

## A new feature in Outlook – *pension plan checkup*

How healthy is your pension plan? It's a topic often in the national news and we thought you would be interested in an update specific to our state. In this newsletter, we'll go over the:

- Status of Washington's pension plans;
- Who does what? The roles of different entities;
- Terms used when referring to plan funding; and
- Publications available for your review.

### **The status of Washington's plans**

The state actuary performs an annual valuation of the retirement plans, studying the experience of each and analyzing the effects of anticipated economic and demographic changes. In the valuation, the actuary recommends the money to be contributed annually to pay for the benefits members are expected to earn during their public service.

The collective funded status for all of Washington's plans is currently 100 percent, which means that overall, the value of the assets on hand equals the accrued liabilities. The total funded status was previously 99 percent (2005), 105 percent (2004), 107 percent (2003) and 118 percent (2002).

Only two of the state's large retirement plans – PERS 1 and TRS 1 – have unfunded accrued liabilities. In 1989, the Legislature enacted a policy that requires bringing those plans to fully funded status by the year 2024.

We sometimes receive calls from retirees who are concerned about their benefits. It's important to

remember that your benefit is secure. You've earned it and it will be paid to you.

You can find more detailed information on the funded status of each plan in the *2006 Actuarial Valuation Report*, available on the state actuary's Web site at <http://osa.leg.wa.gov>.

### **Who does what? The roles of different entities**

While you most often hear from DRS, other organizations have important roles when it comes to Washington's pension systems.

The state Legislature's Select Committee on Pension Policy studies pension plan issues and recommends any changes in the plans to the Legislature. Retirees and active members are represented on the committee, as are state legislators and public employers.

The Legislature enacts retirement plan policy, which includes policies on changing benefits and funding the plans, and establishes the contribution rates.

The Office of the State Actuary performs regular valuations of the retirement plans to determine overall health and funding status and recommend contribution rates to the Pension Funding Council.

The Pension Funding Council evaluates the state actuary's recommendations, including the economic and demographic assumptions used, and makes a determination on adopting them, which impacts recommended contribution rates.

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The Washington State Investment Board invests the trust fund dollars.

The Department of Retirement Systems collects and accounts for contributions from public employees and their employers; verifies member data submitted by employers; maintains pension records, communicates information to retirees and members and pays retirement benefits each month.

### Keeping you in touch with your pension plan

We mailed you a copy of our *Summary Annual Financial Report* a few weeks ago. This document summarizes the information in our nearly 200-page *Comprehensive Annual Financial Report* and includes information on plan funding, membership in each plan, and trust fund investment activity.

Please be sure to let us know if you did not receive your copy of the *Summary Annual Financial Report*. It's a financial overview of your pension system and the other systems we administer.

You should be receiving this newsletter – *Retirement Outlook* – twice a year. One edition concentrates on any new legislation that affects your benefits, while the other brings you information about Washington's pension plans overall.

Be sure to let us know if there is other information you would like to see in this newsletter. Just e-mail your suggestion to [communications@drs.wa.gov](mailto:communications@drs.wa.gov) or write us at:

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We enjoy hearing from you! ■

## Terms used in referring to pension plan funding

**Actuarial assumptions.** In studying the financial condition of the pension plans, the actuary also makes assumptions about factors that will impact the plans in the future. Those assumptions fall into two categories: economic and demographic. Economic assumptions are used to estimate the amount of future pensions and include salary growth, inflation and the rate of return on investment earnings. Demographic assumptions are used to estimate when and how long benefits will be paid and include the expected retirement, mortality and disability.

**Funded status/ratio.** The ratio of a plan's assets to its current liabilities. When a plan is funded at 100 percent, the last dollar of assets is expected to match the last dollar of earned benefits paid to the last member or beneficiary.

**Open/closed plans.** Open plans are available for new members to join, while closed plans are not. For example, PERS Plan 1 closed to new members in 1977. PERS Plans 2 and 3 are both open to new membership.

**Plan assets.** The money on hand today, including contributions and investment earnings, to pay benefits that have been earned to date.

**Unfunded liabilities.** The excess, if any, of plan liabilities over the value of its assets.

**Valuation.** Every year the state actuary studies the financial condition of the PERS, SERS, TRS, PSERS, LEOFF and WSPRS plans to determine the contribution requirements for the following year. The resulting information is known as the Valuation Report, which is available on the actuary's Web site at <http://osa.leg.wa.gov>. ■

# Pension Notes

## Gain sharing provides increase to Plan 1 Uniform COLA

Public Employees' Retirement System (PERS) Plan 1 and Teachers' Retirement System (TRS) Plan 1 retirees received a permanent increase of 35 cents per year of service in their Uniform Cost of Living Allowance (COLA), effective January 1, 2008.

To receive the gain sharing increase, retirees must qualify to receive the Uniform COLA as of July 1, 2007.

This "gain sharing" increase to the Uniform COLA occurs in January of even-numbered years when the previous four-year average rate of return on

investments has exceeded 10 percent. The 2008 gain sharing Uniform COLA increase was the third such increase since gain sharing was authorized by legislation in 1998.

Engrossed House Bill 2391 repealed gain sharing after January 2008. The legislation also put in place a one-time permanent COLA increase of five cents per year of service, effective July 2009.

For more information, please read the gain sharing FAQs on the DRS Web site. ■

## Tax Form 1099-R mailed

Your *Internal Revenue Service (IRS) Form 1099-R* was mailed at the end of January. It is also available through our online account service at [www.drs.wa.gov](http://www.drs.wa.gov). If you do not have Internet access, please call us at (360) 664-7000 or toll-free at 1-800-547-6657.

The IRS offers several helpful publications on filing taxes. They are available at your local IRS office or online at [www.irs.gov](http://www.irs.gov). You can also contact the IRS at 1-800-829-1040 or 1-800-TAX-FORM (1-800-829-3676). ■

### Note for Public Safety Officers

If you're a retired public safety officer and you elected to participate in the health insurance premiums tax savings program, you should have received a premiums deduction letter from DRS in January. Use the information in that letter, in addition to your 1099-R, for federal tax reporting purposes. ■

## Health insurance changes took effect in January

You may have noticed changes in your retirement benefit beginning in January 2008, for one or both of the following reasons:

- Increases in health insurance premiums that take effect January 1, 2008; and/or
- Changes you made to your health care coverage during the November 2007 open enrollment period.

Please contact the Washington State Health Care Authority if you have any questions regarding your health coverage. You can reach them at 1-800-200-1004 or online at [www.pebb.hca.wa.gov](http://www.pebb.hca.wa.gov). ■

# Retirement benefit payment schedule

To the right is a schedule of the dates your monthly retirement benefit will be mailed or electronically deposited in your account.

More than 90 percent of retirees now take advantage of our electronic deposit service, which ensures their monthly benefit is deposited in their bank account even when they're out of town. The service is both secure and convenient.

To sign up, just complete the *Authorization for Direct Deposit* form available on our Web site or call us at 1-800-547-6657 to have the form mailed to you. *Please note:* The first month's distribution may be in the form of a check mailed to your financial institution. ■

## March 2008 – December 2008

Check Mailing Dates	Electronic Deposit Dates
March 28, 2008	March 31, 2008
April 26, 2008	April 30, 2008
May 27, 2008	May 30, 2008
June 27, 2008	June 30, 2008
July 28, 2008	July 31, 2008
August 27, 2008	August 29, 2008
September 26, 2008	September 30, 2008
October 28, 2008	October 31, 2008
November 25, 2008	November 28, 2008
December 27, 2008	December 31, 2008

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