916**
60-64	10	20	22	41	52	507	609	218	161	126	48	0	0	**1,814**
	$4,997	$4,308	$3,852	$3,627	$3,684	$3,319	$2,811	$2,599	$2,332	$2,311	$2,151	$0	$0	**$2,917**
65-69	2	1	4	2	5	125	318	335	176	128	61	0	0	**1,157**
	$4,849	*	$3,436	$3,517	$4,601	$3,486	$3,192	$2,704	$2,454	$2,481	$2,284	$0	$0	**$2,856**
70-74	0	0	0	0	2	23	81	214	343	158	111	0	0	**932**
	$0	$0	$0	$0	$4,330	$3,679	$3,539	$3,003	$2,574	$2,579	$2,412	$0	$0	**$2,769**
75-79	0	0	0	0	0	2	22	81	209	359	155	0	0	**828**
	$0	$0	$0	$0	$0	$6,255	$3,303	$3,275	$2,920	$2,778	$2,483	$0	$0	**$2,830**
80-84	0	0	0	0	0	0	4	12	69	201	311	1	0	**598**
	$0	$0	$0	$0	$0	$0	$4,876	$3,398	$2,975	$2,863	$2,549	*	$0	**$2,733**
85-89	0	0	0	0	0	0	1	1	13	55	152	1	0	**223**
	$0	$0	$0	$0	$0	$0	*	*	$2,454	$2,652	$2,534	*	$0	**$2,564**
90-94	0	0	0	0	0	0	0	0	1	11	51	1	0	**64**
	$0	$0	$0	$0	$0	$0	$0	$0	*	$2,979	$2,376	*	$0	**$2,524**
95 & Over	0	0	0	0	0	0	0	0	0	4	13	1	0	**18**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,615	$2,657	*	$0	**$2,523**
Total	**60**	**153**	**160**	**186**	**234**	**1,506**	**1,449**	**1,119**	**1,150**	**1,170**	**919**	**4**	**0**	**8,110**
	$3,893	**$3,679**	**$3,608**	**$3,502**	**$3,373**	**$3,151**	**$2,909**	**$2,721**	**$2,556**	**$2,613**	**$2,462**	**$1,373**	**$0**	**$2,846**

Average:	Age	65.9	Males	6,782
	Years Retired	16.6	Females	1,328

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

LEOFF Plan 2:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	1	4	4	0	4	0	0	0	0	0	0	0	0	**13**
	*	$1,060	$831	$0	$371	$0	$0	$0	$0	$0	$0	$0	$0	**$847**
50-54	28	24	6	6	4	0	1	0	0	0	0	0	0	**69**
	$2,045	$1,978	$1,589	$1,415	$1,760	$0	*	$0	$0	$0	$0	$0	$0	**$1,888**
55-59	17	33	44	34	36	3	0	1	0	0	0	0	0	**168**
	$2,153	$1,973	$1,543	$1,555	$1,384	$1,029	$0	*	$0	$0	$0	$0	$0	**$1,640**
60-64	9	15	16	8	7	36	1	0	0	0	0	0	0	**92**
	$2,016	$1,427	$1,463	$2,412	$1,523	$965	*	$0	$0	$0	$0	$0	$0	**$1,397**
65-69	4	3	7	3	7	24	9	0	0	0	0	0	0	**57**
	$1,765	$933	$1,533	$1,040	$1,384	$1,032	$622	$0	$0	$0	$0	$0	$0	**$1,118**
70-74	0	0	0	0	1	12	7	1	1	0	0	0	0	**22**
	$0	$0	$0	$0	*	$1,349	$951	*	*	$0	$0	$0	$0	**$1,106**
75-79	0	0	0	0	0	0	4	5	0	0	0	0	0	**9**
	$0	$0	$0	$0	$0	$0	$891	$680	$0	$0	$0	$0	$0	**$774**
80-84	0	0	0	0	0	0	0	1	0	0	0	0	0	**1**
	$0	$0	$0	$0	$0	$0	$0	*	$0	$0	$0	$0	$0	*****
85-89	0	0	1	0	0	0	0	0	0	0	0	0	0	**1**
	$0	$0	*	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	*****
90-94	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total	**59**	**79**	**78**	**51**	**59**	**75**	**22**	**8**	**1**	**0**	**0**	**0**	**0**	**432**
	$2,051	**$1,785**	**$1,480**	**$1,643**	**$1,352**	**$1,050**	**$780**	**$567**	*****	**$0**	**$0**	**$0**	**$0**	**$1,485**

Average:	Age	59.5	Males	386
	Years Retired	3.5	Females	46

**Monthly benefit ommitted for privacy reasons*

Age and Years Retired Distribution of All Annuitant Members
(Number of All Annuitant Members and Average Monthly Benefit)

(Continued)

WSP Plan 1:

Attained Age	Attained Years Retired													
	0	**1**	**2**	**3**	**4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
Under 50	8	4	1	0	1	3	6	4	0	0	0	0	0	**27**
	$3,211	$3,319	*	$0	*	$1,683	$622	$923	$0	$0	$0	$0	$0	**$2,038**
50-54	5	8	11	8	7	24	2	2	2	1	0	0	0	**70**
	$3,441	$3,784	$3,724	$4,044	$3,411	$3,270	$2,108	$931	$0	*	$0	$0	$0	**$3,287**
55-59	8	6	12	12	13	99	26	1	3	5	1	0	0	**186**
	$3,424	$3,502	$3,872	$4,267	$3,644	$3,281	$2,860	*	$0	$517	*	$0	$0	**$3,210**
60-64	1	4	9	10	11	55	92	10	8	0	3	0	0	**203**
	*	$3,148	$3,494	$4,041	$3,681	$3,604	$2,951	$2,070	$185	$0	$384	$0	$0	**$3,066**
65-69	0	0	0	0	0	15	63	35	15	6	1	0	0	**135**
	$0	$0	$0	$0	$0	$3,624	$3,064	$2,843	$1,571	$518	*	$0	$0	**$2,773**
70-74	0	1	1	0	0	2	5	20	43	1	1	0	0	**74**
	$0	*	*	$0	$0	$2,587	$4,677	$3,133	$2,221	*	*	$0	$0	**$2,560**
75-79	0	0	0	1	0	0	0	7	30	10	2	2	0	**52**
	$0	$0	$0	*	$0	$0	$0	$2,927	$2,200	$1,494	$804	$753	$0	**$2,022**
80-84	0	0	0	0	0	0	0	1	12	12	5	4	2	**36**
	$0	$0	$0	$0	$0	$0	$0	*	$2,493	$1,343	$1,013	$281	$278	**$1,475**
85-89	0	0	0	0	0	0	0	0	0	9	10	5	1	**25**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,161	$962	$597	*	**$1,312**
90-94	0	0	0	0	0	0	0	0	0	0	7	4	3	**14**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$964	$621	$414	**$748**
95 & Over	0	0	0	0	0	0	0	0	0	0	0	1	0	**1**
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	*	$0	*****
Total	**22**	**23**	**34**	**31**	**32**	**198**	**194**	**80**	**113**	**44**	**30**	**16**	**6**	**823**
	$3,391	**$3,415**	**$3,509**	**$4,017**	**$3,605**	**$3,364**	**$2,939**	**$2,639**	**$1,916**	**$1,317**	**$831**	**$547**	**$425**	**$2,759**

Average:	Age	64.3	Males	701
	Years Retired	13.2	Females	122

**Monthly benefit ommitted for privacy reasons*

Historical Data

Historical Data

(Dollars in millions)	2004		2003		2002		2001[1]		2000		1999	
PERS	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**
Contribution Information												
Employer Rate	5.65%	5.65%	5.73%	5.73%	3.78%	3.78%	2.05%	2.05%	1.63%	1.63%	3.21%	3.21%
Employee Rate	6.00%	3.42%	6.00%	3.38%	6.00%	2.63%	6.00%	1.41%	6.00%	1.05%	6.00%	1.70%
Funded Status												
Credited Projected Liability	$12,182	$8,504	$12,431	$7,658	$11,682	$6,777	$11,291	$6,158	$11,337	$5,671	$11,265	$6,019
Market Value of Assets	$9,128	$10,776	$8,730	$9,461	$8,236	$8,246	$9,373	$9,443	$10,744	$10,392	$11,082	$12,036
Actuarial Value of Assets	$9,928	$11,431	$10,227	$10,842	$10,757	$10,701	$10,990	$11,032	$11,111	$10,749	$10,456	$11,371
Unfunded Liability	$2,254	($2,927)	$2,204	($3,184)	$925	($3,924)	$301	($4,874)	$227	($5,078)	$809	($5,352)
Funded Ratio	81.50%	134.42%	82.27%	141.58%	92.08%	157.89%	97.00%	179.00%	98.00%	190.00%	93.00%	189.00%
Participant Data												
Number of Actives	17,829	138,427	19,740	134,810	21,737	132,448	23,981	128,955	25,833	126,428	28,168	168,214
Total Annual Salaries	$863	$6,221	$945	$5,930	$1,023	$5,661	$1,085	$5,249	$1,132	$4,964	$1,184	$5,546
Number of Terminated Vested	2,993	18,038	3,142	16,859	3,280	15,872	3,310	15,102	3,220	14,094	3,295	12,838
Number of Terminated, Not Vested	5,847	78,411	6,525	78,853	7,010	77,151	8,019	76,733	7,704	71,330	7,628	64,879
Number of Retirees and Beneficiaries	54,568	12,328	54,372	10,990	54,006	9,750	53,538	8,651	53,161	7,927	52,515	6,765
Total Annual Benefits	$868	$96	$816	$81	$760	$68	$705	$57	$663	$49	$609	$39
Assumptions												
Valuation Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	5.90%	5.90%	7.50%	7.50%	7.50%	7.50%
Salary Increase	4.80%	6.20%	4.80%	6.20%	4.80%	6.30%	3.60%	4.70%	4.00%	4.00%	4.00%	4.00%
Inflation[3]	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Growth in Membership	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	0.94%	0.94%	1.25%	1.25%	1.25%	1.25%
Actuarial Experience												
Return on Market Value	13.93%	13.75%	14.97%	15.05%	(5.83%)	(6.20%)	(9.68%)	(9.80%)	0.49%	0.39%	18.28%	18.52%
Return on Actuarial Value	4.70%	5.30%	1.50%	1.50%	1.60%	1.90%	2.10%	1.90%	10.20%	9.90%	16.90%	16.70%
Salary Increase	2.30%	3.70%	2.80%	4.20%	5.10%	6.40%	3.90%	4.90%	4.90%	6.00%	3.70%	3.70%
Inflation	1.41%	1.41%	1.81%	1.81%	3.55%	3.55%	3.75%	3.75%	3.10%	3.10%	2.63%	2.63%
Growth in Membership	1.10%	1.10%	0.24%	0.24%	0.82%	0.82%	0.44%	0.44%	1.84%	1.84%	2.36%	2.36%
COLA[4]	$1.21	3.00%	$1.18	3.00%	$1.14	3.00%	$1.11	3.00%	$1.08	3.00%	$1.05	2.63%-3%

Note: See footnotes at the end of this section

Historical Data

(Continued)

(Dollars in millions)	2004		2003		2002		2001[1]		2000		1999	
TRS	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**
Contribution Information												
Employer Rate	5.96%	5.96%	6.74%	6.74%	3.19%	3.19%	2.22%	2.22%	2.38%	2.38%	5.38%	5.38%
Employee Rate	6.00%	2.65%	6.00%	2.48%	6.00%	1.71%	6.00%	1.20%	6.00%	1.29%	6.00%	2.15%
Funded Status												
Credited Projected Liability	$9,920	$2,711	$10,207	$2,552	$9,602	$2,085	$9,320	$1,797	$9,376	$1,654	$9,359	$1,547
Market Value of Assets	$7,681	$3,789	$7,358	$3,315	$6,962	$2,877	$7,985	$3,045	$9,805	$3,397	$9,002	$3,006
Actuarial Value of Assets	$8,728	$4,138	$9,086	$3,949	$9,366	$3,800	$9,342	$3,547	$9,372	$3,250	$8,696	$2,908
Unfunded Liability	$1,192	($1,427)	$1,121	($1,397)	$236	($1,715)	($22)	($1,750)	$4	($1,596)	$663	($1,361)
Funded Ratio	87.99%	152.63%	89.02%	154.74%	97.54%	182.25%	100.00%	197.00%	100.00%	196.00%	93.00%	188.00%
Participant Data												
Number of Actives	9,862	56,772	11,175	54,900	12,456	53,607	13,971	52,249	17,222	46,636	18,737	43,947
Total Annual Salaries	$616	$2,878	$692	$2,723	$741	$2,523	$800	$2,350	$957	$2,043	$984	$1,819
Number of Terminated Vested	1,475	5,271	1,647	4,911	1,819	4,638	1,990	4,072	1,976	3,441	2,071	3,099
Number of Terminated, Not Vested	720	3,931	776	4,169	814	4,378	949	5,041	965	5,404	989	5,701
Number of Retirees and Beneficiaries	34,624	1,668	33,855	1,342	33,148	1,106	32,195	912	29,839	611	28,920	448
Total Annual Benefits	$666	$16	$625	$13	$587	$10	$544	$8	$463	$5	$428	$4
Assumptions												
Valuation Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	10.10%	10.10%	7.50%	7.50%	7.50%	7.50%
Salary Increase	4.80%	6.60%	4.80%	6.70%	4.80%	6.70%	6.00%	8.60%	4.00%	4.00%	4.00%	4.00%
Inflation[3]	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Growth in Membership	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	1.13%	1.13%	0.90%	0.90%	0.90%	0.90%
Actuarial Experience												
Return on Market Value	13.93%	13.74%	14.97%	15.11%	(5.77%)	(6.22%)	(12.39%)	(12.67%)	12.93%	12.98%	11.78%	11.92%
Return on Actuarial Value	3.40%	4.30%	3.50%	3.80%	6.70%	6.50%	6.80%	6.50%	11.90%	11.70%	14.70%	14.90%
Salary Increase	1.60%	3.40%	4.90%	6.60%	4.40%	5.80%	4.80%	6.80%	6.40%	8.40%	1.10%	1.10%
Inflation	1.41%	1.41%	1.81%	1.81%	3.55%	3.55%	3.75%	3.75%	3.10%	3.10%	2.63%	2.63%
Growth in Membership	0.85%	0.85%	0.02%	0.02%	(0.24%)	(0.24%)	3.70%	3.70%	1.87%	1.87%	1.38%	1.38%
COLA[4]	$1.21	3.00%	$1.18	3.00%	$1.14	3.00%	$1.11	3.00%	$1.08	3.00%	$1.05	2.63%-3%

Note: See footnotes at the end of this section

Historical Data

(Continued)

(Dollars in millions)	2004		2003		2002		2001[1]		2000		1999	
SERS	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**	**Plan 1**	**Plan 2/3[2]**
Contribution Information												
Employer Rate	N/A	5.64%	N/A	7.56%	N/A	3.64%	N/A	1.74%	N/A	1.22%	N/A	N/A
Employee Rate	N/A	3.41%	N/A	3.51%	N/A	2.49%	N/A	1.10%	N/A	0.46%	N/A	N/A
Funded Status												
Credited Projected Liability	N/A	$1,191	N/A	$1,121	N/A	$899	N/A	$747	N/A	$1,091	N/A	N/A
Market Value of Assets	N/A	$1,529	N/A	$1,339	N/A	$1,157	N/A	$1,230	N/A	$1,790	N/A	N/A
Actuarial Value of Assets	N/A	$1,630	N/A	$1,546	N/A	$1,519	N/A	$1,472	N/A	$1,853	N/A	N/A
Unfunded Liability	N/A	($439)	N/A	($425)	N/A	($620)	N/A	($724)	N/A	($762)	N/A	N/A
Funded Ratio	N/A	136.88%	N/A	137.87%	N/A	169.02%	N/A	197.00%	N/A	170.00%	N/A	N/A
Participant Data												
Number of Actives	N/A	49,854	N/A	49,214	N/A	49,791	N/A	48,347	N/A	47,725	N/A	N/A
Total Annual Salaries	N/A	$1,168	N/A	$1,133	N/A	$1,086	N/A	$1,004	N/A	$1,012	N/A	N/A
Number of Terminated Vested	N/A	4,463	N/A	3,550	N/A	2,545	N/A	1,566	N/A	733	N/A	N/A
Number of Terminated, Not Vested	N/A	4,588	N/A	4,232	N/A	3,553	N/A	2,717	N/A	1,461	N/A	N/A
Number of Retirees and Beneficiaries	N/A	1,578	N/A	1,042	N/A	622	N/A	269	N/A	27	N/A	N/A
Total Annual Benefits	N/A	$8	N/A	$5	N/A	$3	N/A	$1	N/A	$0	N/A	N/A
Assumptions												
Valuation Interest Rate	N/A	8.00%	N/A	8.00%	N/A	8.00%	N/A	5.90%	N/A	N/A	N/A	N/A
Salary Increase	N/A	6.10%	N/A	6.20%	N/A	6.20%	N/A	3.40%	N/A	N/A	N/A	N/A
Inflation[3]	N/A	3.50%	N/A	3.50%	N/A	3.50%	N/A	3.50%	N/A	N/A	N/A	N/A
Growth in Membership	N/A	1.25%	N/A	1.25%	N/A	1.25%	N/A	0.94%	N/A	N/A	N/A	N/A
Actuarial Experience												
Return on Market Value	N/A	13.74%	N/A	15.12%	N/A	(6.26%)	N/A	(8.66%)	N/A	N/A	N/A	N/A
Return on Actuarial Value	N/A	5.10%	N/A	1.30%	N/A	2.90%	N/A	2.50%	N/A	N/A	N/A	N/A
Salary Increase	N/A	2.80%	N/A	5.80%	N/A	6.30%	N/A	3.40%	N/A	N/A	N/A	N/A
Inflation	N/A	1.41%	N/A	1.81%	N/A	3.55%	N/A	3.75%	N/A	N/A	N/A	N/A
Growth in Membership	N/A	1.30%	N/A	(1.16%)	N/A	2.99%	N/A	1.30%	N/A	N/A	N/A	N/A
COLA[4]	N/A	3.00%	N/A	3.00%	N/A	3.00%	N/A	3.00%	N/A	N/A	N/A	N/A

Note: See footnotes at the end of this section

Historical Data

(Continued)

(Dollars in millions)	2004		2003		2002		2001[1]		2000		1999	
LEOFF	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**
Contribution Information												
Employer Rate	0.00%	4.57%	0.00%	4.32%	0.00%	3.84%	0.00%	3.03%	0.00%	2.41%	0.00%	3.46%
State Rate	0.00%	3.03%	0.00%	2.88%	0.00%	2.57%	0.00%	2.02%	0.00%	1.61%	0.00%	2.31%
Employee Rate	0.00%	7.60%	0.00%	7.20%	0.00%	6.41%	0.00%	5.05%	0.00%	4.02%	0.00%	5.77%
Funded Status												
Credited Projected Liability	$4,281	$2,521	$4,282	$2,194	$4,265	$1,937	$4,160	$1,668	$4,010	$1,528	$4,136	$1,408
Market Value of Assets	$4,695	$2,984	$4,380	$2,541	$4,060	$2,136	$4,578	$2,210	$5,260	$2,378	$5,460	$2,288
Actuarial Value of Assets	$4,666	$2,947	$4,803	$2,740	$5,095	$2,646	$5,369	$2,576	$5,440	$2,459	$5,150	$2,163
Unfunded Liability	($385)	($426)	($521)	($547)	($830)	($709)	($1,209)	($907)	($1,430)	($931)	($1,014)	($755)
Funded Ratio	109.00%	116.89%	112.18%	124.91%	119.45%	136.62%	129.00%	154.00%	136.00%	161.00%	125.00%	154.00%
Participant Data												
Number of Actives	848	14,754	991	14,560	1,147	14,011	1,315	13,585	1,499	13,133	1,743	12,713
Total Annual Salaries	$64	$1,020	$71	$967	$80	$902	$87	$831	$95	$780	$106	$725
Number of Terminated Vested	7	521	14	439	22	376	29	303	31	248	40	216
Number of Terminated, Not Vested	70	1,233	84	1,186	90	1,137	94	1,051	92	940	93	875
Number of Retirees and Beneficiaries	8,110	432	8,054	316	7,987	244	7,894	184	7,780	143	7,623	100
Total Annual Benefits	$277	$8	$270	$5	$262	$3	$248	$2	$235	$2	$221	$1
Assumptions												
Valuation Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	5.90%	5.90%	8.00%	8.00%	7.50%	7.50%
Salary Increase	5.90%	7.60%	5.90%	7.70%	4.50%	7.80%	4.40%	5.80%	4.00%	4.00%	4.00%	4.00%
Inflation[3]	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Growth in Membership	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	0.94%	0.94%	1.25%	1.25%	1.25%	1.25%
Actuarial Experience												
Return on Market Value	13.88%	13.64%	15.00%	15.13%	(5.88%)	(6.31%)	(9.65%)	(9.77%)	0.49%	0.37%	18.34%	18.54%
Return on Actuarial Value	2.90%	4.11%	(0.50%)	0.60%	(0.30%)	0.10%	2.10%	2.00%	10.20%	9.80%	17.00%	16.60%
Salary Increase	3.40%	5.20%	2.90%	4.80%	4.40%	7.00%	2.50%	4.60%	2.50%	5.90%	3.90%	3.90%
Inflation	1.41%	1.41%	1.81%	1.81%	3.55%	3.55%	3.75%	3.75%	3.10%	3.10%	2.63%	2.63%
Growth in Membership	0.33%	0.33%	2.59%	2.59%	1.73%	1.73%	1.83%	1.83%	1.22%	1.22%	4.33%	4.33%
COLA[4]	1.57%	3.00%	1.81%	3.00%	3.55%	3.00%	3.75%	3.00%	3.10%	3.00%	2.63%-3%	2.63%-3%

Note: See footnotes at the end of this section

Historical Data

(Continued)

(Dollars in millions)	2004		2003		2002		2001[1]		2000		1999	
WSP	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**
Contribution Information												
Employer Rate	5.22%	5.22%	4.51%	4.51%	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A
Employee Rate	5.22%	5.22%	4.51%	4.51%	2.00%	N/A	2.00%	N/A	2.00%	N/A	7.00%	N/A
Funded Status												
Credited Projected Liability	$560	N/A	$540	N/A	$508	N/A	$483	N/A	$468	N/A	$417	N/A
Market Value of Assets	$665	N/A	$608	N/A	$551	N/A	$608	N/A	$688	N/A	$702	N/A
Actuarial Value of Assets	$660	N/A	$664	N/A	$689	N/A	$712	N/A	$712	N/A	$622	N/A
Unfunded Liability	($100)	N/A	($124)	N/A	($180)	N/A	($229)	N/A	($244)	N/A	($246)	N/A
Funded Ratio	117.82%	N/A	122.99%	N/A	135.49%	N/A	147.00%	N/A	152.00%	N/A	159.00%	N/A
Participant Data												
Number of Actives	997	60	1,045	34	1,035	N/A	1,027	N/A	1,013	N/A	968	N/A
Total Annual Salaries	$62	$3	$65	$1	$63	N/A	$60	N/A	$58	N/A	$56	N/A
Number of Terminated Vested	39	0	32	0	33	N/A	26	N/A	21	N/A	15	N/A
Number of Terminated, Not Vested	20	1	20	0	17	N/A	14	N/A	12	N/A	9	N/A
Number of Disabled Members[5]	61	0	61	0	62	N/A	63	N/A	63	N/A	67	N/A
Number of Retirees and Beneficiaries	762	0	735	0	718	N/A	696	N/A	672	N/A	647	N/A
Total Annual Benefits	$27	$0	$25	$0	$24	N/A	$22	N/A	$20	N/A	$19	N/A
Assumptions												
Valuation Interest Rate	8.00%	N/A	8.00%	N/A	8.00%	N/A	5.90%	N/A	8.00%	N/A	7.50%	N/A
Salary Increase	7.00%	N/A	7.00%	N/A	7.10%	N/A	5.10%	N/A	4.00%	N/A	4.00%	N/A
Inflation[3]	3.50%	N/A	3.50%	N/A	3.50%	N/A	3.50%	N/A	3.50%	N/A	3.50%	N/A
Growth in Membership	1.25%	N/A	1.25%	N/A	1.25%	N/A	0.94%	N/A	1.25%	N/A	1.25%	N/A
Actuarial Experience												
Return on Market Value	13.83%	N/A	15.03%	N/A	(5.99%)	N/A	(9.68%)	N/A	0.46%	N/A	18.36%	N/A
Return on Actuarial Value	3.20%	N/A	(0.20%)	N/A	(0.20%)	N/A	2.10%	N/A	10.10%	N/A	16.90%	N/A
Salary Increase	0.80%	N/A	3.90%	N/A	5.20%	N/A	3.90%	N/A	3.80%	N/A	7.20%	N/A
Inflation	1.41%	N/A	1.81%	N/A	3.55%	N/A	3.75%	N/A	3.10%	N/A	2.63%	N/A
Growth in Membership	(2.04%)	N/A	4.25%	N/A	0.78%	N/A	1.38%	N/A	4.65%	N/A	4.20%	N/A
COLA[4]	3.00%	N/A	3.00%	N/A	3.00%	N/A	3.00%	N/A	2.00%	N/A	2.00%	N/A

Note: See footnotes at the end of this section

Footnotes for Historical Data Section

[1]*For the 2001 valuation, the salary, interest, and growth rates were not annualized. They reflect the actual valuation period of 9 months (15 months for TRS).*

[2]*Plan 3 members do not contribute to the defined benefit plan*

[3]*Based on the assumption for prior year's CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items*

[4]*PERS 1 & TRS 1 are paid a Uniform COLA. Amounts are $/month/year of service. Two gain sharing payments were made: $0.10 on 7/1/1998, and $0.28 on 1/1/2000.*

LEOFF 1 COLA is exactly the CPI. All others are based on the CPI (3% maximum per year).

[5]*WSP Disability Benefits are provided outside of pension funds*

Glossary

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 gain or loss: Experience of the plan, from one year to the next, which differs from that assumed will result in an actuarial gain or loss. For example, an actuarial gain would occur if assets earned 10% for a given year since the assumed interest rate in the valuation is 8%.

Actuarial value of assets: The value of pension plan investments and other property used by the actuary for the purpose of an actuarial valuation (sometimes referred to as valuation assets). It is common for actuaries to select an actuarial valuation method that smoothes the effects of short-term volatility in the market value of assets.

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. The employer normal cost is the total normal cost of the plan reduced by employee contributions.

Present value of credited projected benefits: The actuarial accrued liability computed under the Projected Unit Credit (PUC) funding method.

Present value of fully projected benefits: Computed by projecting the total future benefit cash flow from the plan, using actuarial assumptions (i.e., probability of death, retirement, salary increases, etc.), and then discounting the cash flow to the valuation date using the valuation interest rate.

Projected Unit Credit (PUC) Funding Method: The PUC funding method is a standard actuarial funding method. The annual cost of benefits under PUC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded actuarial accrued liability.

The PUC normal cost is the estimated present value of projected benefits to be earned in the current plan year.

Unfunded actuarial accrued liability: 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.

Rates shown below are based on the funding changes adopted during the 2005 legislative session (see Chapter 370, Laws of 2005). The rates have been determined using preliminary investment data through 9/30/04 and assume an annual 8.0% rate of return thereafter.

Employee Projected Contribution Rates (Revised 10/05)

	2005	2006	2007[1]	2008[1]	2009-2011[1]
PERS[2]					
Plan 1 Members	6.00%	6.00%	6.00%	6.00%	6.00%
Plan 2 Members	2.25%	3.50%	4.06%	4.74%	4.20%
TRS[2]					
Plan 1 Members	6.00%	6.00%	6.00%	6.00%	6.00%
Plan 2 Members	2.48%	3.00%	3.04%	3.53%	4.40%
SERS					
Plan 2 Members	2.75%	3.75%	4.28%	4.70%	4.56%
LEOFF					
Plan 1 Members	0.00%	0.00%	0.00%	0.00%	0.00%
Plan 2 Members	6.99%	7.79%	8.54%	8.73%	8.62%
WSP					
Plan 1 Members	4.51%	4.51%	6.54%	6.54%	7.73%
Plan 2 Members	4.51%	4.51%	6.54%	6.54%	7.73%

Employer Projected Contribution Rates (Revised 10/05)

	2005	2006	2007	2008	2009-2011
PERS Plans 1, 2 & 3					
Normal Cost	2.25%	3.50%	4.06%	4.74%	4.20%
Plan 1 UAAL	0.00%	0.00%	2.63%	2.63%	3.13%
Gain-Sharing	0.00%	0.00%	0.71%	0.71%	0.71%
Admin. Expense Charge	0.19%	0.19%	0.19%	0.19%	0.19%
Total	**2.44%**	**3.69%**	**7.59%**	**8.27%**	**8.23%**
TRS Plans 1, 2 & 3					
Normal Cost	2.73%	3.25%	3.29%	3.78%	4.65%
Plan 1 UAAL	0.00%	0.00%	3.85%	3.85%	5.21%
Gain-Sharing	0.00%	0.00%	2.18%	2.18%	2.18%
Admin. Expense Charge	0.19%	0.19%	0.19%	0.19%	0.19%
Total	**2.92%**	**3.44%**	**9.51%**	**10.00%**	**12.23%**

Employer Projected Contribution Rates (Revised 10/05)

	2005	2006	2007	2008	2009-2011
SERS Plans 2 & 3					
Normal Cost	2.75%	3.75%	4.28%	4.70%	4.56%
Plan 1 UAAL	0.00%	0.00%	2.63%	2.63%	3.13%
Gain-Sharing	0.00%	0.00%	2.55%	2.55%	2.55%
Admin. Expense Charge	0.19%	0.19%	0.19%	0.19%	0.19%
Total	**2.94%**	**3.94%**	**9.65%**	**10.07%**	**10.43%**
LEOFF 1					
Local Employer	0.00%	0.00%	0.00%	0.00%	0.00%
Admin. Expense Charge	0.19%	0.19%	0.19%	0.19%	0.19%
Local Employer Total	**0.19%**	**0.19%**	**0.19%**	**0.19%**	**0.19%**
State[3]	0.00%	0.00%	0.00%	0.00%	0.00%
Plan 1 Total	**0.19%**	**0.19%**	**0.19%**	**0.19%**	**0.19%**
LEOFF 2					
Local Employer	4.20%	4.68%	5.13%	5.24%	5.17%
Admin. Expense Charge	0.19%	0.19%	0.19%	0.19%	0.19%
Local Employer Total	**4.39%**	**4.87%**	**5.32%**	**5.43%**	**5.36%**
State[3]	2.79%	3.11%	3.41%	3.49%	3.45%
Plan 2 Total	**7.18%**	**7.98%**	**8.73%**	**8.92%**	**8.81%**
WSP					
Normal Cost - State	4.51%	4.51%	6.54%	6.54%	7.73%
Admin. Expense Charge	0.19%	0.19%	0.19%	0.19%	0.19%
Total	**4.70%**	**4.70%**	**6.73%**	**6.73%**	**7.92%**

[1] Rates shown for 2007-2011 are preliminary estimates using 2004 data. They are based on current plan provisions and funding policy and assume that plan experience and investment return is consistent with the assumptions used in the 2003 actuarial valuation report.
[2] Plan 1 members' contribution rate is statutorily set at 6.0%. Members in Plan 3 do not make contributions to their defined benefit.
[3] The state pays a portion of the total cost of LEOFF benefits.
[4] Rates are effective 7/1 - 6/30 for PERS, LEOFF and WSP; 9/1 - 8/31 for TRS and SERS.

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

***Senator Karen Fraser,**
Vice Chair

***Representative Bill Fromhold,**
Chair

***Leland A. Goeke**
TRS and SERS Employers

***Robert Keller**
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

Glenn Olson
PERS Employers

Senator Craig Pridemore

Diane Rae
TRS Actives

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

GAIN-SHARING SUBGROUP
DRAFT MINUTES

November 2, 2005

The Gain-Sharing Subgroup met in House Hearing Room C, Olympia, Washington on November 2, 2005.

Voting Members:

Representative Fromhold, Chair
Senator Fraser
Representative Crouse
J. Pat Thompson
Leland Goeke
Sandra Matheson
Senator Mulliken

Non-Voting Members:

Sophia ByrdMcSherry
Jim Justin
John Kvamme
Cassandra de la Rosa
Leslie Main
Randy Parr
Wendy Rader-Konofalski

Representative Fromhold, Chair, called the meeting to order at 10:00 AM.

(1) Approval of Minutes

It was moved to approve the October 17, 2005 minutes.
Seconded.
MOTION CARRIED

(2) Attorney General Opinion

Matt Smith, State Actuary, announced that the Attorney General (AG) Opinion had arrived this morning and he reviewed the brief answer provided on page one of the document.

It was requested that Assistant Attorney General (AAG), Spencer Daniels and AAG Anne Hall briefly walk through the opinion.
Discussion followed.

(3) Updated Fiscal Note - HB 1324

Matt Smith, State Actuary, presented the 2006 updated Draft Fiscal Note on HB 1324 and a Supplement to HB 1324 Fiscal Note.
Discussion followed.

(4) Contribution Rate Projections

Marty McCaulay, Senior Pension Actuary, reviewed tables on "Contribution Rate Projections".

Discussion followed.

(5) Gain-sharing Projections

Marty McCaulay, Senior Pension Actuary, reviewed a memo addressed to Sandra J. Matheson, Director of Department of Retirement Systems, regarding "Calculation of Extraordinary Investment Gains for 2006" as well as a handout entitled "2008 Gain-Sharing Projections". Matt Smith, State Actuary, warned members and the audience that this document should be used with caution.

Discussion followed.

(6) Report Preview

Robert Wm. Baker, Senior Research Analyst, presented the "Gain-sharing Report Preview Key Findings" as well as some policy questions that might be considered when formulating a recommendation.

Discussion followed.

(8) Subgroup Findings/Recommendation

It was discussed by subgroup members that HB 1324 (2005) was too complex and that many issues within the bill should be prepared as separate pieces of legislation for 2006. The subgroup will report the Full Committee at the November 15, 2005 meeting, but not bring forth a recommendation until the December 13, 2005 meeting.

The meeting adjourned at 12:42 PM.

O:\SCPP\2005\Gain-Sharing Subgroup\11-02-05\Draft Minutes.wpd

PENSIONS – PUBLIC EMPLOYEES' RETIREMENT SYSTEMS – RETIREMENT – Effect of "non-contractual rights clause" on Legislature's future obligation to provide "gain-sharing benefits".

Where the Legislature has enacted statutes providing "gain-sharing" benefits to retirement system members if certain circumstances occur, but has included language reserving the right to repeal or modify such benefits before they are actually granted, pension system members have no enforceable right or current reasonable expectation of receiving such benefits.

****

November 2, 2005

The Honorable Matthew M. Smith
State Actuary
P.O. Box 40914
Olympia, WA 98504-0914

Cite as:
AGO 2005 No. 16

Dear Mr. Smith:

By letter previously acknowledged, you have requested our opinion on the following question:

> **Do the provisions in RCW 41.31.030, RCW 41.31A.020(4), RCW 41.31A.030(5), and RCW 41.31A.040(5), containing "non-contractual rights clauses", negate any contractual obligation of the state to provide gain-sharing benefits in the future?**

BRIEF ANSWER

For the reasons set forth below, we conclude that the answer to your question is yes, in that the Legislature retains the authority to amend or repeal the gain-sharing provisions of the public employee pension statutes in the future and, if it does so, no contractual claim can be made for gain-sharing distributions due after that date. While the Washington Supreme Court has held that the pension statutes do create certain rights for public employees that are contractual in nature, the Court has also held that those rights consist of a pension substantially in accord with the statutes as they exist when the employee begins service.

Here, the statutes in question have always clearly and unequivocally provided that the gain-sharing provisions do not create a contractual right in any public employee member or

beneficiary to receive gain-sharing distributions in the future, and that the Legislature may amend or repeal these particular statutes at any time.

ANALYSIS

Your question concerns the "gain-sharing" provisions of the public employee pension statutes that the Legislature enacted in 1998 and amended in 2000 and 2003. RCW 41.31 and 41.31A provide for an additional payment to be made to members and beneficiaries of certain pension plans when there have been four consecutive years of "extraordinary gains". When gain-sharing occurs, half of the extraordinary gains are distributed to eligible members or beneficiaries.[1] RCW 41.31.020; RCW 41.31A.020(3), .030(3), .040(3). RCW 41.31 governs gain-sharing for persons covered by Public Employees' Retirement System (PERS) Plan 1 and Teachers' Retirement System (TRS) Plan 1. RCW 41.31A governs gain-sharing for persons covered by PERS Plan 3, TRS Plan 3, and School Employees' Retirement System (SERS) Plan 3.

However, in the 1998 act, as well as the 2000 and 2003 amendments, the Legislature enacted reservation of rights clauses that specifically limited the gain-sharing rights of current and future members and beneficiaries. The Plan 1 clause states:

> The legislature reserves the right to amend or repeal this chapter in the future and no member or beneficiary has a contractual right to receive this postretirement adjustment not granted prior to that amendment or repeal.

RCW 41.31.030. The Plan 3 clauses are worded substantially the same. They read:

> The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to receive this distribution not granted prior to that time.

RCW 41.31A.020(4), .030(5), .040(5).

Your question concerns the effect of the above provisions, in light of the law governing public pensions in this state. We turn first to the seminal Washington case on this subject, *Bakenhus v. City of Seattle*, 48 Wn.2d 695, 701, 296 P.2d 536 (1956). There, the Court stated:

> [T]he employee who accepts a job to which a pension plan is applicable contracts for a substantial pension and is entitled to receive the same when he has fulfilled the prescribed conditions. His pension rights may be modified prior to retirement, but only for the purpose of keeping the pension system flexible and maintaining its integrity.

---

[1] The actual manner of distribution of the gain-sharing amount set out in detail in the statutes is complicated and not necessary to the discussion of the issues in this opinion.

The Court has since clarified that "at least some pension rights are contractual in nature". *Retired Pub. Employees Coun. v. Charles,* 148 Wn.2d 602, 624, 62 P.3d 470 (2003). While the pension statutes are not in themselves contracts, they provide the right to receive certain benefits that constitute deferred compensation to the employee for services rendered. *Noah v. State,* 112 Wn.2d 841, 844, 774 P.2d 516 (1989). If it were otherwise, these benefits would amount to mere gratuities that are prohibited by the state constitution. *Bakenhus,* 48 Wn.2d at 698. Accordingly, the following have been held to be vested rights that are protected from subsequent impairment: size of a pension (*Bakenhus*); right to the statutory retirement age at the time of employment (*Eagan v. Spellman,* 90 Wn.2d 248, 258, 581 P.2d 1038 (1978)); right to a practice of including certain lump sum payments in the calculation of retirement benefits (*Washington Ass'n of Cy. Officials v. Washington Pub. Employees' Ret. Sys. Bd.,* 89 Wn.2d 729, 733, 575 P.2d 230 (1978)); right to add to a pension by using accrued vacation pay (*Washington Fed'n of State Employees v. State,* 98 Wn.2d 677, 679, 658 P.2d 634 (1983)); and right to the systematic funding of the retirement system to maintain actuarial soundness (*Charles,* 148 Wn.2d at 625).

Nevertheless, the question remains: Assuming that a certain pension benefit created by statute constitutes a right contractual in nature, what is the extent of the right that has been created? *Bakenhus* answered as follows:

> The problem arises in determining the extent of the contractual undertaking on the part of the state or municipal authority which has promised the pension. . . . *The promise on which the employee relies is that which is made at the time he enters employment; and the obligation of the employer is based upon that promise.*

48 Wn.2d at 700 (emphasis added). This interpretation of the pension statutes is reasonable, *Bakenhus* continued, because it "gives effect to the reasonable expectations of the employee and at the same time allows the legislature the freedom necessary to improve the pension system and adapt it to changing economic conditions". *Id.* at 701.

The right to a public pension "commence[s] . . . with the first day of employment or service, and continue[s] to vest with each day's service thereafter". *Tembruell v. City of Seattle,* 64 Wn.2d 503, 506, 392 P.2d 453 (1964). Significantly, however, as clarified in *Noah*, such "vesting" refers to "the contractual right to a pension *substantially in accord with the statutes as they existed when the employee begins service*". *Noah,* 112 Wn.2d at 845 n.1 (emphasis added).

In the cases noted above, the Supreme Court invalidated attempts to rescind pension benefits previously granted to public employees. Those cases are all distinguishable from the present situation, however, because none of them involved statutes containing clauses that both specifically reserve the Legislature's right to amend or repeal the benefits in question in the future (*e.g.,* gain-sharing), *and* they clearly state that the Legislature is not granting any contractual right to any benefits not granted before such amendment or repeal. We find this difference to be critical, because the "contractual" theory underpinning *Bakenhus* (and subsequent public pension cases) stresses the importance of: (1) upholding the "reasonable

expectations" of the member or beneficiary,[2] and (2) not reneging on the promise originally made to the members when they joined the pension system. We do not read the decisions to hold that the Legislature is prohibited from initially setting clear limits on the benefits being afforded to members and beneficiaries; rather, we read them to hold that the Legislature cannot later retroactively depart from the terms set forth in the original statutes granting such benefits.

A recent Oregon case related to pension benefits concurs with this reasoning. *Strunk v. Pub. Employees Ret. Bd.*, 338 Or. 145, 108 P.3d 1058 (2005). Although the Oregon Supreme Court has held that the pension statutes can create contractual rights for PERS beneficiaries, it has also held that the Legislature may limit the extent of such contractual rights by including clear statutory language to this effect. One of the issues raised in *Strunk* concerned the Oregon Legislature's 1991 repeal of the tax exemption for PERS benefits. The Oregon Supreme Court had held (in an earlier case, *Hughes v. Oregon,* 314 Or. 1, 838 P.2d 1018 (1992)) that this repeal in effect breached PERS members' contractual rights, requiring a legislative remedy. When the Oregon Legislature failed to act, class action litigation was brought, leading to a settlement for damages covering all PERS retirees who were PERS members before the effective date of the 1991 tax repeal. The Legislature adopted the terms of the settlement and codified them in the Oregon statutes, specifically Or. Rev. Stat. §§ 238.375 to 238.380. The implementation of these terms resulted in an annual increase in employer contribution rates to PERS of approximately 1.4 percent. Significantly, however, the Oregon Legislature included the following provision in Or. Rev. Stat § 238.375(3):

> No member of the system or beneficiary of a member of the system shall acquire a right, contractual or otherwise, to the increased benefits provided by [Or. Rev. Stat. §§ 238.375 - .380].

Strunk, 108 P.3d at 1079.

When the Oregon Legislature passed certain laws in 2003 lowering PERS retirement benefits, the PERS member petitioners in *Strunk* argued that doing so impermissibly repealed the benefits they had obtained by virtue of the settlement that had been codified into the Oregon PERS statutes. The court disagreed:

> Respondents argue, we conclude correctly, that the . . . settlement agreement by its specific terms limited petitioners' rights to those set out in the 1991 legislation and that that legislation expressly disavowed the creation of any contractual rights. The wording of ORS 238.375(3) . . . could not be clearer in that respect. Nothing about the context of that wording alters what we perceive to be the legislature's manifest intent. Because petitioners have failed to demonstrate a

[2] The "reasonable expectation" test is an objective test, rather than one based upon the specific expectations of individual employees. *Bowles v. Dep't of Ret. Sys.,* 121 Wn.2d 52, 67, 847 P.2d 440 (1993). Furthermore, a retirement system member is presumed to know the law by reading the pension statute. *Retired Pub. Employees Coun. v. State,* 104 Wn. App. 147, 151-52, 16 P.3d 65 (2001).

> contractual right that [the 2003 Oregon laws are] capable of breaching with respect to the . . . settlement, we reject their argument.

Id.

The Washington State Supreme Court has addressed the Legislature's power to amend contractual rights in public contracts in non-pension contexts. These cases indicate that contract rights may be made subject to future alteration by the Legislature, *if* the Legislature's reservation clause is clear and specific enough. In *Caritas Servs., Inc. v. Dep't of Social & Health Servs.*, 123 Wn.2d 391, 869 P.2d 28 (1994), at issue was whether amendments to the Nursing Homes Auditing and Cost Reimbursement Act of 1980 (RCW 74.46), and related regulations, unconstitutionally impaired contract rights by retroactively reducing nursing home reimbursement rates under the Medicaid program. The contract clause there provided:

> All rights and obligations of the parties to this agreement shall be . . . governed by the terms of this agreement or as set forth in the laws and regulations of the State of Washington and the United States, *as now existing or hereafter adopted or amended*, relating to the administration of the Title XIX Medicaid program, payment for services under such program and operation of nursing homes generally[.]

Caritas, 123 Wn.2d at 404 (ellipses and emphasis in original). The Court found that this language was not specific enough to allow the Legislature to subject the existing contract to future, retroactive modification. "[O]ur case law requires such reservation clauses to be made *explicitly* contingent on future acts of the Legislature with retroactive effect." *Id.* at 406 (emphasis in original). Similarly, in *Carlstrom v. State,* 103 Wn.2d 391, 393-95, 694 P.2d 1 (1985), the Court held that a reservation clause that made a public employment contract "subject to all present and future acts of the legislature" was not specific enough to subject the contract to retroactive modification. *Accord Cont'l Illinois Nat'l Bank & Trust Co. v. Washington,* 696 F.2d 692, 698-99 (9th Cir. 1983).

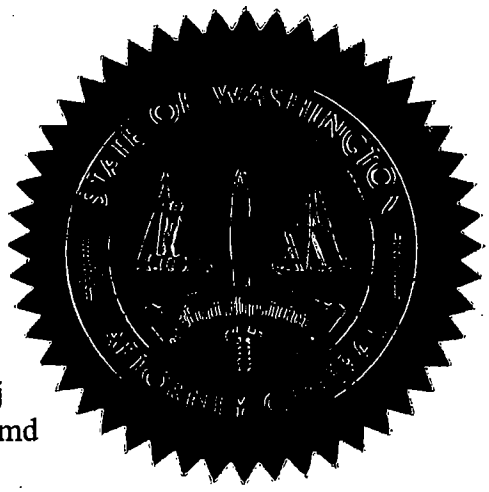
On the other hand, the Court in *Caritas* added: "To forestall confusion, we note that states or agencies may put potential contractors explicitly on notice that the terms of a public contract are subject to retroactive adjustment as the whims or the budgetary necessity of the state may dictate." *Caritas,* 123 Wn.2d at 406-07, n.9. *See also Trustees of Dartmouth College v. Woodward,* 17 U.S. 518, 666, 4 L. Ed. 629 (1819) (Story, J., concurring). In *Carlstrom,* the Court emphasized that "[t]he Legislature knows how to use plain English to make existing contracts subject to future modification" (*Carlstrom*, 103 Wn.2d at 398), thus implying that the Court would uphold and enforce such specific language in a future case. The Court has also reiterated that reservation clauses must adhere to policies of fairness, such as those underlying the public pension cases. *Caritas*, 123 Wn.2d at 407, n.9, citing Laurence H. Tribe, *American Constitutional Law* 618-19 (2d ed. 1988) ("noting that the most basic purposes of the contract clause point to the simple principle that the government must keep its word"), and citing *General Motors Corp. v. Romein,* 503 U.S. 181, 191, 112 S. Ct. 1105, 117 L. Ed. 2d 328 (1992)

(retroactive legislation presents problems of unfairness where it deprives citizens of legitimate expectations).

Applying these principles, we believe that the provisions in RCW 41.31.030, 41.31A020(4), 41.31A.030(5), and 41.31A.040(5), containing "non-contractual rights clauses", are sufficient to negate any obligation of the state to provide gain-sharing benefits that have not been provided prior to any subsequent modification or repeal of the gain-sharing statutes. The reservation clauses here do not contain merely general statements that the gain-sharing statutes are "subject to all present and future acts of the legislature" (*Carlstrom*, 103 Wn.2d at 393-95), or that they are subject to laws "now existing or hereafter adopted or amended" (*Caritas*, 123 Wn.2d at 404). They go much further than this, stating not only that the Legislature reserves the right to amend or repeal these sections in the future, but also stating—clearly and explicitly—that "no member or beneficiary has a contractual right to receive [a gain-sharing] distribution not granted prior to that time" (RCW 41.31.030; RCW 41.31A.020(4), .030(5), .040(5)).

A retirement system member is presumed to know the law by reading the pension statute. *Retired Pub. Employees Coun. v. State,* 104 Wn. App. at 151-52. As the Oregon Supreme Court held in construing nearly identical language in *Strunk,* we do not believe the Legislature's expressed intent could be clearer in this respect. Furthermore, we do not believe that members or beneficiaries, in light of this language, can claim a "reasonable expectation" (in the words of *Bakenhus*) to receive a continuous and unending right to gain-sharing distributions in the future. "The promise on which the employee relies is that which is made at the time he enters employment; and the obligation of the employer is based upon that promise." *Bakenhus,* 48 Wn.2d at 700. The "promise" of the Legislature here included a specific—but clearly limited—right to receive gain-sharing.

We trust that the foregoing will be of assistance to you.



Sincerely,

ROB MCKENNA
Attorney General

GREGORY J. TRAUTMAN
Assistant Attorney General
(360) 664-1183

:aj
:pmd

Bill Summary
Washington State Patrol Funding

(November 7, 2005)

The draft bill for the 2006 legislative session relating to contribution rates in the Washington State Patrol Retirement System contains the following provisions:

- Strikes the existing rate-setting formula containing a fifty-fifty member to employer split and a 2 percent member minimum.
- Sets contribution rates for the 2006-2007 fiscal year at 3.01 percent for members and 6.01 percent for employers.
- For the next rate-setting cycle (i.e. the 2007-2009 biennium), amends the funding policy to create a new cost allocation formula by which members pay one-third with a 7 percent cap and employers pay the balance.
- Establishes a minimum total contribution rate beginning July 1, 2009, that is equal to 70 percent of the system's normal cost as calculated under the entry age normal cost method.
- Provides for an effective date of July 1, 2006.

Laura Harper 360-786-6145
Office of State Actuary
November 4, 2005 (11:00 a.m.)

AN ACT Relating to contribution rates in the Washington state patrol retirement system; amending RCW 41.45.0631; and providing an effective date.

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

Sec. 1. RCW 41.45.0631 and 2001 c 329 s 11 are each amended to read as follows:

(1) Beginning July 1, ((~~2001~~))2006, the required contribution rate for members of the Washington state patrol retirement system shall be ((~~two percent or equal to the employer rate adopted under RCW 41.45.060 and 41.45.070 for the Washington state patrol retirement system, whichever is greater.~~))3.01 percent and the required basic employer contribution rate shall be 6.01 percent.

(2) Beginning July 1, 2007, the required Washington state patrol retirement system contribution rates shall be adopted under RCW 41.45.060 and 41.45.070, subject to the following funding policies:

(a) The member contribution rate shall be one-third of the total Washington state patrol retirement system contribution rate or seven percent, whichever is less, and the employer contribution rate shall be the balance of the total contribution rate. This allocation formula

shall be applied only after the total Washington state patrol contribution rate has been determined, and such determination shall include the application of any minimum total contribution rate that may be in effect for the Washington state patrol retirement system.

(b) Beginning July 1, 2009, a minimum total contribution rate is established for the Washington state patrol retirement system. The total Washington State patrol retirement system contribution rate as recommended by the pension funding council and adopted by the legislature may exceed, but shall not drop below the established minimum total contribution rate. The minimum total contribution rate shall equal the total contribution rate required to fund seventy percent (70%) of the Washington state patrol retirement system's normal cost as calculated under the entry age normal cost method. Upon completion of each biennial actuarial valuation, the state actuary shall review the appropriateness of this minimum total contribution rate and recommend to the legislature any adjustments as may be needed.

NEW SECTION. **Sec. 2.** This act takes effect July 1, 2006.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	35	11/8/05	WSPRS Funding Bill

SUMMARY OF BILL:

This bill impacts the Washington State Patrol (WSP) Retirement System by changing the contribution rate setting formula. This bill sets rates for the 2007 fiscal year at 3.01 percent for members and 6.01 percent for the employer. Beginning July 1, 2007, the member contribution rate is one-third of the total cost of the system or 7 percent, whichever is less, and the employer would then be responsible for the balance. The total contribution rate for the system is determined before the cost-sharing formula is applied. As part of the total contribution rate determination, a minimum total contribution rate is established beginning July 1, 2009. This floor is equal to 70 percent of the Washington State Patrol Retirement System's normal cost as calculated under the entry age normal cost method.

Effective Date: July 1, 2006

CURRENT SITUATION:

Currently, the member contribution rate in WSP is set at half the cost of the system or 2 percent, whichever is greater. The employer is then responsible for the remaining costs of the system. Because of the funded status of the system, member contribution rates were 2 percent in 2001-2005 and there were no employer contributions during that period. Beginning July 1, 2005, both the employer and employee contribution rates were increased to 4.51 percent of pay.

MEMBERS IMPACTED:

All 1,057 active members of this system would be affected by this bill.

For members impacted by this bill, there would be no increase in benefits, but there would be a decrease in member contributions.

ASSUMPTIONS:

The one-third member, two-thirds employer split would apply for all years beginning July 1, 2006. The member contribution rate is rounded to two decimal places after multiplying the total rate by one-third. This rate is then compared to the 7.00 percent maximum to get the final member rate. The state contribution rate would then be the difference between the total rate and the member rate. The minimum total contribution rate of 70 percent of the entry age normal cost rate is established beginning July 1, 2009. The previously described member and employer rate allocation formula is applied only after the calculation of the minimum total contribution rate. Here are some illustrative examples:

- The current total rate of 9.02 percent would be split, with 3.01 percent for the member and 6.01 percent for the employer, effective July 1, 2006.
- A total rate of 12 percent would result in a member contribution of 4.00 percent and the state contribution rate would be 8.00 percent.
- A total rate of 25 percent would result in a rounded member contribution of 8.33 percent, which would be limited to 7.00 percent. The state contribution rate would be 18.00 percent in this case.
- If the entry age normal cost rate were 20 percent, the minimum total contribution rate would be 14 percent, and the member and employer allocations would be 4.67 percent and 9.33 percent respectively.
- With a total rate of 12 percent under the aggregate method and a floor of 70 percent of a 20 percent entry age normal cost rate, or 14 percent, the floor would apply. The member contribution would be 4.67 percent and the state contribution rate would be 9.33 percent
- With a total rate of 25 percent under the aggregate method and a floor of 70 percent of a 20 percent entry age normal cost rate, or 14 percent, the floor would not apply. The member contribution would be 7.00 percent and the state contribution rate would be 18.00 percent.
- With a total rate of 20 percent under the aggregate method and a floor of 70 percent of a 32 percent entry age normal cost rate, or 22.4 percent, the floor would apply before applying the one-third, two-thirds split and the 7 percent member minimum rate. The member contribution would be 7.00 percent and the state contribution rate would be 15.40 percent.
- The projected contribution rates for the current six-year period under the current and proposed formulas are shown in the following table:

	Current Formula		Proposed Formula	
Year	50.00% Member	50.00% Employer	33.33% Member	66.67% Employer
2005-2006	4.51%	4.51%	4.51%	4.51%
2006-2007	4.51%	4.51%	3.01%	6.01%
2007-2008	6.54%	6.54%	4.36%	8.72%
2008-2009	6.54%	6.54%	4.36%	8.72%
2009-2010	7.73%	7.73%	5.15%	10.31%
2010-2011	7.73%	7.73%	5.15%	10.31%

We did not include any cost impact related to the establishment of a floor contribution rate. A floor, or minimum, contribution rate would not be expected to impact rates in the long run. The short term increase in rates in years in which the floor applied would be offset by lower rates in future years. A floor could actually result in a long-term savings to the extent that investment earnings from the extra contributions due to the floor are used to reduce future contribution requirements. We considered but did not include any cost impact for any issues related to market timing and when the extra contributions from the floor are invested.

The determination that a floor would result in no additional cost and possibly a savings is based on the assumption that any reserve or cushion that is built up from a floor is used to reduce future contribution requirements and not used to provide for benefit increases. If the extra contributions from a floor are used for benefit increases, then there would be a cost to having a floor.

FISCAL IMPACT:

Description:

This proposal would not change the liabilities of the current plan. On average, it would shift one-sixth of the total contributions from members to employers. It would also change the cost allocation of any future benefit improvements so that the members would only be paying for one-third instead of one-half and the employer would be responsible for two-thirds of the cost instead of one-half.

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the system and the required actuarial contribution rate as shown below:

	System: Washington State Patrol		
(Dollars in Millions)	Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to All Current Members)	$739	$0	$739
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	$0	$0	$0
Unfunded Liability (PBO) (The Value of the Total Commitment to All Current Members Attributable to Past Service)	($100)	$0	($100)
Increase in Contribution Rates: (Effective 7/1/2006)			
Employee	(1.50%)		
Employer State	1.50%		

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Costs (in Millions):	WSP
2006-2007	
State:	
General Fund	$0.0
Non-General Fund	1.1
Total State:	$1.1
Local Government	$0.0
Total Employer	$1.1
Total Employee	($1.1)

Costs (in Millions):	WSP
2007-2009	
State:	
General Fund	$0.2
Non-General Fund	3.5
Total State:	$3.7
Local Government	$0.0
Total Employer	$3.7
Total Employee	($3.7)
2006-2031	
State:	
General Fund	$3.3
Non-General Fund	111.4
Total State:	$114.7
Local Government	$0.0
Total Employer	$114.7
Total Employee	($114.7)

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill, as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets, and assumptions as those used in preparing the September 30, 2004, actuarial valuation report of the Washington State Patrol Retirement System.

2. As with the costs developed in the actuarial valuation, the emerging costs of the system will vary from those presented in the valuation report of this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.

3. Additional assumptions used to evaluate the cost impact of the bill that were not used or disclosed in the actuarial valuation report include the following:

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

5. This draft fiscal note is intended for use only during the 2006 Legislative Session.

6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.

7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

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.)

Projected Benefits: Pension benefit amounts that 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.

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.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces:

- The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL.
- The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2, and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

PLAN 1 UNFUNDED LIABILITY SUBGROUP
DRAFT MINUTES

October 27, 2005

The Plan 1 Unfunded Liability Subgroup met in House Hearing Room C, Olympia, Washington on October 27, 2005.

SCPP and Voting Members:

Victor Moore, Chair
Representative Bailey
Glenn Olson

Victor Moore, Chair, called the meeting to order at 2:15 PM.

(1) Approval of Minutes

It was moved to approve the October 3, 2005 Draft Minutes. Seconded.

MOTION CARRIED

(2) Reports on Revenue Forecasts/Impacts

Glenn Olson, SCPP member of the subgroup, reviewed a graph entitled "Plan 1 UAAL Phase -in-Rates." Discussion followed.

Victor Moore reported on State Non-GFS revenue impacts. Discussion followed.

(3) Phase-In Proposals

Matt Smith, State Actuary, presented a report on "Rate Phase-In Proposals." Discussion followed.

(4) Rate Floor with Target Funding Ratio

Matt Smith, State Actuary, presented a report on "Rate Floor with Target Funding Ratio." Discussion Followed.

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

***Senator Karen Fraser,**
Vice Chair

***Representative Bill Fromhold,**
Chair

***Leland A. Goeke**
TRS and SERS Employers

***Robert Keller**
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

Glenn Olson
PERS Employers

Senator Craig Pridemore

Diane Rae
TRS Actives

J. Pat Thompson
PERS Actives

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140
Fax: (360) 586-8135
TDD: 1-800-635-9993

(5) Next Steps

It was moved to instruct staff to draft bill language with a 3-Year Phase-In effective July 1, 2006, and rate floors of 2.68 percent for PERS 1 and 4.71 percent in TRS 1 with a funding target of 125 percent effective July 1, 2009, and schedule for the November 15, 2009, Full Committee meeting subgroup report. Seconded

MOTION CARRIED.

The meeting adjourned at 3:45 PM.

O:\SCPP\2005\Plan 1 UAAL Technical Subgroup\10-27-05\Draft Minutes.wpd

Select Committee on Pension Policy

Bill Summary
Plan 1 Unfunded Liability

(November 15, 2005)

The draft bill for the 2006 legislative session relating to contribution rates for the Plan 1 Unfunded Actuarial Accrued Liability (UAAL) contains the following provisions:

- Establishes minimum contribution rates for the Plan 1 UAAL beginning in 2009: 2.68 percent for PERS and 4.71 percent for TRS.

- The minimum contribution rates would remain effective until the target funding ratio of 125 percent is achieved or the amortization date of June 30, 2024, is reached - whichever comes first.

- Establishes a three-year phase-in to the minimum contribution rates. In fiscal year 2007, the rates would be 0.87 percent for PERS and 1.29 percent for TRS.

- Describes the approach for calculating contribution rates for years two and three of the phase-in (2007-2009 biennium).

- Provides for an effective date of July 1, 2006.

Laura Harper 360-786-6145
Office of State Actuary
November 9, 2005 (11:30 am)

1 AN ACT Relating to payment of the unfunded actuarial accrued
2 liability in plan 1 of the public employees' retirement system and plan
3 1 of the teachers' retirement system; adding a new section to chapter
4 41.45 RCW; and providing an effective date.
5
6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
7
8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.45 RCW
9 to read as follows:
10 (1) It is the intent of the legislature to provide for the
11 systematic payment of the plan 1 unfunded actuarial accrued liability
12 in a manner that promotes contribution rate adequacy and stability for
13 the affected systems. To this end, minimum contribution rates are
14 established for the sole purpose of amortizing the unfunded actuarial
15 accrued liability in the plans 1 of the public employees' retirement
16 system and the teachers' retirement system. This change in funding
17 policy requires a three-year phase-in of contribution rates beginning
18 in 2006, with established minimum contribution rates becoming effective
19 in 2009. The phase-in rates for the plan 1 unfunded actuarial accrued

liability are in addition to the phase-in rates established pursuant to RCW 41.45.062.

(2) Beginning July 1, 2006, a 0.87 percent contribution is established as part of the basic state and employer contribution rate for the public employees' retirement system and the public safety employees' retirement system, to be used for the sole purpose of amortizing the unfunded actuarial accrued liability in the public employees' retirement system plan 1.

(3) Beginning September 1, 2006, a 0.87 percent contribution is established as part of the basic state and employer contribution rate for the school employees' retirement system, to be used for the sole purpose of amortizing the unfunded actuarial accrued liability in the public employees' retirement system plan 1.

(4) Beginning September 1, 2006, a 1.29 percent contribution is established as part of the basic state and employer contribution rate for the teachers' retirement system, to be used for the sole purpose of amortizing the unfunded actuarial accrued liability in the teachers' retirement system plan 1.

(5) Upon completion of the 2005 actuarial valuation, the pension funding council and the state actuary shall review the contribution rates for the plan 1 unfunded actuarial accrued liability for 2007-2008 and 2008-2009 and by September 30, 2006, the pension funding council shall adopt contribution rates to complete the three-year phase-in schedule, adjusted for any material changes in benefits or actuarial assumptions, methods and experience. The expected present value of projected contributions during the three-year phase-in period shall be the same as the expected present value of projected contributions that would have been collected without the phase-in, as determined by the state actuary and adjusted for any material changes in benefits or actuarial assumptions, methods or experience.

(6) Beginning July 1, 2009, a minimum 2.68 percent contribution is established as part of the basic state and employer contribution rate for the public employees' retirement system and the public safety employees' retirement system, to be used for the sole purpose of amortizing the unfunded actuarial accrued liability in the public employees' retirement system plan 1. This minimum contribution rate

shall remain effective until the actuarial value of assets in plan 1 of the public employees' retirement system equals one hundred twenty-five percent of the actuarial accrued liability or June 30, 2024, whichever comes first.

(7) Beginning September 1, 2009, a minimum 2.68 percent contribution is established as part of the basic state and employer contribution rate for the school employees' retirement system, to be used for the sole purpose of amortizing the unfunded actuarial accrued liability in the public employees' retirement system plan 1. This minimum contribution rate shall remain effective until the actuarial value of assets in plan 1 of the public employees' retirement system equals one hundred twenty-five percent of the actuarial accrued liability or June 30, 2024, whichever comes first.

(8) Beginning September 1, 2009, a minimum 4.71 percent contribution is established as part of the basic state and employer contribution rate for the teachers' retirement system, to be used for the sole purpose of amortizing the unfunded actuarial accrued liability in the teachers' retirement system plan 1. This minimum contribution rate shall remain effective until the actuarial value of assets in plan 1 of the teachers' retirement system equals one hundred twenty-five percent of the actuarial accrued liability or June 30, 2024, whichever comes first.

(9) Upon completion of each biennial actuarial valuation, the state actuary shall review the appropriateness of these minimum contribution rates and recommend to the legislature any adjustments as may be needed due to material changes in benefits or actuarial assumptions, methods, or experience.

NEW SECTION. **Sec. 2.** This act takes effect July 1, 2006.

--- END ---

Select Committee on Pension Policy

Purchasing Additional Service Credit

(October 27, 2005)

Issue

This proposal would involve expanding retirement plan provisions allowing the purchase of additional service credit, also known as "air time" (due to the fact that it is not based on actual service of any kind). Under such expansion, members of PERS, TRS, SERS, PSERS, LEOFF 1, and WSPRS could purchase up to five years of additional service credit at normal retirement for the purpose of increasing their retirement benefit (as opposed to being limited to purchases made at early retirement to offset the applicable actuarial reduction). A similar provision was adopted for LEOFF 2 during the 2005 legislative session.

Staff

Laura C. Harper, Senior Research Analyst/Legal
360-786-6145

Members Impacted

Expanding the use of additional service credit could conceivably affect all retirement eligible members of PERS, TRS, SERS, PSERS, LEOFF 1 and WSPRS.

Current Situation

As of July 1, 2006, eligible members of the PERS, SERS, and TRS Plans 2/3 may, at the time of retirement, make a one-time purchase of up to five years of additional service credit. The service credit purchased would not need to correspond to any actual service within Washington, or any other retirement system, hence the term "additional service credit." The service credit is not membership service and cannot be used to qualify for retirement, but it can be used to increase early and alternate early retirement benefits by offsetting the required reductions for early retirement.

Under current law, only Plan 2/3 members who are eligible for early retirement or alternate early retirement may purchase additional service credit. The member pays the full actuarial cost of the service credit with a lump sum payment, eligible rollover, direct rollover, and/or trustee-to-trustee transfer from an eligible retirement plan at the time of retirement.

Currently the Plans 1 do not have provisions that authorize the purchase of additional service credit to offset early retirement reductions because there is no early retirement in the Plans 1. In the Plans 2/3, early retirement is available at age 55 with 20 years of service and alternate early retirement is available at age 55 with 30 years of service.

During the 2005 legislative session the LEOFF 2 Board's legislative proposal concerning additional service credit was successful. This bill differs from the provisions for the Plans 2/3 of PERS, SERS, and TRS in that up to five years of additional service credit is available to those eligible for normal retirement. The service credit purchased can be used to increase the member's benefits, but cannot be used for retirement eligibility. In other words, the member must already be eligible to retire in order to take advantage of this provision. The cost to the member is the actuarial equivalent value of the resulting increase in the member's benefit.

History

The ability to purchase additional service credit was added to the PERS and SERS Plans 2/3 during the 2004 legislative session as Chapter 172, Laws of 2004. The proposal was an outgrowth of the work of the public safety subcommittee that recommended the formation of the Public Safety Employees' Retirement System (PSERS), which becomes effective on July 1, 2006. This benefit was also given an effective date of July 1, 2006. It was intended to address those retirement system members who were not included in PSERS, but who might need to retire early due to stressful or dangerous jobs. Such individuals were thought to be members of either PERS or SERS. It was felt that these additional service credit provisions would provide a vehicle to, in effect, purchase a Plan 2/3 normal retirement when qualifying for early retirement.

The ability to purchase additional service credit was expanded to include the TRS Plans 2/3 by Chapter 65, Laws of 2005. The proposal was forwarded to the Legislature by the SCPP and created consistency with PERS and SERS 2/3. This bill also had an effective date of July 1, 2006. The LEOFF 2 Board's

additional service credit purchase provision (which is described above) was implemented by the Legislature in Chapter 21, Laws of 2005 with an effective date of July 1, 2006.

Proposal

This proposal would expand the ability of members of PERS, SERS, TRS, PSERS, LEOFF 1 and WSPRS to purchase additional service credit as follows:

1. Up to five years of additional service credit could be purchased at normal retirement to increase members' benefits.

2. The service credit purchased would not be used for retirement eligibility.

3. The member would pay the actuarial equivalent value of the resulting increase in the member's benefit.

4. The cost of the service credit may be paid with a lump sum payment, eligible rollover, direct rollover, and/or trustee-to-trustee transfer from an eligible retirement plan at the time of retirement.

Estimated Fiscal Impact

There would be no fiscal impact from this proposal. The OSA assumes that this benefit proposal will not change future retirement behavior in the affected retirement systems. Existing members currently have access to private sector providers that offer products with similar annuities.

Policy Analysis

This proposal would be consistent with the LEOFF 2 legislation that passed in 2005. It would provide the opportunity for members of the various retirement systems to purchase a larger retirement benefit than they would otherwise receive, thus affording them additional flexibility for achieving their retirement goals. This option also promotes benefit adequacy throughout retirement by allowing members to, in effect, purchase a lifetime annuity while saving some of the costs associated with similar product offerings in the private sector.

Under this proposal, service credit cannot be used for retirement eligibility purposes. The service credit is purchased when the member already qualifies for normal retirement. Thus, the proposal does not alter plan policy with respect to when it is appropriate for members to retire. In that sense, this proposal can fit with a service-based plan design as seen in the Plans 1 as well as an age-based retirement plan design as found in the Plans 2/3.

Because of the 60 percent benefit cap in the Plans 1, some Plan 1 members would not benefit from the ability to purchase this additional service credit. For example those Plan 1 members who have already accrued thirty years of service could not increase their final retirement benefit by purchasing additional service credit. Still, this provision could be useful to some Plan 1 members, as normal retirement occurs not only when members reach 30 years of service, but also when they have five years of service with attainment of age 60 or 25 years of service with attainment of age 55.

Plan 1 members who utilize this service credit purchase option would have a resulting increase in purchasing power, as the Uniform increase amount would apply to the additional years of service (unless the legislation excluded it). The additional cost associated with these cost-of-living adjustments would be included in the calculation of the member's actuarial cost.

Additional service credit or "air time" is a less conventional type of service credit, but is available for purchase in other states. The National Council on Teacher Retirement conducted a survey of air time practices in 2004, the results of which are attached at the end of this report. Most of the states allowing this type of service credit require that the member pay the actuarial cost of the increase in the member's benefit.

Executive Committee Recommendation

The Executive Committee recommended on August 23, 2005 that this issue be heard before the full SCPP. Staff was directed to prepare a bill draft that was presented to the Executive Committee on October 18, 2005. The Executive Committee recommended that the bill be forwarded to the Full Committee for a Public Hearing and possible Executive Session on November 15, 2005.

Bill

Attached

Fiscal Note (2006 Draft)

Attached

Air Time Survey Results

State	System Name	Does your plan permit participants to purchase air time?	If so, what limits or restrictions are in place regarding the amount of time that may be purchased?	What is the cost basis of purchasing air time?	Other comments	Website info
AK	Alaska PERS					
AK	Alaska Teachers					
AL	Alabama RSA	No				
AR	Arkansas Teachers					
AR	Arkansas PERS	No				
AR	Arkansas Highways	No				
AZ	Arizona SRS	No				
CA	CalPERS	Yes	Members may purchase up to five years.	Actuarial equivalent	Just began the air time service purchase program a few months ago.	
CA	CalSTRS	Yes	Members with at least 5 years of service can buy up to five years of service	The member pays the actuarial equivalent of the resulting benefit enhancement	From the CalSTRS website: Purchased air time does not count towards qualifying for career-based enhancements such as the career factor, the longevity bonus and highest single year final compensation.	http://www.calstrs.com/Calculators/nonqualcalculator.aspx
CO	Colorado PERA	No				
CO	Denver Schools	No				
CT	Connecticut SERS					
CT	Connecticut Teachers					
DC	District of Columbia RS	No				
DE	Delaware State Employees					
FL	Florida RS	No				
GA	Georgia ERS					
GA	Georgia Teachers	Yes	Member must have 25 years of creditable to qualify and may purchase up to 3 years of air time.	Full Actuarial Cost	Members should purchase other types of eligible service prior to purchasing air time. If other service is purchased after the purchase of air time, TRS will bill the member for any additional actuarial cost.	
HI	Hawaii ERS	No				
IA	Iowa PERS	No				
ID	Idaho PERS	Yes	Maximum of 48 months	The law requires that the full actuarial cost be paid for the service either by the employee or the employer may pay some or all of the cost.	We provide only air time.	http://www.persi.state.id.us/html/generalinformation/POS_brochure.htm
IL	Illinois Municipal					
IL	Illinois SERS					
IL	Illinois Teachers	No				
IL	Chicago Teachers					
IN	Indiana PERF					
IN	Indiana Teachers					
KS	Kansas PERS	No				
KS	Wichita RS					

Air Time Survey Results

State	System Name	Does your plan permit participants to purchase air time?	If so, what limits or restrictions are in place regarding the amount of time that may be purchased?	What is the cost basis of purchasing air time?	Other comments	Website info
KY	Kentucky RS	Yes	Employees who were participating in one of the retirement systems administered by the KRS before 7/15/02 may purchase up to 5 years of nonqualified service once they have 15 years of total service, including service in other state retirement systems. Of those 15 years, five years must be in a system administered by KRS. The nonqualified service may not be used for benefit purposes until the employee has attained 20 years of service, excluding the nonqualified service. An employee cannot purchase partial years of non-qualified service.	Full Actuarial Cost	Non-hazardous members eligible to purchase air time may use this time to vest towards the 25 year requirement for reduced service retirement benefits or the 27 year requirement for unreduced service retirement benefits and to meet eligibility requirements for the high-three final compensation window. To see how the cost is calculated, you may wish to view this link from our web site	http://www.kyret.com/publications/purchasecalculation.htm
KY	Kentucky Teachers	Yes	A limit of five years with twenty years of active service, purchasable at full-actuarial cost.	Full-actuarial cost. If they acquire it prior to retirement, they pay an estimated amount, with the final amount to be determined at the actual time of retirement. At that time the member may owe more to the System, or may be due a refund pending on the circumstances of that member at the time of retirement.	Due to the cost, we have only a few takers that purchase a year or more of time, but we do have a good number of members that may need only a fractional year of service to meet retirement conditions and therefore are willing to pay the cost of say .05 years of service.	
LA	Louisiana SERS	No			Legislation to allow air time is being considered in the legislature	
LA	Louisiana Teachers	No				
MA	Massachusetts SERS	No				
MA	Massachusetts Teachers	No				
MD	Maryland SRS	No				
ME	Maine SRS	No				
MI	Michigan Municipal	No				
MI	Michigan Public Schools	Yes	5 years	an actuarial percentage of the member's highest previous compensation, determined by the member's age and years of service	We call air time "Universal Buy-in"	http://www.michigan.gov/ors
MI	Michigan SERS	Yes	5 years	an actuarial percentage of the member's previous highest compensation and the percentage is based on the member's age	We call air time "Universal Buy-in"	http://www.michigan.gov/ors
MN	Minnesota State Employees	No				
MN	Minnesota Teachers	No				
MN	Minnesota PERA	No				
MN	Minneapolis Teachers					
MN	Duluth Teachers					
MN	Minneapolis ERF					
MN	St. Paul Teachers					
MO	Missouri State Employees	No				

Air Time Survey Results

State	System Name	Does your plan permit participants to purchase air time?	If so, what limits or restrictions are in place regarding the amount of time that may be purchased?	What is the cost basis of purchasing air time?	Other comments	Website info
MO	Missouri Schools	Yes	A member may purchase up to 5/10 of a year of credit. Must be within 5 years of being eligible to retire.	Pays both ee and er contributions for highest salary on record times number of tenths being purchased. (Example: Salary of $40,000. One-tenth salary ($4,000) x ee and er contribution rate (21%) = cost for one-tenth ($840).	Statute calls it "supplemental time"	
MO	Missouri Local	No				
MO	Missouri DOT and Highway Patrol	No				
MO	St. Louis School Employees	Yes	General rules: Must have at least 5 years continuous credited service and 1 year for each year purchased. Must also buy the entire amount of credited service for which eligible in a given category, i.e., substitute service, out-of-district service, refund service, etc.	With two exceptions, all of our service purchase provisions are at actuarial value. The exceptions are (a) in-district refund service where the member reimburses refunded contributions with interest, and (b) up to four-tenths of a year but only if needed to retire where the member pays both employee and employer contributions with interest.	Besides the four-tenths of a year (see response to previous question– which is a state-wide provision), the only other air-time we permit is up to five years during which a member was involuntarily laid-off, provided the member returned to full-time service and did not take a distribution of his/her previous contributions.	
MS	Mississippi PERS	No				
MT	Montana PERS	No				
MT	Montana Teachers	Yes	Vested members (5 years) may purchase 2 years of air time for a break in service provided they have 1 year of creditable service following the break.	Participants who became members after 7/1/89 pay the actuarial equivalent. All others pay, for each year purchased, the combined ee and er contribution rates in effect when they are first eligible to purchase the service, multiplied by their first full year's salary following the break, plus interest to the date of payment.	Participants may elect to purchase air time through tax deferred payroll deductions, i.e., employer pickup.	
NC	North Carolina RS					
ND	North Dakota PERS	Yes	upon becoming vested in our plan, we allow individuals to purchase up to 5 years of air/generic service credit.	Actuarial equivalent		
ND	North Dakota Teachers	Yes	member must be an active participant with five or more years of earned service credit. The maximum amount of air time purchase is five years.	Actuarial equivalent	Very popular	

Air Time Survey Results

State	System Name	Does your plan permit participants to purchase air time?	If so, what limits or restrictions are in place regarding the amount of time that may be purchased?	What is the cost basis of purchasing air time?	Other comments	Website info
NE	Omaha Schools	Yes	After a member is vested (5 years), that member may purchase up to 5 years of service credit, in 1/2 year increments.	Actuarial equivalent	Once begun, the member has 5 years to pay the cost of that purchase. They may have payments deducted on a pre-tax basis, they may pay with after tax dollars, or they may roll pre-tax funds from other retirement vehicles. The purchase may be accomplished in multiple individual purchases over the extent of their working years (ie a member could purchase 2 years and then later purchase 1 more year and then prior to retirement purchase another 2 years, so long as the total service purchased is 5 years or less)	
NE	Nebraska RS					
NH	New Hampshire RS	No				
NJ	New Jersey RS					
NM	New Mexico PERA	Yes	Our statute allows for purchases of monthly increments up to a maximum of one year.	full actuarial present value	To buy air time, the member must first be vested in the system. Also, the period of time purchased cannot be used in the determination of final average salary. The purchase of air time combined with the purchase of other permissive service credit cannot exceed a total of five (5) years	
NM	New Mexico Teachers	No				
NV	Nevada PERS	Yes	Up to five years	Full Actuarial Cost		
NY	NY SLRS	No				
NY	New York City Teachers					
NY	New York City ERS					
NY	New York State Teachers					
OH	Ohio PERS	No				
OH	Ohio School Employees	No				
OH	Ohio Teachers	No				
OK	Oklahoma PERS	No				
OK	Oklahoma Teachers	No				
OR	Oregon PERS					
PA	Pennsylvania State ERS					
PA	Pennsylvania School ERS	No				
RI	Rhode Island ERS	No				
SC	South Carolina RS	Yes	Active members with five or more years of earned service credit may establish up to five years of nonqualified service.	An active member may purchase up to 5 years of nonqualified service credit at a cost of thirty-five percent of the member's salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased.	We refer to air time in statute as nonqualified service. Opinion-it has been well-received by our members. Nonqualified service has been utilized extensively by our members to realize retirement objectives and by agencies implementing retirement incentive programs.	
SD	South Dakota PERS					
TN	Tennessee CSRS	No				
TX	Texas Municipal	No				
TX	Texas ERS					

Air Time Survey Results

State	System Name	Does your plan permit participants to purchase air time?	If so, what limits or restrictions are in place regarding the amount of time that may be purchased?	What is the cost basis of purchasing air time?	Other comments	Website info
TX	Texas Teachers	Yes	Members with seven years of earned service credit may purchase one, two, or three years.	Actuarial equivalent		http://www.trs.state.tx.us/Benefits/ServiceCredit_PurchaseMainPg.htm
TX	Texas County & District	No				
UT	Utah RS					
VA	Virginia Retirement System					
VA	Fairfax County Schools	No				
VT	Vermont RS					
WA	Washington State RS					
WI	Wisconsin Retirement System	No				
WV	West Virginia PERS					
WY	Wyoming Public Employees					

Select Committee on Pension Policy

Service Credit Purchase Draft Bill Sectional

(October 10, 2005)

Summary of Bill

The draft bill for purchasing additional service credit permits members of PERS, TRS and SERS, PSERS, LEOFF 1 and WSPRS to make a one-time purchase of additional service credit, subject to the following restrictions:

- the member must be eligible for normal retirement;
- the purchase must be made at the time of normal retirement;
- the amount of service credit to be purchased must not exceed five years;
- the member must pay the actuarial equivalent value of the resulting increase in the member's benefit; and
- the service is not membership service, and cannot be used to qualify the member for retirement.

The member may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan.

The following is a brief description of the individual bill sections.

Section 1: Amends PERS to establish members' ability to purchase additional service credit for Plans 1, 2 and 3.

Section 2: Amends TRS to establish members' ability to purchase additional service credit for Plans 1, 2 and 3.

Section 3: Amends SERS to establish members' ability to purchase additional service credit for Plans 2 and 3.

Section 4: Amends PSERS to establish members' ability to purchase additional service credit.

Section 5: Amends LEOFF Plan 1 to establish members' ability to purchase additional service credit.

Section 6: Amends the WSPRS to establish members' ability to purchase additional service credit.

Section 7: Provides for an effective date.

1 AN ACT Relating to permitting members of the public employees'
2 retirement system, the teachers' retirement system, the school
3 employees' retirement system, the public safety employees' retirement
4 system, plan 1 of the law enforcement officers' and fire fighters'
5 retirement system, and the Washington state patrol retirement system to
6 make a one-time purchase of additional service credit; adding a new
7 section to chapter 41.40 RCW; adding a new section to chapter 41.32
8 RCW; adding a new section to chapter 41.35 RCW; adding a new section to
9 chapter 41.37 RCW; adding a new section to chapter 41.26 RCW; adding a
10 new section to chapter 43.43 RCW; and providing an effective date.

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

12 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
13 under the subchapter heading "provisions applicable to plan 1, plan 2,
14 and plan 3" to read as follows:
15 (1) A member eligible to retire under RCW 41.40.180, 41.40.630(1),
16 or 41.40.820(1) may, at the time of filing a written application for
17 normal retirement with the department, apply to the department to make
18 a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and may not be used to qualify the member for retirement under RCW 41.40.180, 41.40.630(1), or 41.40.820(1).

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.32 RCW under the subchapter heading "provisions applicable to plan 1, plan 2, and plan 3" to read as follows:

(1) A member eligible to retire under RCW 41.32.480, 41.32.765(1), or 41.32.875(1) may, at the time of filing a written application for normal retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information

necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and may not be used to qualify the member for retirement under RCW 41.32.480, 41.32.765(1), or 41.32.875(1).

NEW SECTION. **Sec. 3.** A new section is added to chapter 41.35 RCW under the subchapter heading "provisions applicable to plan 2 and plan 3" to read as follows:

(1) A member eligible to retire under RCW 41.35.420(1) or 41.35.680(1) may, at the time of filing a written application for normal retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and may not be used to qualify the member for retirement under RCW 41.35.420(1) or 41.35.680(1).

NEW SECTION. **Sec. 4.** A new section is added to chapter 41.37 RCW to read as follows:

(1) A member eligible to retire under RCW 41.37.210 (1) or (2) may, at the time of filing a written application for normal or unreduced

retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and may not be used to qualify the member for retirement under RCW 41.37.210 (1) or (2).

NEW SECTION. **Sec. 5.** A new section is added to chapter 41.26 RCW under the subchapter heading "plan 1" to read as follows:

(1) A member eligible to retire under RCW 41.26.090 may, at the time of filing a written application for retirement for service with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a

rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and may not be used to qualify the member for retirement under RCW 41.26.090.

NEW SECTION. **Sec. 6.** A new section is added to chapter 43.43 RCW to read as follows:

(1) A member eligible to retire under RCW 43.43.250 may, at the time of filing a written application for retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and may not be used to qualify the member for retirement under RCW 43.43.250.

NEW SECTION. **Sec. 7.** This act takes effect July 1, 2007.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	**035**	**10/31/05**	**Z-0838.1**

SUMMARY OF BILL:

This bill impacts all plans within the Teachers Retirement System (TRS), School Employee's Retirement System (SERS), Public Employee's Retirement System (PERS), Public Safety Employee's Retirement System (PSERS), and Washington State Patrol Retirement System (WSPRS), as well as the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1) by permitting members who are eligible for normal or unreduced retirement to make a one-time purchase of up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit. A member may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The bill directs the department of retirement systems to promulgate rules to ensure IRS compliance. The additional service credit purchased under these provisions would not be membership service and would not be used to qualify the member for retirement.

Effective Date: July 1, 2007

CURRENT SITUATION:

Under current law, the opportunity to purchase additional service credit (or "air time") is limited. Only TRS, SERS, and PERS Plan 2/3 members who are eligible for **early or alternate early** retirement (age 55 with required service) may purchase up to 5 years of additional service credit at time of retirement. The member pays the full actuarial cost of the service credit with a lump sum payment, eligible rollover, direct rollover, and/or trustee-to-trustee transfer from an eligible retirement plan at the time of retirement. The service credit is not membership service and cannot be used to qualify the member for early or alternate early retirement; rather, the service credit enhances the benefit and serves as an "offset" to the early retirement reductions in those plans. Under current law, LEOFF Plan 2 members can purchase additional service credit at early, alternate early **or** normal retirement to enhance their benefits.

TRS, SERS, and PERS members who are eligible for **normal or unreduced** retirement do not currently have the option to purchase additional service credit. Also, the option to purchase additional service credit or "air time" is not available to members of LEOFF Plan 1, WSPRS and PSERS. (Note: There are no provisions for early or alternate early retirement in LEOFF 1 or WSPRS). Members of any of these retirement plans could, however, purchase an equivalent annuity through a private sector annuity provider. The cost of the annuity would vary from provider to provider and would be based on the particular annuity product offered. This bill provides the opportunity for members of the affected systems to enhance their normal or unreduced retirement benefits by purchasing additional service credit or "air time" through the Department of Retirement Systems.

MEMBERS IMPACTED:

Any future retiree from TRS, SERS, PERS, PSERS, WSPRS or LEOFF 1 could potentially be impacted by this bill, however, we do not expect a majority of members will choose to purchase additional service credit under this bill. The table below shows the active and terminated vested membership counts for the affected plans as of September 30, 2004.

System	Active	Term Vested
TRS	66,634	6,746
SERS	49,854	4,463
PERS*	156,256	21,031
WSPRS	1,057	39
LEOFF Plan 1	848	7

**Includes members who will transfer to PSERS.*

ASSUMPTIONS:

We have assumed that the member will pay the full "actuarial equivalent value of the resulting increase in the member's benefit" which includes the increase in benefit from additional years of service.

We have further assumed that this benefit proposal will not change future retirement behavior in the affected retirement systems since existing members currently have access to private-sector annuity providers that currently provide similar annuity products. We have also assumed that the full actuarial cost will include the cost of any adverse selection that may develop due to mortality experience and/or interest rate timing by the member.

FISCAL IMPACT:

None.

Age 70½ and Opt-in/Opt-out

(October 24, 2005)

Proposal

Allow members of PERS, SERS, and TRS who have attained age 70½ to retire and return to work without restriction. Such individuals would continue to draw a salary, but would cease active membership in their plans and would no longer accumulate service credit. The provision would not apply to state elected officials unless they leave elected office or are reelected after the effective date of the act.

Also allow members of TRS Plans 2 and 3, SERS, and PERS holding state elective office the option, at the beginning of each term of office, to continue active membership or to retire and begin receiving their retirement allowance

Staff

Robert Wm. Baker, Senior Research Analyst
(360) 786-6144

Members Impacted

This proposal would impact all PERS, SERS, and TRS members who desire to work beyond age 70½ and all members of PERS, SERS, and TRS 2/3 who hold state elective office.

As of the 2004 valuation there were 541 vested members of PERS, SERS, and TRS who were still working at age 70½.

At last count there were 153 state elective officials who were plan members without other public employment.

Current Situation

After separating from employment for one month, PERS and SERS retirees may return to work for up to 867 hours in a calendar year before their benefit is suspended. PERS 1 retirees who separated for three months may return to work for up to 1,500 hours in a calendar year before their benefit is suspended.

After separating from employment for one month, TRS 1 retirees may return to work for up to 1,500 hours in a school year before their benefit is suspended. After separating from employment for one month, TRS 2/3 retirees may return to work for up to 867 hours in a school year before their benefit is suspended.

State elected official members of most Washington State Retirement Systems and plans must separate from service in order to retire and begin receiving their retirement benefits, regardless of age. TRS 1 is the exception in permitting state elected officials who are TRS 1 members, if otherwise eligible, to begin receiving their retirement benefit while serving in state elective office. The LEOFF 1 plan also allows retired members to work for any non-LEOFF employer without a reduction of their benefits.

History

During the 2002 Interim, the Joint Committee on Pension Policy (JCPP) forwarded companion bills SB 5093 and HB 1209 to the 2003 legislature. These bills would have allowed members of PERS, SERS, and TRS Plans 1, 2, and 3 who have attained age 70½ and meet the vesting requirements of their plan to apply for retirement benefits without requiring that they separate from service. Such retirees would not be allowed to continue to make contributions and earn service credit. The bill passed in the Senate, but did not receive a hearing in the House.

The JCPP also forwarded companion bills HB 1201 and SB 5095 to the 2003 legislature. This legislation would have allowed PERS, SERS, TRS 2/3, or LEOFF 2 members holding state elective office the option, at the beginning of

each term of office, of continuing active membership or retiring and beginning their retirement allowance. SB 5095 passed the Senate. HB 1201 did not receive a hearing in the House.

In the 2004 interim the Select Committee on Pension Policy was briefed on the issues and recommended sponsoring legislation for the 2005 session. The resulting legislation, HB 1318, had a total employer cost of $4.6 million in 2005-07, $5.5 million in 2007-09, and $82.8 million through 2030. The bill received a hearing, but did not move from the House Appropriations Committee.

During the 2004 interim the LEOFF 2 retirement board recommended legislation affecting post-LEOFF 2 employment. The bill provides a member who is otherwise "estopped" from membership in another Washington public retirement system with the option to join membership in another Washington retirement system. The bill also provides retirees who become employed in eligible non-LEOFF positions with a choice to either receive their LEOFF pension or enter membership in another plan and suspend receipt of their LEOFF pension until their employment in the other system ends. The 2005 legislature passed the legislation and it was codified as Chapter 372, Laws of 2005.

Policy Analysis

The age 70½ issue was originally thought to involve compliance to federal rules mandating distribution of retirement allowances at age 70½. When it was discovered that those rules applied to private plans, the state provisions were repealed. This issue has now evolved from one in which older members may receive retirement benefits without separating from employment, to a post-retirement employment issue where members must separate from employment before being eligible for the benefit. This would establish a new age-based policy in the post-retirement employment arena.

The opt-in/opt-out issue is one in which inconsistencies already exist in the provisions of the various systems and plans. This proposal would remove much of that inconsistency, and standardize the optional membership of elected officials in a manner similar to existing TRS 1 and LEOFF 2 provisions. Additionally, this proposal may support attraction and retention of state elected officials.

Executive Committee Recommendation

At the October 2005 SCPP meeting, the executive committee moved to forward HB 1318 from the previous session to the full committee for re-endorsement.

Bill (2005)

Attached

Fiscal Note (2006 Draft)

Attached

Z-0196.2

HOUSE BILL 1318

State of Washington 59th Legislature 2005 Regular Session

By Representatives Crouse, Conway, Simpson, Upthegrove and Linville; by request of Select Committee on Pension Policy

Read first time 01/20/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to allowing certain members of the teachers',
2 school employees', and public employees' retirement systems to return
3 to work without restrictions or begin receiving their retirement
4 allowance before separation from state elective office; amending RCW
5 41.32.010, 41.32.263, 41.35.030, and 41.40.023; adding a new section to
6 chapter 41.32 RCW; adding a new section to chapter 41.35 RCW; and
7 adding a new section to chapter 41.40 RCW.

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

9 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
10 to read as follows:
11 A member who retires on or after attainment of age seventy and one-
12 half and enters employment with an employer at least one month after
13 his or her accrual date may continue to receive pension payments while
14 engaged in such service without restriction. The retiree is no longer
15 an active member and may not make contributions, or receive service
16 credit, for future periods of employment while receiving his or her
17 retirement allowance. This section does not apply to any member who is
18 a state elected official unless that member leaves elected office or is
19 reappointed or reelected after the effective date of this act.

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.35 RCW to read as follows:

A member who retires on or after attainment of age seventy and one-half and enters employment with an employer at least one month after his or her accrual date may continue to receive pension payments while engaged in such service without restriction. The retiree is no longer an active member and may not make contributions, or receive service credit, for future periods of employment while receiving his or her retirement allowance. This section does not apply to any member who is a state elected official unless that member leaves elected office or is reappointed or reelected after the effective date of this act.

NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW to read as follows:

A member who retires on or after attainment of age seventy and one-half and enters employment with an employer at least one month after his or her accrual date may continue to receive pension payments while engaged in such service without restriction. The retiree is no longer an active member and may not make contributions, or receive service credit, for future periods of employment while receiving his or her retirement allowance. This section does not apply to any member who is a state elected official unless that member leaves elected office or is reappointed or reelected after the effective date of this act.

Sec. 4. RCW 41.32.010 and 2003 c 31 s 1 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1)(a) "Accumulated contributions" for plan 1 members, means the sum of all regular annuity contributions and, except for the purpose of withdrawal at the time of retirement, any amount paid under RCW 41.50.165(2) with regular interest thereon.

(b) "Accumulated contributions" for plan 2 members, means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when

computed upon the basis of such mortality tables and regulations as shall be adopted by the director and regular interest.

(3) "Annuity" means the moneys payable per year during life by reason of accumulated contributions of a member.

(4) "Member reserve" means the fund in which all of the accumulated contributions of members are held.

(5)(a) "Beneficiary" for plan 1 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter.

(b) "Beneficiary" for plan 2 and plan 3 members, means any person in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by another person.

(6) "Contract" means any agreement for service and compensation between a member and an employer.

(7) "Creditable service" means membership service plus prior service for which credit is allowable. This subsection shall apply only to plan 1 members.

(8) "Dependent" means receiving one-half or more of support from a member.

(9) "Disability allowance" means monthly payments during disability. This subsection shall apply only to plan 1 members.

(10)(a) "Earnable compensation" for plan 1 members, means:

(i) All salaries and wages paid by an employer to an employee member of the retirement system for personal services rendered during a fiscal year. In all cases where compensation includes maintenance the employer shall fix the value of that part of the compensation not paid in money.

(ii) For an employee member of the retirement system teaching in an extended school year program, two consecutive extended school years, as defined by the employer school district, may be used as the annual period for determining earnable compensation in lieu of the two fiscal years.

(iii) "Earnable compensation" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer

to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation and the individual shall receive the equivalent service credit.

(B) If a leave of absence, without pay, is taken by a member for the purpose of serving as a member of the state legislature, and such member has served in the legislature five or more years, the salary which would have been received for the position from which the leave of absence was taken shall be considered as compensation earnable if the employee's contribution thereon is paid by the employee. In addition, where a member has been a member of the state legislature for five or more years, earnable compensation for the member's two highest compensated consecutive years of service shall include a sum not to exceed thirty-six hundred dollars for each of such two consecutive years, regardless of whether or not legislative service was rendered during those two years.

(iv) For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

(v) "Earnable compensation" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Earnable compensation" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Earnable compensation" for plan 2 and plan 3 members also includes the following actual or imputed payments which, except in the case of (b)(ii)(B) of this subsection, are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wages which the individual would have earned during a payroll period shall be considered earnable compensation, to the extent provided above, and the individual shall receive the equivalent service credit.

(ii) In any year in which a member serves in the legislature the member shall have the option of having such member's earnable compensation be the greater of:

(A) The earnable compensation the member would have received had such member not served in the legislature; or

(B) Such member's actual earnable compensation received for teaching and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions.

(11) "Employer" means the state of Washington, the school district, or any agency of the state of Washington by which the member is paid.

(12) "Fiscal year" means a year which begins July 1st and ends June 30th of the following year.

(13) "Former state fund" means the state retirement fund in operation for teachers under chapter 187, Laws of 1923, as amended.

(14) "Local fund" means any of the local retirement funds for teachers operated in any school district in accordance with the provisions of chapter 163, Laws of 1917 as amended.

(15) "Member" means any teacher included in the membership of the retirement system. Also, any other employee of the public schools who, on July 1, 1947, had not elected to be exempt from membership and who, prior to that date, had by an authorized payroll deduction, contributed to the member reserve.

(16) "Membership service" means service rendered subsequent to the first day of eligibility of a person to membership in the retirement system: PROVIDED, That where a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered. The provisions of this subsection shall apply only to plan 1 members.

(17) "Pension" means the moneys payable per year during life from the pension reserve.

(18) "Pension reserve" is a fund in which shall be accumulated an actuarial reserve adequate to meet present and future pension liabilities of the system and from which all pension obligations are to be paid.

(19) "Prior service" means service rendered prior to the first date of eligibility to membership in the retirement system for which credit is allowable. The provisions of this subsection shall apply only to plan 1 members.

(20) "Prior service contributions" means contributions made by a member to secure credit for prior service. The provisions of this subsection shall apply only to plan 1 members.

(21) "Public school" means any institution or activity operated by the state of Washington or any instrumentality or political subdivision thereof employing teachers, except the University of Washington and Washington State University.

(22) "Regular contributions" means the amounts required to be deducted from the compensation of a member and credited to the member's individual account in the member reserve. This subsection shall apply only to plan 1 members.

(23) "Regular interest" means such rate as the director may determine.

(24)(a) "Retirement allowance" for plan 1 members, means monthly payments based on the sum of annuity and pension, or any optional benefits payable in lieu thereof.

(b) "Retirement allowance" for plan 2 and plan 3 members, means monthly payments to a retiree or beneficiary as provided in this chapter.

(25) "Retirement system" means the Washington state teachers' retirement system.

(26)(a) "Service" for plan 1 members means the time during which a member has been employed by an employer for compensation.

(i) If a member is employed by two or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service is rendered.

(ii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(iii) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

(b) "Service" for plan 2 and plan 3 members, means periods of employment by a member for one or more employers for which earnable compensation is earned subject to the following conditions:

(i) A member employed in an eligible position or as a substitute shall receive one service credit month for each month of September through August of the following year if he or she earns earnable compensation for eight hundred ten or more hours during that period and is employed during nine of those months, except that a member may not receive credit for any period prior to the member's employment in an eligible position except as provided in RCW 41.32.812 and 41.50.132((~~;~~)).

(ii) If a member is employed either in an eligible position or as a substitute teacher for nine months of the twelve month period between September through August of the following year but earns earnable compensation for less than eight hundred ten hours but for at least six hundred thirty hours, he or she will receive one-half of a service credit month for each month of the twelve month period((~~;~~)).

(iii) All other members in an eligible position or as a substitute teacher shall receive service credit as follows:

(A) A service credit month is earned in those calendar months where earnable compensation is earned for ninety or more hours;

(B) A half-service credit month is earned in those calendar months where earnable compensation is earned for at least seventy hours but less than ninety hours; and

(C) A quarter-service credit month is earned in those calendar months where earnable compensation is earned for less than seventy hours.

(iv) Any person who is a member of the teachers' retirement system and who is elected or appointed to a state elective position may continue to be a member of the retirement system and continue to receive a service credit month for each of the months in a state elective position by making the required member contributions.

(v) Any member of the teachers' retirement system plan 2 or plan 3 who is elected to the state legislature has the option during a ninety-day period at the beginning of each term of office either to resume membership or to end membership in the retirement system and if otherwise eligible begin their retirement allowance. A state legislator who chooses to end membership at the beginning of a term of office and begin their retirement allowance shall neither make contributions nor earn service credit for the duration of that term.

(vi) Any member of the teachers' retirement system plan 2 or plan 3 who is elected to a state elective position other than the state legislature has the option during a ninety-day period at the beginning of each term of office either to resume membership or to end membership in the retirement system and if otherwise eligible begin their retirement allowance. A state elected official other than a state legislator who chooses to end membership at the beginning of a term of office and begin their retirement allowance shall neither make contributions nor earn service credit for the duration of that term.

(vii) When an individual is employed by two or more employers the individual shall only receive one month's service credit during any calendar month in which multiple service for ninety or more hours is rendered.

((~~(vi)~~)) (viii) As authorized by RCW 28A.400.300, up to forty-five days of sick leave may be creditable as service solely for the purpose of determining eligibility to retire under RCW 41.32.470. For purposes of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days

of sick leave is creditable as allowed under this subsection as follows:

(A) Less than eleven days equals one-quarter service credit month;

(B) Eleven or more days but less than twenty-two days equals one-half service credit month;

(C) Twenty-two days equals one service credit month;

(D) More than twenty-two days but less than thirty-three days equals one and one-quarter service credit month;

(E) Thirty-three or more days but less than forty-five days equals one and one-half service credit month.

((~~(viii)~~)) (ix) As authorized in RCW 41.32.065, service earned in an out-of-state retirement system that covers teachers in public schools may be applied solely for the purpose of determining eligibility to retire under RCW 41.32.470.

((~~(viii)~~)) (x) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990, through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

(b) "Eligible position" for plan 2 and plan 3 on and after September 1, 1991, means a position that, as defined by the employer, normally requires five or more months of at least seventy hours of earnable compensation during September through August of the following year.

(c) For purposes of this chapter an employer shall not define "position" in such a manner that an employee's monthly work for that employer is divided into more than one position.

(d) The elected position of the superintendent of public instruction is an eligible position.

(38) "Plan 1" means the teachers' retirement system, plan 1 providing the benefits and funding provisions covering persons who first became members of the system prior to October 1, 1977.

(39) "Plan 2" means the teachers' retirement system, plan 2 providing the benefits and funding provisions covering persons who first became members of the system on and after October 1, 1977, and prior to July 1, 1996.

(40) "Plan 3" means the teachers' retirement system, plan 3

providing the benefits and funding provisions covering persons who first become members of the system on and after July 1, 1996, or who transfer under RCW 41.32.817.

(41) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items compiled by the bureau of labor statistics, United States department of labor.

(42) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer.

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

Sec. 5. RCW 41.32.263 and 1991 c 35 s 41 are each amended to read as follows:

A member of the retirement system who is a member of the state legislature or a state official eligible for the combined pension and annuity provided by RCW 41.32.497((~~,~~)) or 41.32.498((~~, as now or hereafter amended~~)) shall have deductions taken from his or her salary in the amount of seven and one-half percent of earnable compensation and that service credit shall be established with the retirement system while such deductions are reported to the retirement system, unless he or she has by reason of his or her employment become a contributing

member of another public retirement system in the state of Washington. Such elected official who has retired or otherwise terminated his or her public school service may then elect to terminate his or her membership in the retirement system and receive retirement benefits while continuing to serve as an elected official. A member of the retirement system who had previous service as an elected or appointed official, for which he or she did not contribute to the retirement system, may receive credit for such legislative service unless he or she has received credit for that service in another state retirement system, upon making contributions in such amounts as shall be determined by the ((~~board of trustees~~)) director.

Sec. 6. RCW 41.35.030 and 2003 c 157 s 2 are each amended to read as follows:

Membership in the retirement system shall consist of all regularly compensated classified employees and appointive and elective officials of employers, as defined in this chapter, with the following exceptions:

(1) Persons in ineligible positions;

(2)(a) Persons holding elective offices or persons appointed directly by the governor: PROVIDED, That such persons shall have the option of applying for membership during such periods of employment: AND PROVIDED FURTHER, That any persons holding or who have held elective offices or persons appointed by the governor who are members in the retirement system and who have, prior to becoming such members, previously held an elective office, and did not at the start of such initial or successive terms of office exercise their option to become members, may apply for membership to be effective during such term or terms of office, and shall be allowed to establish the service credit applicable to such term or terms of office upon payment of the employee contributions therefor by the employee with interest as determined by the director and employer contributions therefor by the employer or employee with interest as determined by the director: AND PROVIDED FURTHER, That all contributions with interest submitted by the employee under this subsection shall be placed in the employee's individual account in the employee's savings fund and be treated as any other contribution made by the employee, with the exception that any contributions submitted by the employee in payment of the employer's

obligation, together with the interest the director may apply to the employer's contribution, shall not be considered part of the member's annuity for any purpose except withdrawal of contributions;

(b) A member holding elective office other than state elective office who has elected to apply for membership pursuant to (a) of this subsection and who later ((~~wishes to be~~)) is eligible for a retirement allowance shall have the option of ending his or her membership in the retirement system. A member ((~~wishing to end~~)) ending his or her membership under this subsection must file on a form supplied by the department a statement indicating that the member agrees to irrevocably abandon any claim for service for future periods served as an elected official. A member who receives more than fifteen thousand dollars per year in compensation for his or her elective service, adjusted annually for inflation by the director, is not eligible for the option provided by this subsection (2)(b);

(c) Any member of the school employees' retirement system plan 2 or plan 3 who is elected to the state legislature has the option during a ninety-day period at the beginning of each term of office either to resume membership or to end membership in the retirement system and if otherwise eligible begin their retirement allowance. A state legislator who chooses to end membership at the beginning of a term of office and begin their retirement allowance shall neither make contributions nor earn service credit for the duration of that term;

(d) Any member of the school employees' retirement system plan 2 or plan 3 who is elected to a state elective position other than the state legislature has the option during a ninety-day period at the beginning of each term of office either to resume membership or to end membership in the retirement system and if otherwise eligible begin their retirement allowance. A state elected official other than a state legislator who chooses to end membership at the beginning of a term of office and begin their retirement allowance shall neither make contributions nor earn service credit for the duration of that term;

(3) Retirement system retirees: PROVIDED, That following reemployment in an eligible position, a retiree may elect to prospectively become a member of the retirement system if otherwise eligible;

(4) Persons enrolled in state-approved apprenticeship programs, authorized under chapter 49.04 RCW, and who are employed by employers

to earn hours to complete such apprenticeship programs, if the employee is a member of a union-sponsored retirement plan and is making contributions to such a retirement plan or if the employee is a member of a Taft-Hartley retirement plan;

(5) Persons rendering professional services to an employer on a fee, retainer, or contract basis or when the income from these services is less than fifty percent of the gross income received from the person's practice of a profession;

(6) Substitute employees, except for the purposes of the purchase of service credit under rcw 41.35.033. Upon the return or termination of the absent employee a substitute employee is replacing, that substitute employee shall no longer be ineligible under this subsection;

(7) Employees who (a) are not citizens of the United States, (b) do not reside in the United States, and (c) perform duties outside of the United States;

(8) Employees who (a) are not citizens of the United States, (b) are not covered by chapter 41.48 RCW, (c) are not excluded from membership under this chapter or chapter 41.04 RCW, (d) are residents of this state, and (e) make an irrevocable election to be excluded from membership, in writing, which is submitted to the director within thirty days after employment in an eligible position;

(9) Employees who are citizens of the United States and who reside and perform duties for an employer outside of the United States: PROVIDED, That unless otherwise excluded under this chapter or chapter 41.04 RCW, the employee may apply for membership (a) within thirty days after employment in an eligible position and membership service credit shall be granted from the first day of membership service, and (b) after this thirty-day period, but membership service credit shall be granted only if payment is made for the noncredited membership service under RCW 41.50.165(2), otherwise service shall be from the date of application.

Sec. 7. RCW 41.40.023 and 2001 c 37 s 1 are each amended to read as follows:

Membership in the retirement system shall consist of all regularly compensated employees and appointive and elective officials of employers, as defined in this chapter, with the following exceptions:

(1) Persons in ineligible positions;

(2) Employees of the legislature except the officers thereof elected by the members of the senate and the house and legislative committees, unless membership of such employees be authorized by the said committee;

(3)(a) Persons holding elective offices or persons appointed directly by the governor: PROVIDED, That such persons shall have the option of applying for membership during such periods of employment: AND PROVIDED FURTHER, That any persons holding or who have held elective offices or persons appointed by the governor who are members in the retirement system and who have, prior to becoming such members, previously held an elective office, and did not at the start of such initial or successive terms of office exercise their option to become members, may apply for membership to be effective during such term or terms of office, and shall be allowed to establish the service credit applicable to such term or terms of office upon payment of the employee contributions therefor by the employee with interest as determined by the director and employer contributions therefor by the employer or employee with interest as determined by the director: AND PROVIDED FURTHER, That all contributions with interest submitted by the employee under this subsection shall be placed in the employee's individual account in the employee's savings fund and be treated as any other contribution made by the employee, with the exception that any contributions submitted by the employee in payment of the employer's obligation, together with the interest the director may apply to the employer's contribution, shall not be considered part of the member's annuity for any purpose except withdrawal of contributions;

(b) A member holding elective office <u>other than state elective office</u> who has elected to apply for membership pursuant to (a) of this subsection and who later ((~~wishes to be~~)) <u>is</u> eligible for a retirement allowance shall have the option of ending his or her membership in the retirement system. A member ((~~wishing to end~~)) <u>ending</u> his or her membership under this subsection must file, on a form supplied by the department, a statement indicating that the member agrees to irrevocably abandon any claim for service for future periods served as an elected official. A member who receives more than fifteen thousand dollars per year in compensation for his or her elective service,

adjusted annually for inflation by the director, is not eligible for the option provided by this subsection (3)(b);

(c) Any member of the public employees' retirement system who is elected to the state legislature has the option during a ninety-day period at the beginning of each term of office either to resume membership or to end membership in the retirement system and if otherwise eligible begin their retirement allowance. A state legislator who chooses to end membership at the beginning of a term of office and begin their retirement allowance shall neither make contributions nor earn service credit for the duration of that term;

(d) Any member of the public employees' retirement system who is elected to a state elective position other than the state legislature has the option during a ninety-day period at the beginning of each term of office either to resume membership or to end membership in the retirement system and if otherwise eligible begin their retirement allowance. A state elected official other than a state legislator who chooses to end membership at the beginning of a term of office and begin their retirement allowance shall neither make contributions nor earn service credit for the duration of that term;

(4) Employees holding membership in, or receiving pension benefits under, any retirement plan operated wholly or in part by an agency of the state or political subdivision thereof, or who are by reason of their current employment contributing to or otherwise establishing the right to receive benefits from any such retirement plan except as follows:

(a) In any case where the retirement system has in existence an agreement with another retirement system in connection with exchange of service credit or an agreement whereby members can retain service credit in more than one system, such an employee shall be allowed membership rights should the agreement so provide;

(b) An employee shall be allowed membership if otherwise eligible while receiving survivor's benefits;

(c) An employee shall not either before or after June 7, 1984, be excluded from membership or denied service credit pursuant to this subsection solely on account of: (i) Membership in the plan created under chapter 2.14 RCW; or (ii) enrollment under the relief and compensation provisions or the pension provisions of the volunteer fire fighters' relief and pension fund under chapter 41.24 RCW;

(d) Except as provided in RCW 41.40.109, on or after July 25, 1999, an employee shall not be excluded from membership or denied service credit pursuant to this subsection solely on account of participation in a defined contribution pension plan qualified under section 401 of the internal revenue code;

(e) Employees who have been reported in the retirement system prior to July 25, 1999, and who participated during the same period of time in a defined contribution pension plan qualified under section 401 of the internal revenue code and operated wholly or in part by the employer, shall not be excluded from previous retirement system membership and service credit on account of such participation;

(5) Patient and inmate help in state charitable, penal, and correctional institutions;

(6) "Members" of a state veterans' home or state soldiers' home;

(7) Persons employed by an institution of higher learning or community college, primarily as an incident to and in furtherance of their education or training, or the education or training of a spouse;

(8) Employees of an institution of higher learning or community college during the period of service necessary to establish eligibility for membership in the retirement plans operated by such institutions;

(9) Persons rendering professional services to an employer on a fee, retainer, or contract basis or when the income from these services is less than fifty percent of the gross income received from the person's practice of a profession;

(10) Persons appointed after April 1, 1963, by the liquor control board as agency vendors;

(11) Employees of a labor guild, association, or organization: PROVIDED, That elective officials and employees of a labor guild, association, or organization which qualifies as an employer within this chapter shall have the option of applying for membership;

(12) Retirement system retirees: PROVIDED, That following reemployment in an eligible position, a retiree may elect to prospectively become a member of the retirement system if otherwise eligible;

(13) Persons employed by or appointed or elected as an official of a first class city that has its own retirement system: PROVIDED, That any member elected or appointed to an elective office on or after April 1, 1971, shall have the option of continuing as a member of this system

in lieu of becoming a member of the city system. A member who elects to continue as a member of this system shall pay the appropriate member contributions and the city shall pay the employer contributions at the rates prescribed by this chapter. The city shall also transfer to this system all of such member's accumulated contributions together with such further amounts as necessary to equal all employee and employer contributions which would have been paid into this system on account of such service with the city and thereupon the member shall be granted credit for all such service. Any city that becomes an employer as defined in RCW 41.40.010(4) as the result of an individual's election under this subsection shall not be required to have all employees covered for retirement under the provisions of this chapter. Nothing in this subsection shall prohibit a city of the first class with its own retirement system from: (a) Transferring all of its current employees to the retirement system established under this chapter, or (b) allowing newly hired employees the option of continuing coverage under the retirement system established by this chapter.

Notwithstanding any other provision of this chapter, persons transferring from employment with a first class city of over four hundred thousand population that has its own retirement system to employment with the state department of agriculture may elect to remain within the retirement system of such city and the state shall pay the employer contributions for such persons at like rates as prescribed for employers of other members of such system;

(14) Employees who (a) are not citizens of the United States, (b) do not reside in the United States, and (c) perform duties outside of the United States;

(15) Employees who (a) are not citizens of the United States, (b) are not covered by chapter 41.48 RCW, (c) are not excluded from membership under this chapter or chapter 41.04 RCW, (d) are residents of this state, and (e) make an irrevocable election to be excluded from membership, in writing, which is submitted to the director within thirty days after employment in an eligible position;

(16) Employees who are citizens of the United States and who reside and perform duties for an employer outside of the United States: PROVIDED, That unless otherwise excluded under this chapter or chapter 41.04 RCW, the employee may apply for membership (a) within thirty days after employment in an eligible position and membership service credit

shall be granted from the first day of membership service, and (b) after this thirty-day period, but membership service credit shall be granted only if payment is made for the noncredited membership service under RCW 41.50.165(2), otherwise service shall be from the date of application;

(17) The city manager or chief administrative officer of a city or town, other than a retiree, who serves at the pleasure of an appointing authority: PROVIDED, That such persons shall have the option of applying for membership within thirty days from date of their appointment to such positions. Persons serving in such positions as of April 4, 1986, shall continue to be members in the retirement system unless they notify the director in writing prior to December 31, 1986, of their desire to withdraw from membership in the retirement system. A member who withdraws from membership in the system under this section shall receive a refund of the member's accumulated contributions.

Persons serving in such positions who have not opted for membership within the specified thirty days, may do so by paying the amount required under RCW 41.50.165(2) for the period from the date of their appointment to the date of acceptance into membership;

(18) Persons serving as: (a) The chief administrative officer of a public utility district as defined in RCW 54.16.100; (b) the chief administrative officer of a port district formed under chapter 53.04 RCW; or (c) the chief administrative officer of a county who serves at the pleasure of an appointing authority: PROVIDED, That such persons shall have the option of applying for membership within thirty days from the date of their appointment to such positions. Persons serving in such positions as of July 25, 1999, shall continue to be members in the retirement system unless they notify the director in writing prior to December 31, 1999, of their desire to withdraw from membership in the retirement system. A member who withdraws from membership in the system under this section shall receive a refund of the member's accumulated contributions upon termination of employment or as otherwise consistent with the plan's tax qualification status as defined in internal revenue code section 401.

Persons serving in such positions who have not opted for membership within the specified thirty days, may do so at a later date by paying the amount required under RCW 41.50.165(2) for the period from the date of their appointment to the date of acceptance into membership;

(19) Persons enrolled in state-approved apprenticeship programs, authorized under chapter 49.04 RCW, and who are employed by local governments to earn hours to complete such apprenticeship programs, if the employee is a member of a union-sponsored retirement plan and is making contributions to such a retirement plan or if the employee is a member of a Taft-Hartley retirement plan;

(20) Beginning on July 22, 2001, persons employed exclusively as trainers or trainees in resident apprentice training programs operated by housing authorities authorized under chapter 35.82 RCW, (a) if the trainer or trainee is a member of a union-sponsored retirement plan and is making contributions to such a retirement plan or (b) if the employee is a member of a Taft-Hartley retirement plan.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	**035**	**10/26/05**	**HB 1318 (2006)**

SUMMARY OF BILL:

This bill impacts the Public Employee's Retirement System, School Employee's Retirement System, and Teachers Retirement System by allowing members who retire on or after age seventy and one-half, and who fulfill the 1 month separation requirement, to return to work without restriction; upon receipt of retirement benefits such an individual would cease active membership and no longer make contributions nor receive service credit. Current state elected and appointed officials are exempt from this act unless they leave elected office, or are re-elected after the effective date of the act.

The bill also allows state elective officials the option to continue or resume membership, and if otherwise eligible, retire and receive their retirement allowance at the beginning of each term of office. A state elected official member who chooses to end membership at the beginning of a term of office shall neither make contributions nor earn service credit for the duration of that term.

Effective Date: 90 days after session.

CURRENT SITUATION:

After a one-month separation, PERS, SERS, and TRS 2/3 retirees may return to work for 867 hours per calendar year or school year before their benefit is suspended. PERS 1 members may return to work after a 3-month separation and work up to 1,500 hours per calendar year before their benefit is suspended. TRS 1 members may return to work after a one-month separation and work for up to 1,500 hours per school year before their benefit is suspended.

State elected official members of most Washington State Retirement Systems and plans must separate from service in order to retire and begin receipt of their retirement benefits regardless of age. While the rules for state elected officials vary by system and plan, the Teachers' Retirement System Plan 1 is a notable distinction in permitting state elected officials, if otherwise eligible, to begin their retirement benefit while serving in state elective office.

MEMBERS IMPACTED:

We estimate that potentially all active members in these systems could be affected by the age 70 1/2 portion of this bill. Active members currently over age 70 1/2 would be impacted on the effective date of the bill. This includes 375 out of 156,256 active members in PERS, 31 out of 66,634 in TRS, and 135 out of 49,854 in SERS.

We estimate that relatively few members in these systems could be affected by the opt-in/opt-out portion of this bill, although nearly all members could potentially become elected officials. The opt-in/opt-out portion of the bill would impact the current state elected officials in the systems if they are reelected following the effective date. This includes 148 active members in PERS, 1 in TRS (not including 4 in TRS 1 who already have the opt-in/opt-out provision), and 0 in SERS.

We estimate that a typical member impacted by the age 70 1/2 provision of this bill would receive a benefit of about $11,700 per year, but would give up additional benefit accruals of about $1,000 per year. For example, a PERS member who retired at age 74 with 19 years of service would receive an annual benefit of $13,200; waiting one additional year to retire would result in an annual benefit of $14,400. A typical SERS member who retired at age 74 with 12 years of service would receive an annual benefit of $4,600; waiting one additional year to retire would result in an annual benefit of $5,200. The impact on long service members over age 70 1/2, and not subject to the 30-year service cap, is greater than the impact on short service members.

ASSUMPTIONS:

Our current retirement rate assumptions have all members retiring at age 70 or earlier. The members over 70 1/2 who continue working after we have assumed they will retire, typically produce an actuarial experience gain to the system. In general, the benefits earned for each year of additional service and increases in pay after age 70 are not as valuable as the retirement benefits that could have been received in the year. This is especially true for Plan 1 members who already have hit the 30-year maximum on service.

To determine the cost of the age 70 1/2 provision, we started with an assumption change for the retirement rates at age 70 and beyond. For PERS and SERS, we replaced our 100% retirement assumption at age 70 with 25% per year from age 70 to 81 and 100% at age 82. We did not change the rates before age 70. For TRS, we did not change our 100% assumption at age 70, because the number of active TRS members working past age 70 is not significant compared to PERS and SERS, and the oldest active TRS member is 78, compared to 88 in both PERS and SERS. So we would not expect any significant cost impact for TRS.

For PERS and SERS, we compared the costs of the plans with the new retirement assumption to the costs using an alternative retirement assumption. We increased the 25% rate to 37.5% as an estimate of how many more active members over age 70 1/2 would retire after the bill is effective.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

(Dollars in Millions)		Current	Increase	Total
Actuarial Present Value of Projected Benefits	**PERS**	$ 28,099	$ 19	$ 28,118
(The Value of the Total Commitment to all Current Members)	**TRS**	$ 15,616	$ 0	$ 15,616
	SERS	$ 2,126	$ 1	$ 2,127
Unfunded Actuarial Accrued Liability	**PERS**	$ 2,563	$ 8	$ 2,571
(The Portion of the Plan 1 Liability that is Amortized at 2024)	**TRS**	$ 1,415	$ 0	$ 1,415
	SERS	$ N/A	$ N/A	$ N/A
Unfunded Liability (PBO)	**PERS**	$ (673)	$ 18	$ (655)
(The Value of the Total Commitment to all Current Members Attributable to Past Service)	**TRS**	$ (235)	$ 0	$ (235)
	SERS	$ (439)	$ 1	$ (438)

Increase in Contribution Rates:
(Effective 9/1/06)

	PERS	TRS	SERS
Current Members			
Employee	0.02%	0.00%	0.01%
Employer State*	0.03%	0.00%	0.02%
New Entrants**			
Employee	0.01%	0.00%	0.00%
Employer State	0.01%	0.00%	0.00%

** 0.01% of the total employer rate increase goes toward amortizing the Plan 1 UAAL.*
***Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	$0.3	$0.0	$0.1	$0.4
Non-General Fund	$0.6	$0.0	$0.0	$0.6
Total State	**$0.9**	**$0.0**	**$0.1**	**$1.0**
Local Government	$0.9	$0.0	$0.1	$1.0
Total Employer	$1.8	$0.0	$0.2	$2.0
Total Employee	$0.9	$0.0	$0.0	$0.9
2007-2009				
State:				
General Fund	$0.8	$0.0	$0.2	$1.0
Non-General Fund	$1.6	$0.0	$0.0	$1.6
Total State	**$2.4**	**$0.0**	**$0.2**	**$2.6**
Local Government	$2.2	$0.0	$0.4	$2.6
Total Employer	$4.6	$0.0	$0.6	$5.2
Total Employee	$2.2	$0.0	$0.1	$2.3
2006-2031				
State:				
General Fund	$13.9	$0.0	$2.2	$16.1
Non-General Fund	$25.4	$0.0	$0.0	$25.4
Total State	**$39.3**	**$0.0**	**$2.2**	**$41.5**
Local Government	$35.4	$0.0	$3.6	$39.0
Total Employer	$74.7	$0.0	$5.8	$80.5
Total Employee	$31.5	$0.0	$0.6	$32.1

State Actuary's Comments:

The postponed retirements after age 70 1/2 currently produce actuarial gains. The age 70 1/2 portion of the bill would reduce these gains. The opt-in/opt-out provision of the bill would apply to a small group of members and the associated cost would be insufficient to increase rates.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2004 actuarial valuation report of the Teacher's Retirement System, School Employees' Retirement System, and Public Employees' Retirement System.

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

3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: The retirement rate assumptions for PERS and SERS were changed. The retirement rate of 100% at age 70 was changed to 25% from age 70 to 81 and 100% at age 82.

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

5. This draft fiscal note is intended for use only during the 2006 Legislative Session.

6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.

7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

8. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members. Rate increases are based on rates that exclude the cost of gain sharing.

GLOSSARY OF ACTUARIAL TERMS:

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

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

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method.

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

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

- Normal cost; plus
- 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.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

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

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation 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.

LEOFF 1 Benefit Cap

(October 24, 2005)

Proposal

Representatives of active members of the Law Enforcement Officers' and Fire Fighters' Plan 1 (LEOFF 1) have proposed removing or raising the cap that limits members' maximum retirement benefit to 60 percent of Final Average Salary (FAS).

Staff

Robert Wm. Baker, Senior Research Analyst
(360) 786-6144

Members Impacted

As will be reported in the upcoming 2004 valuation, the LEOFF 1 plan had 848 active members and 8,542 annuitants as of September 30, 2004. Of these remaining active members, 454 are subject to the 60 percent benefit cap.

Current Situation

When first founded in 1971, LEOFF 1 had no benefit cap. With the passage of Chapter 120, Laws of 1974, members' benefits were capped at 60 percent of FAS. Those hired into LEOFF 1 positions on or after February 19, 1974, – the effective date of the act – are subject to the 60 percent cap. Those hired prior to that date are not subject to the cap.

Of the 8,542 LEOFF 1 annuitants counted in the 2004 actuarial valuation, 2,345 were service retirees who became members prior to February 19, 1974. Of those, 717 had a benefit that was greater than 60 percent of their FAS.

In addition to LEOFF 1 members hired on or after February 19, 1974, both the Public Employees' Retirement System (PERS) Plan 1 and the Teachers' Retirement System (TRS) Plan 1 have provisions capping retirement benefits at 60 percent of Average Final Compensation (AFC).

Unlike LEOFF 1, the benefit cap in PERS 1 and TRS 1 was part of the original plan design, not added later. The Washington State Patrol Retirement System also has a benefit cap, but at 75 percent of FAS instead of 60 percent.

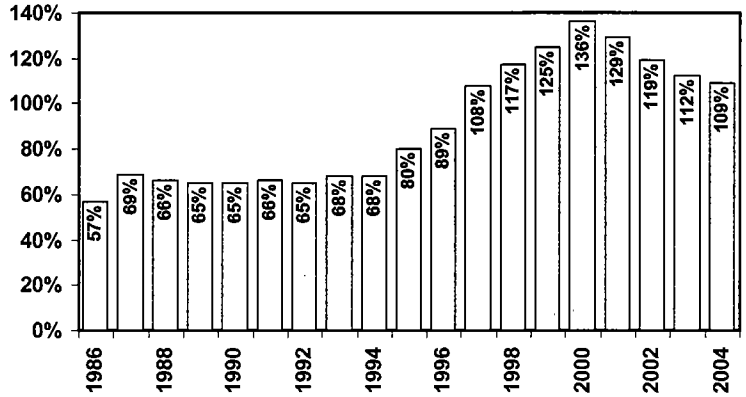
Unlike LEOFF 1, no LEOFF 2 members are subject to a benefit cap. LEOFF 2 uses a 60 month period for determining a member's FAS compared to the two year average in LEOFF 1; members are also required to be age 53 to receive an unreduced benefit compared to age 50 in LEOFF 1. Despite the differences in the Plan 1 and Plan 2 provisions, both are still age-based plans.

The remaining plans 2/3 also have no benefit cap and are age-based plans as opposed to the TRS 1 and PERS 1 designs, which are service-based. The School Employees' Retirement System (SERS), PERS, and TRS plans 2/3 require members to be age 65 in order to receive an unreduced defined benefit.

Surplus Status

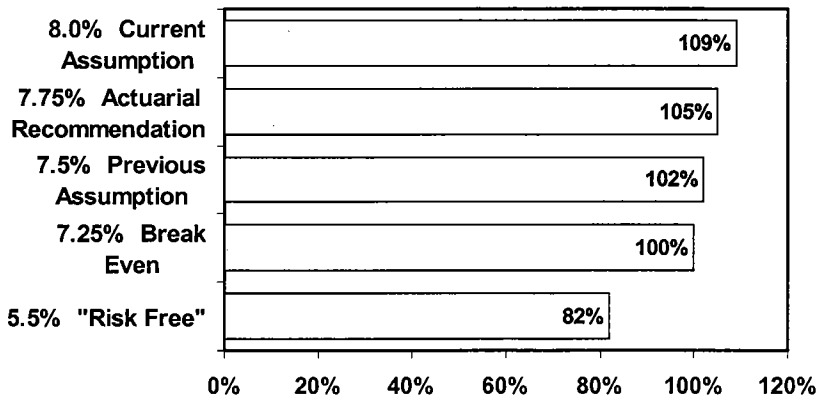
At the height of the previous investment cycle in 2000, the plan had a funded ratio of 136 percent (see Figure 1, below). At that point, the funding section of the chapter LEOFF 1 was amended to include the following provision: "No employer or member contribution is required after June 30, 2000, unless the most recent valuation study for Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 indicates the plan has unfunded liabilities." For the most recent valuation period, the funding ratio was 109 percent.

Figure 1
LEOFF 1 Funded Ratio: 1986 - 2004



As seen in the above illustration, a plan's funding ratio can be volatile. It is subject to not only the vagaries of the investment markets, but also changes in the plan's economic assumptions as well. An example of this is the change in the assumed rate of return on plan assets; in 2000 the assumed rate of return was increased from 7.5 percent to 8.0 percent. By assuming a higher investment return on assets, fewer contributions are needed to cover its liabilities. Similarly, a given dollar amount of assets will represent a greater funding ratio under an 8.0 percent rate of return assumption than under a 7.5 percent rate of return assumption (see Figure 2).

Figure 2
LEOFF 1 Funded Ratio by Select Interest Rates

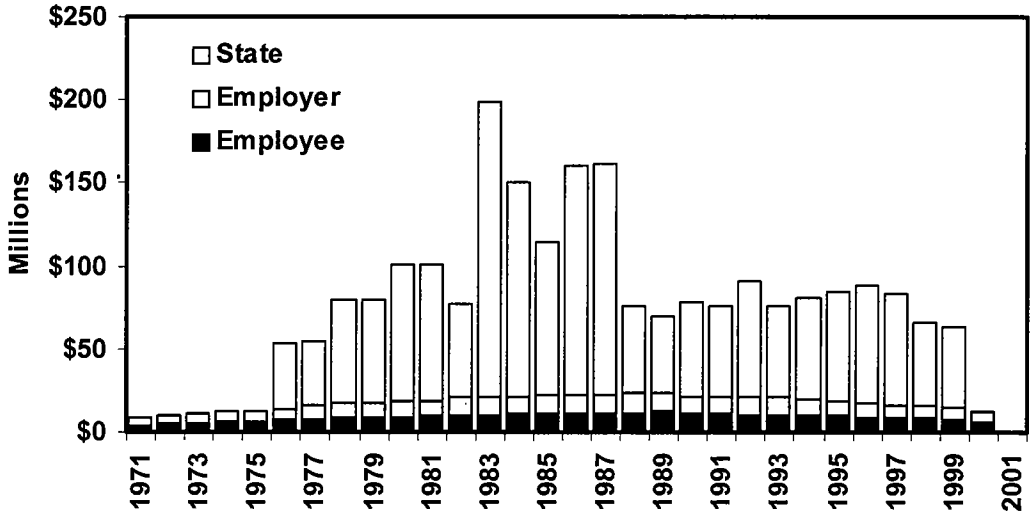


Contributions

When established on March 1, 1970, the LEOFF Plan 1 was to be funded through member, employer, and state contributions. The state's contribution was determined through the plan's first actuarial valuation performed by Milliman & Robertson, Inc. Consulting Actuaries. That valuation was completed on October 9, 1970. The report valued the current service liability of the system at 30.27 percent of salary and the unfunded liability for prior service at 14.89 percent of salary, for a total required contribution of 45.16 percent of salary. As the member and employer contributions were set in statute at 6.0 percent each, the state's contribution obligation in the first biennium was the remaining 33.16 percent of salary.

The state did not make contributions to LEOFF 1 in the first five years of its existence. But in the subsequent years, from 1976 through 1999, the state made the necessary appropriations and contributions (see Figure 3).

Figure 3
LEOFF 1 Member, Employer, and State Contributions



It is likely that the five-year delay in funding by the state resulted in a subsequently higher average contribution rate than the original recommendation. By the end of 2000, the state's contribution rate over the entire funding period averaged 40.4 percent of salary - over three-fourths of all the contributions to LEOFF 1 were state contributions (see Appendix A).

Active Member Profile

As will be reported in the 2004 valuation, the average age of the remaining active LEOFF 1 member is 54.8 years and their average member service is 30.2 years. For members to be eligible for retirement in LEOFF 1 they need to be 50 years of age with at least five years of service. As of the 2004 valuation, only 62 members were not retirement eligible, 12 of whom were not vested. The following sections provide some additional detail on active LEOFF 1 members.

> *Category:* The 848 active members are comprised of 408 police officers and 440 fire fighters. The majority of police officer active members are not subject to the benefit cap, while the majority of fire fighter active members are subject to the cap (see Figure 4). Among fire fighters, members from first-class cities represent the majority of active members; this is a departure from the police officer employer distribution and is likely a result of a greater use of volunteer fire fighters in rural areas.

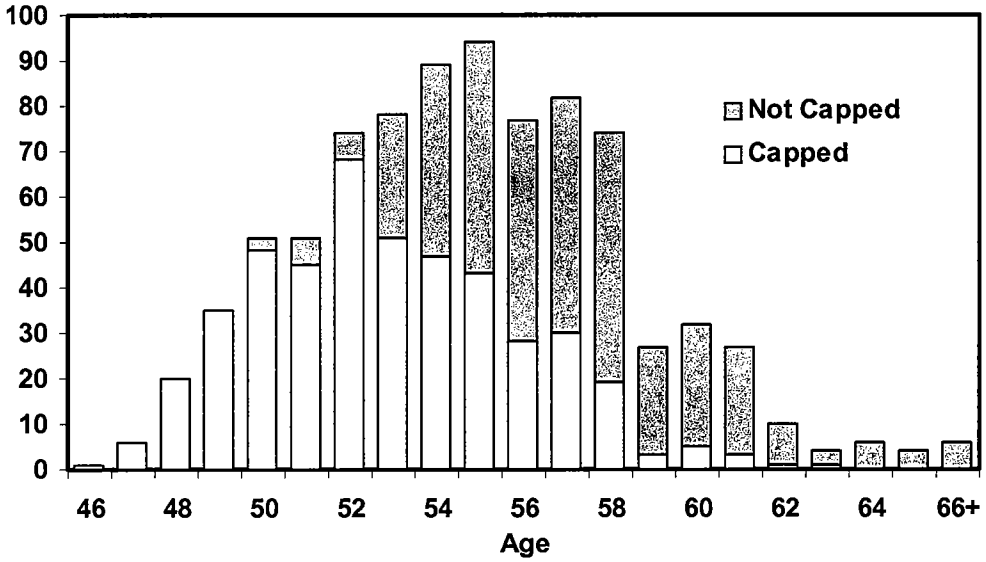
Figure 4

Active LEOFF 1 Members by Category, Employer, and Benefit Cap Status

	Not Capped	Capped	Total
Police Officers	210	198	408
1st Class City	101	75	176
Other City	42	71	113
County	67	52	119
Fire Fighters	184	256	440
1st Class City	114	121	235
Other Agency	66	130	196
Port	4	5	9
TOTAL	394	454	848

Age: Since the benefit cap legislation was prospective from February 19, 1974, it would hold that members subject to the cap would generally be younger than those not subject to the cap. While not all members were hired at the same age, records show that higher percentages of older members are not subject to the benefit cap (see Figure 5).

Figure 5
Active LEOFF 1 Members by Age and Benefit Cap Status



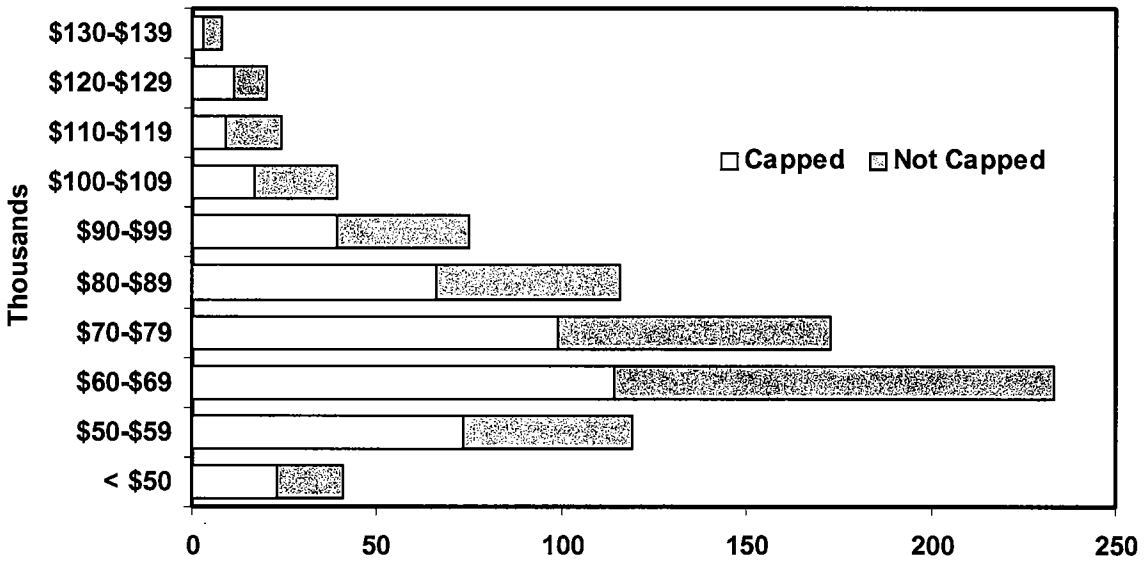
Service: In general, those members with over 30 years of service would not be subject to the benefit cap, while those with less than 30 years of service would. There are instances, however, of those who may have become members prior to February 19, 1974, but have had breaks in service. As a result, there are several members with relatively short periods of service who are not subject to the benefit cap (see Figure 6, next page).

Figure 6
Active LEOFF 1 Members by Service and Benefit Cap Status

Years of Service	Not Capped	Capped	Total
5-9	0	2	2
10-14	1	0	1
15-19	0	4	4
20-24	3	14	17
25-29	41	372	413
30-34	286	62	348
35 and over	63	0	63
Total	394	454	848

Salary: It could easily be assumed that those who are not subject to the benefit cap would have higher salaries than those who are subject to the cap. After all, they typically have longer periods of service that could translate into higher salaries. However, this does not appear to be the case. The salaries of those who are subject to the cap are not appreciably different from those who are not subject to the cap (see Figure 7 next page). For instance, among the 166 members earning $90,000 or more, 87 were not subject to the cap and 79 were. And of the 28 members earning $120,000 or more, 14 were not subject to the cap and 14 were. This is likely due to the steep salary/promotion schedule typical among police and fire organizations.

Figure 7
Active LEOFF 1 Members by Salary and Benefit Cap Status



As these characteristics show, the only significant variable having a bearing on whether a member's benefit is capped or not is their length of service. Those with more than 30 years of service as of 2004 are sure to have a benefit that is not capped. Those with less than 30 years of service are likely to have a benefit that is capped (save for those who gained membership before February 19, 1974, and had a significant break in service.)

History

Two bills were introduced during the 2004 legislative session related to the 60 percent cap in LEOFF 1. HB 2416 proposed raising the limit to 70 percent of FAS and HB 2914 proposed eliminating the cap entirely; both bills received a hearing, but neither moved from committee.

Companion bills HB 1873 and SB 5901 were introduced in the 2005 legislative session that proposed rescinding the LEOFF 1 60 percent cap. Neither received a hearing.

Policy Considerations

Among the general policies found in the funding chapter (RCW 41.45) is the following: "Fund, to the extent feasible, benefit increases for all plan members over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service." As of the 2004 valuation, the average remaining active member is already retirement eligible. For a plan that isn't fully funded, there would be scant time for members and employers to contribute to a benefit increase. Because LEOFF 1 is in surplus status at this time, any benefit increase would draw on that surplus. The cost of this proposal would increase the likelihood that the plan would come out of full funding in the future. Also, if the plan does come out of full funding, the plan would be projected to resume funding earlier and at a higher rate.

Another policy issue to consider is the inconsistent treatment of members within the same plan. While the provisional differences in LEOFF 1 and LEOFF 2 are typical of closed and open plans, it is rare for such differences to be present within the same plan.

A serious policy concern would be leapfrogging. One of the common criticisms of the Plan 1 design is that members' benefits are maximized at 30 years of service (2% × 30 years of service = 60% of AFC). Were the cap to be raised or eliminated in the LEOFF 1 Plan, members of the PERS and TRS Plans 1 may request a similar benefit increase, which would have a much higher cost.

Policy Questions

To help the committee decide whether to move forward with this issue, members may want to deliberate via the following issues:

- Have the original goals and/or incentives changed?
- Is this benefit improvement in keeping with the policies acknowledging the need for earlier retirement among police officers and fire fighters?
- Is there an overarching need to reward or retain long-tenured LEOFF 1 members?
- Could or should this issue be addressed outside of the retirement system?

- Would this benefit be retroactive? Would currently retired members with more than 30 years of service have their benefits adjusted?
- Would this spur retirees to return to active LEOFF membership? There are currently 638 service retirees under the age of 60.

Possible Options

If the committee wants to move forward with this issue, there are a number of approaches it could take. Here is a short list of possible options and the fiscal impact of each:

1. Eliminate the Benefit Cap

This option was originally priced in the fiscal note for HB 2914 from the 2004 legislative session. More recent calculations were done based on the 2004 Actuarial Valuation. Removing the cap would increase liabilities in the plan by $22 million. Because the plan is currently in surplus funded status, this increase in liability would not raise contribution rates.

2. Raise the Benefit Cap to 70 percent

This option was originally priced in the fiscal note for HB 2416 from the 2004 legislative session. More recent calculations were done based on the 2004 Actuarial Valuation. Raising the cap from 60 percent to 70 percent would increase liabilities in the plan by $17 million. Because the plan is currently in surplus funded status, this increase in liability would not raise contribution rates.

3. Raise or Eliminate the Benefit Cap with an Age Qualification

This option would allow members to accrue a benefit greater than 60 percent of their FAS as long as they served until at least 60 years of age. The LEOFF 1 Plan currently allows an unreduced benefit at age 50 with five years of service. Increasing the retirement age to 60 in order to receive an increased benefit should result in a savings component to each of the above proposals.

Eliminating the benefit cap with the age qualifier would increase plan liabilities by $11 million. Raising the cap from 60 percent to 70 percent with the age qualifier would increase plan liabilities by $8.5 million.

While an age qualifier would lower the liabilities related to these benefit proposals, it would probably also result in additional policy considerations. Age standards tend to result in "cliff" benefits – significant differences in benefits with very small differences in ages; a member who was 59 with 36 years of service would be eligible for a lesser benefit than a member who was 60 with 33 years of service. Would such a member be eligible for proportionate benefits?

Note: If the above proposals were to raise the benefit cap, but with an accrual that was less than the current 2 percent per year, the increased liability and contributions would be proportionate to the proposed rate of accrual relative to 2 percent. For instance, an accrual rate of 1 percent per year beyond 30 years of service would result in an increased liability half that of a 2 percent per year accrual.

4. *Retain the Current Benefit Cap*

This option adds no liability to the plan.

Stakeholder Input

Correspondence from:

Frederick W. Corlis, Board Member, Retired Fire Fighters of Washington (see Attachment).

Kelly L. Fox, President, Washington State Council of Fire Fighters (see Attachment).

Philip A Talmadge, Talmadge Law Group PLLC (see Attachment).

Richard Warbrouck, Retired Fire Fighters of Washington (see Attachment).

Committee Actions

In June, the Executive Committee of the SCPP recommended that this issue be heard by the full committee.

The full committee heard the first presentation of this issue at the July hearing. Questions from committee members warranted an additional presentation.

The full committee received an additional presentation at the September meeting.

Executive Committee Recommendation

At the October meeting, the Executive Committee of the SCPP moved to forward an updated bill eliminating the LEOFF 1 benefit cap to the full committee for their consideration.

Bill

Attached

Fiscal Note (2006 Draft)

Attached

LEOFF 1 Benefit Cap

1 AN ACT Relating to removing the cap on retirement benefits of
2 members of the law enforcement officers' and fire fighters' retirement
3 system plan 1; and amending RCW 41.26.100.

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

5 **Sec. 1.** RCW 41.26.100 and 1991 c 343 s 16 are each amended to read
6 as follows:
7 A member upon retirement for service shall receive a monthly
8 retirement allowance computed according to his or her completed
9 creditable service credit years of service as follows: Five years but
10 under ten years, one-twelfth of one percent of his or her final average
11 salary for each month of service; ten years but under twenty years,
12 one-twelfth of one and one-half percent of his or her final average
13 salary for each month of service; and twenty years and over one-twelfth
14 of two percent of his or her final average salary for each month of
15 service: PROVIDED, That the recipient of a retirement allowance who
16 shall return to service as a law enforcement officer or fire fighter
17 shall be considered to have terminated his or her retirement status and
18 he or she shall immediately become a member of the retirement system
19 with the status of membership he or she had as of the date of

retirement. Retirement benefits shall be suspended during the period of his or her return to service and he or she shall make contributions and receive service credit. Such a member shall have the right to again retire at any time and his or her retirement allowance shall be recomputed, and paid, based upon additional service rendered and any change in final average salary((~~: PROVIDED FURTHER, That no retirement allowance paid pursuant to this section shall exceed sixty percent of final average salary, except as such allowance may be increased by virtue of RCW 41.26.240, as now or hereafter amended~~)).

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	**035**	**10/26/2006**	**Z-0829.1 / Z-0830.1**

SUMMARY OF BILL:

This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1) by removing the provision that limits the retirement allowance for those who became members on or after February 19, 1974, to 60 percent of their final average salary.

Effective Date: 90 days after session

CURRENT SITUATION:

Currently, the maximum retirement allowance for a member of LEOFF 1 who became a member on or after February 19, 1974, is 60 percent of their final average salary. Those who became members before February 19, 1974, have no such limit on their retirement allowance.

MEMBERS IMPACTED:

We estimate that 454 active members hired on or after February 19, 1974, out of the total 848 active members of this plan could be affected by this bill. Additional members could be affected if they return to work and earn over 30 years of service.

Each year of additional service credit beyond 30 years would result in an increase of about $125 in monthly pension payments per person (based on a current annual salary of $75,222).

ASSUMPTIONS:

We assumed that members with at least 30 years of service, who may be eligible for a disability retirement, will elect the proposed service retirement benefit with no cap in lieu of the 50 percent of pay tax-free disability benefit. The cost of this proposal was based on the change in the liability after this disability assumption change. We assumed that this proposed benefit change would alter future retirement behavior in the plan. We subtracted 0.01 from the retirement rates from age 50 to 54 and subtracted 0.02 from the rates from age 55 to 59. The impact of the retirement assumption change is reflected in the cost.

FISCAL IMPACT:

Description:

There is no immediate fiscal impact while the plan remains in a surplus, or fully funded, position. The current plan is expected to remain fully funded because the market value of assets exceed the liabilities by $365 million. This proposal would reduce the surplus, but as long as there is still a surplus on a market value basis, we would not expect the plan to come out of full funding. However, if there is some adverse experience due to the assumptions not being realized, the plan would be more likely to come out of full funding as a result of the proposed benefit increase. Also, if the plan does come out of full funding, the plan would be projected to resume funding earlier and at a higher rate.

Actuarial Determinations:

Although the bill will increase the present value of benefits payable under the system (for existing members impacted by this bill) as shown below, it will not impact the fully funded status. Therefore, there will be no fiscal impact:

	System: LEOFF 1		
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to All Current Members)	$4,330	$22	$4,352
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	$(336)	$22	$(314)
Unfunded Liability (PBO) (The Value of the Total Commitment to All Current Members Attributable to Past Service)	$(385)	$16	$(369)
Increase in Contribution Rates: (Effective 9/1/2006)			
Employee	0.00%		
Employer State	0.00%		

Fiscal Budget Determinations:

There is no projected increase in funding expenditures.

State Actuary's Comments:

We have projected that this bill would use up part of the plan's surplus, but that it would not increase the plan's future funding requirements. This projection reflects the future recognition of prior asset gains and losses and the impact of this proposed plan change. The plan's actual funded status will vary depending on the plan's actual experience and could easily be different than projected over the short-term.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets, and assumptions as those used in preparing the September 30, 2004, actuarial valuation report of the Law Enforcement Officers' and Firefighters' Retirement System.

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

3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

Reduced Retirement Rates										
Age	50	51	52	53	54	55	56	57	58	59
Retirement Rate*	0.08	0.06	0.07	0.07	0.09	0.14	0.14	0.14	0.21	0.21

*Male and female

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

5. This draft fiscal note is intended for use only during the 2006 Legislative Session.

6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.

7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

8. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members.

GLOSSARY OF ACTUARIAL TERMS:

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

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

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

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

- Normal cost; plus
- 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.

Pension Benefit Obligation (PBO): 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 that are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation 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.

Burkhart, Kelly

Subject: FW: SCPP. Lifting the Cap On LEOFF I

Subject: SCPP. Lifting the Cap On LEOFF I

October 13, 2005

Representative Bill Fromhold, Chair
Select Committee On Pension Policy

Representative Fromhold and Committee Members,

I am a board member of the Retired Fire Fighters of Washington and these are my thoughts and concerns which may or may not represent the members beliefs in general. However I am not writing this letter as the spoke person for or of the organization.

First of all I would like to say there have been changes to the pension system several times. Originally there were the prior acts people who had certain pension rights. In March of 1970 the Leoff I system was created and thus creating a new system for new hires. Prior act personnel retained certain parts of their previous pension system of which Leoff I only new hires did not receive. In 1974 changes to the Leoff I system were made which capped the service pension portion to a maximum of 60%. Then in 1977 the Leoff I system was closed and a new system, Leoff II, was created which had totally different regulations. Now 31 years later those few people left with in the 1974 system, 454, want you to change the system for their benefit, something that I believe is unprecedented.

At the July 19th. SCPP meeting I testified before the committee as did others. During testimony I was surprised to hear post 1974 Leoff I members state that they could not live on the 60% pension that they qualify for. Several members said that if you did not raise the cap that they would have to retire, with a 60% pension, and go to work somewhere else to be able to support themselves.
Over 50% of the 454 people left, I understand, are Captain and above and many are in Appointed Positions which do not require any competitive examination as a qualification for the job, pure politics. It is my opinion that this places them in the $80,000 to 120,000 per year salary or more. At 60% pension that entitles them to a monthly pension benefit of $4,000 - 6,000 or more plus medical benefits. To open the door for 70-80% pensions of these high paying positions while they have not contributed one cent to the system in the last 5 years and will not do so in the future is poor policy at best. At a time when Pers I is so far Under Funded it appears to me this idea of lifting the cap and setting a precedent for the other pension systems to follow is not only a poor idea & poor policy but not fundamentally sound or good judgment for the State or the pension systems.

If the SCPP decides to support this practice you are creating a burden on the entire system for the benefit of a few. Placing the already retired members, who paid their contributions their entire careers, and the system in jeopardy. The actuary has stated that the pension system is like a moving target always changing and could be in trouble if the % of investment gain drops from 8% to 7.3%. No one knows what the future holds. Just consider, if you would for a moment, what would have happened if the Legislature had removed the so called excess from the Leoff I system some 5,6,7 years ago as they were looking to do. The system dropped approximately $1.2 Billion, how would the state have come up with that money today to replace and fund the system.

While we are struggling to keep our pension systems sound private companies are looking to go bankrupt and dump their obligations of their retirees onto the government at a 50% reduction. If we allow our systems to get in trouble will our bond rating go in the toilet. It appears to me there is no reasonable ideology to remove the cap or do anything else that changes the pension systems in the state, including buying 5 years of service or any other idea that gives more money to the individual retiree at the end of their respective careers.

Today there is already an inequity between the systems, Leoff I & Leoff II, do to the contribution holiday for Leoff I members. They have already incurred 10% service credit without making a contribution to the system. To now decide to lift the cap thus allowing them to accrue more service credits of high paying positions and administrative appointments without paying into the system is without a doubt in my opinion poor Physical Responsibility on the Legislatures part. These individuals will receive very good pensions as it is $4-6000 per month with medical benefits so what is the reasoning behind this idea of lifting the cap besides greed.

The Retired Fire Fighters of Washington have in the past not supported this policy and continue to do so at the present time.

Thank You

Frederick W. Corlis
Board Member of the RFFOW

Affiliated with: AFL-CIO
International Association of Fire Fighters
Washington State Labor Council

Washington State Council of Fire Fighters

September 26, 2005

Chair Representative Fromhold
Vice-Chair Senator Fraser
SCPP Committee Members

Subject: Removal of LEOFF 1 Service Credit Cap

The Washington State Council of Fire Fighters (WSCFF) respectfully requests that the Select Committee recommend HB 1873/SB 5901 (LEOFF 1 Cap removal) to the 2006 Legislature. Removal of the service credit cap for LEOFF 1 members hired after February 18, 1974, provides service credit accrual equity with all other LEOFF 1 participants. This bill has no negative impact for any represented group, i.e., Retired Fire Fighters of Washington (RFFOW), retired LEOFF 1 members, active LEOFF 1 members, employer groups, or the state. We have attempted, without success, to convince certain retired LEOFF 1 members to reconsider their position to oppose this proposal.

The WSCFF letter dated July 18, 2005, addressed the policy questions put forth by the Executive Committee on June 21, 2005. Rather than reiterate the supporting evidence that removal of the cap does meet policy considerations, I would like to concentrate on three factors:

- The continuity and retention of institutional memory within our Public Safety provider organizations is important. LEOFF 1 Fire and Police members are highly respected and regarded among their peer groups and their communities. What purpose does it serve to deny service credit to so few of these affected individuals? The retention of valued employees far outweighs other concerns.
- Currently, the employer is relieved of pension contributions for these affected members. This was a legislative proposal, not a scheme advanced by LEOFF 1 members! Encouraging retirement by capping service at thirty years creates an environment whereby the employer replaces the retired employee with an employee who requires contributions from the employer *and the state.*
- LEOFF 1 pension modifications have no bearing on contribution rates for the employers or members. Rates for the employers and members had always been 6% for each until contributions were suspended in mid 2000. This suspension occurred primarily because the state, employers, and members had made sufficient contributions to meet all future obligations. The legislature correctly links contributions (or the suspension thereof) to the ability of this closed system to meet its future obligations. Any attempt to link LEOFF 1 pension modifications to a reinstatement of contribution rates has been shown to be speculative and inaccurate.

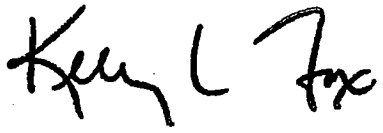
Kelly L. Fox, President • Greg B. Markley, Secretary-Treasurer
1069 Adams Street Southeast, Olympia, WA 98501 • 1-800-572-5762 • (360) 943-3030
Fax (360) 943-2333 • E-mail: wscff@wscff.org • Website: www.wscff.org

Removal of the service credit cap would benefit a minimal number of our membership - approximately 250 out of more than 7,000 members. In the interest of fairness and equity to the fire fighters affected by the cap, this has been a legislative priority from our membership for the past three years. The RFFOW has suggested that retention of any LEOFF 1 member is a detriment to LEOFF 2 members. For the record, the WSCFF is unanimously supportive of this proposal, this despite the fact that 96% of the membership is unaffected by the proposed change. Any suggestion that the proponents of the legislation are "selfish" or would be "abusive" is unfounded and most certainly misplaced.

We have supported the committee's recommendation during the last interim to add a new benefit to the surviving ex-spouses of deceased LEOFF 1 members funded from the system surpluses. This year, the SCPP has the opportunity to recommend legislation that retains institutional memory within the public safety community and provides service credit cap accrual equity within LEOFF 1, utilizing a portion of the same surplus.

We ask for your support in forwarding this important legislative proposal. If you have any questions, please contact me or WSCFF Legislative Liaison, Bud Sizemore.

Respectfully,



Kelly Fox
President

opeiu23/afl-cio/dag

Retired Firefighters of Washington
15310 163rd Ct. SE
Renton, WA 98058-8122
425-226-3793
rffow@attbi.com

RECEIVED
OCT 13 2005
Office of
The State Actuary

Richard Warbrouck
President

Bob Burtch
Secretary

October 12, 2005

Representative Bill Fromhold, Chair
Select Committee on Pension Policy
PO Box 40914
Olympia, WA 98504-0914

Dear Representative Fromhold,

The LEOFF 1 Benefit CAP for service retirement is on the agenda for the October 18 Executive Committee, listed as Item (F).

Due to the time element at the September Select Committee on Pension Policy meeting, we again registered our opposition to this proposal and submitted our comments in writing which I have enclosed. As previously stated we feel that only a few members would benefit from this proposal, mostly those members who have been appointed to a staff or administrative position in a department, for example, chief of the department, assistant chief, chief of training, public relations officer or other similar position.

We feel that the contribution holiday established in 2000 in itself created a inequity, now to allow a certain few to earn additional service credit without making a contribution would create a further inequity, would be difficult for the LEOFF II members to understand and would create a financial liability to the Fund as reported by the State Actuary.

The only fair solution would be to allow individual LEOFF 1 members to purchase an additional five years of service credit by paying the amount equal to what the member and the employer would have contributed. This as you remember is what the legislature established for LEOFF II with the passage of HB 1269 in the 2005 session.

Thank you.

Sincerely,

R C Warbrouck

Richard C. Warbrouck

RENTON FIRE FIGHTERS · Local 864

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS AFL-CIO

P.O. BOX 67 • RENTON, WASHINGTON 98057-0067 • www.iaff864.org

RECEIVED

OCT 26 2005

Office of
The State Actuary

October 10, 2005

To the members of the Select Committee on Pension Policy

During the last two legislative sessions a group of members from the Washington State Council of Firefighters have been attempting legislation to address an inequity for long serving LEOFF I members regarding the 30 year (60%) cap for a service retirement. The members affected were hired between 1974 and the end of LEOFF I in 1977. All LEOFF plan members (I & II) hired prior to 1974 and after 1977 do not have a cap on their service credit accrual. Renton Firefighters Local 864 represents participants of pre 1974 LEOFF I, LEOFF I participants affected by the service credit cap, and LEOFF II participants. All of our members support the removal of the service credit cap.

During the years of the cap the State was experiencing a significant number of early retirements from the newly formed LEOFF I system. The service credit cap was an effort to limit the liability to the State. Unfortunately, this action did not do anything to stem the tide of short-time members taking disability retirements from the system.

In fact, it is some of those members who are now lobbying against the passage of this legislation, stating in writing to you that this is a greedy attempt by a small group to take a free ride on the system. If you check the record, you will find that the more vocal of these members paid into LEOFF I for less than 15 years, and have been collecting fully from the system for more than 20 years. They served under the prior pension act (Chapter 41.18 RCW), and when LEOFF I (41.26 RCW) was created in 1970/1971, the prior funds did NOT transfer over to the new system. In fact, the system that did exist continues to pay additional benefits to some of the members receiving full LEOFF I retirement benefits.

We submit to you that the small group of working LEOFF I members are not greedy people seeking a free ride. They are loyal, experienced public servants who want to receive retirement credit for serving more than 30 years in their chosen profession. You have received testimony in the past which indicates that every year the state does not pay retirement benefits is a significant savings. In speaking to the State Actuary at the most recent LEOFF Educational Association Conference, it appears that a cost was placed on this issue because removing the 'cap' was compared to a person taking a 50% disability retirement. The people still working, after 30 years of service, have proven that they do not want to take the disability which so many have done before. They would like to proudly receive the service retirement that they have earned.

Thank you for our consideration in this matter.

Sincerely,

Craig Soucy
President Renton Firefighters Local 864

The
Washington State
Law Enforcement Association

November 15, 2005

Chair Representative Frormhold
Vice-Chair Senator Fraser
SCPP Committee Members

Subject: Removal of LEOFF I Service Credit Cap

The Washington State Law Enforcement Association (WSLEA) respectfully requests that the Select Committee recommend HB 1873/SB 5901 (LEOFF I Cap removal) to the 2006 Legislature. Removal of the service credit cap for LEOFF 1 members hired after February 18, 1974, has no negative impact for any represented group, i.e., Retired Fire Fighters of Washington (RFFOW), retired LEOFF 1 members, active LEOFF 1 members, employer groups, or the state. WSLEA has identified three important points:

- The continuity and retention of institutional memory within our Public Safety provider organizations is important. LEOFF 1 Fire and Police members are highly respected and regarded among their peer groups and their communities. What purpose does it serve to deny service credit to so few of these affected individuals? The retention of valued employees far outweighs other concerns.

- Currently, the employer is relieved of pension contributions for these affected members. This was a legislative proposal, not a scheme advanced by LEOFF 1 members. Encouraging retirement by capping service at thirty years creates an environment whereby the employer replaces the retired employee with an employee who requires contributions from the employer and the state.

- LEOFF 1 pension modifciations have no bearing on contribution rates for the employers or members. Rates for the employers and members had always been 6% for each until contributions were suspended in mid 2000. This suspension occurred primarily because the state, employers, and members had made sufficient contributions to meet all future obligations. The legislature correctly links contributions (or the suspension thereof) to the ability of this closed system to meet its future obligations. Any attempt to link LEOFF 1 pension modifications to a reinstatement of contribution rates has been shown to be speculative and inaccurate.

P O BOX 7369 - Olympia, WA 98507-7369 - 1-800-227-9753 - FAX 360-754-8114
www.wslea.org

In the interest of fairness and equity to the LEOFF 1 law enforcement officers and fire fighters affected by the cap, this has been a legislative priority from our association for the past three years.

This year, the SCPP has the opportunity to recommend legislation that retains institutional memory within the public safety community and provides service credit cap accrual equity within LEOFF 1, utilizing a portion of the same surplus.

We ask for your support in forwarding this important legislative proposal. If you have any questions, please contact me or WSLEA Legislative Liaison, Mike Matson.

Respectfully,

Bruce A. Morrison

Bruce A. Morrison
Chairman of the Board

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: H-3323.1/06

ATTY/TYPIST: ML:rmh

BRIEF DESCRIPTION: Concerning bargaining for supplemental pension programs under chapter 41.80 RCW.

1 AN ACT Relating to bargaining for supplemental pension programs
2 under chapter 41.80 RCW; and amending RCW 41.80.020 and 41.80.040.

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

4 **Sec. 1.** RCW 41.80.020 and 2002 c 354 s 303 are each amended to
5 read as follows:
6 (1) Except as otherwise provided in this chapter, the matters
7 subject to bargaining include wages, hours, and other terms and
8 conditions of employment, and the negotiation of any question arising
9 under a collective bargaining agreement.
10 (2) The employer is not required to bargain over matters pertaining
11 to:
12 (a) Health care benefits or other employee insurance benefits,
13 except as required in subsection (3) of this section;
14 (b) Any retirement system or retirement benefit <u>administered by the</u>
15 <u>department of retirement systems</u>; or
16 (c) Rules of the director of personnel or the Washington personnel
17 resources board adopted under section 203, chapter 354, Laws of 2002.
18 (3) Matters subject to bargaining include the number of names to be
19 certified for vacancies, promotional preferences, and the dollar amount

expended on behalf of each employee for health care benefits. However, except as provided otherwise in this subsection for institutions of higher education, negotiations regarding the number of names to be certified for vacancies, promotional preferences, and the dollar amount expended on behalf of each employee for health care benefits shall be conducted between the employer and one coalition of all the exclusive bargaining representatives subject to this chapter. Any such provision agreed to by the employer and the coalition shall be included in all master collective bargaining agreements negotiated by the parties. For institutions of higher education, promotional preferences and the number of names to be certified for vacancies shall be bargained under the provisions of RCW 41.80.010(4).

(4) The employer and the exclusive bargaining representative shall not agree to any proposal that would prevent the implementation of approved affirmative action plans or that would be inconsistent with the comparable worth agreement that provided the basis for the salary changes implemented beginning with the 1983-1985 biennium to achieve comparable worth.

(5) The employer and the exclusive bargaining representative shall not bargain over matters pertaining to management rights established in RCW 41.80.040.

(6) Except as otherwise provided in this chapter, if a conflict exists between an executive order, administrative rule, or agency policy relating to wages, hours, and terms and conditions of employment and a collective bargaining agreement negotiated under this chapter, the collective bargaining agreement shall prevail. A provision of a collective bargaining agreement that conflicts with the terms of a statute is invalid and unenforceable.

(7) This section does not prohibit bargaining that affects contracts authorized by RCW 41.06.142.

Sec. 2. RCW 41.80.040 and 2002 c 354 s 305 are each amended to read as follows:

The employer shall not bargain over rights of management which, in addition to all powers, duties, and rights established by constitutional provision or statute, shall include but not be limited to the following:

(1) The functions and programs of the employer, the use of technology, and the structure of the organization;

(2) The employer's budget and the size of the agency work force, including determining the financial basis for layoffs;

(3) The right to direct and supervise employees;

(4) The right to take whatever actions are deemed necessary to carry out the mission of the state and its agencies during emergencies; and

(5) Retirement plans and retirement benefits provided by any state retirement plan, but not including deferred compensation or supplemental pension programs that are provided other than by the state, and purchased entirely through collectively bargained employee contributions.

--- **END** ---