

**DRS Advisory Committee  
Meeting Minutes  
November 14, 2014**

**Committee Members Present:** Nancy Baldwin, Bill Copland, Jeff DeVere, Darrell Heisler, Bev Hermanson, Cheri Ingersoll, Rick Jensen, Richard McDermott, Jacque Meddles, John Payne, Mary Sherman, Deirdre Walker, and Kathy Whitlock

**Also Present:** Lisa Won, Phil Paroian, Dave Nelsen, Jacob White, Allyson Tucker, David Brine, Shawn Merchant, Mike Ricchio, George Pickett and Wilma Eby

Chair Nancy Baldwin called the meeting to order at 9:35 a.m.

**Approval of Minutes**

Rick Jensen made a motion, seconded by Bill Copland, to approve the April 25, 2014 meeting minutes as submitted. The motion passed unanimously.

**Focus Areas**

**Actuarial Update for the State Retirement Plans**

Lisa Won, Senior Actuary at the Office of the State Actuary, provided information about the current actuarial valuation results, the contribution rate adoption process and new financial reporting. A key measure from the valuation includes the funded status – a measure that compares assets to liabilities. She explained the actuarial method used for valuations in order to provide a smoother calculation of funded status and contribution rates year over year in spite of market volatility. The funded status for all open plans is above 100 percent. The funded status for all plans is 94 percent – which includes the Public Employees' Retirement System (PERS) Plan 1 funded at 63 percent and the Teachers' Retirement System (TRS) Plan 1, funded at 71 percent. The plan for fully funding PERS and TRS Plans 1 requires employers to pay an additional contribution rate. Key factors leading to the underfunded status in these plans includes providing benefit enhancements for past service without full funding and a negative amortization payment schedule. Expected full funding dates are 2027 for PERS 1 and 2026 for TRS 1.

Ms. Won also discussed the demographic experience study completed in 2014. Life expectancy has increased about two years per decade since 1960. The 2015-17 contribution rates include the updated mortality assumptions. People living longer means benefits will be paid for a longer period of time.

Ms. Won also provided information about changes in financial reporting for pensions. She discussed the differences between reporting for actuarial valuations and annual financial reporting. She explained that the different measures have different purposes – the actuarial valuation is for funding and how to pay for the plans, annual financial reporting is for accounting purposes.

In summary, Ms. Won reported that overall Washington plans are among the best funded nationally but pension plans require consistent and adequate funding to remain affordable.

**Pension Legislation**

Dave Nelsen, DRS Legal and Legislative Services Manager, provided information about pension proposals under discussion by the Select Committee on Pension Policy and the contribution rates adopted by the Pension Funding Council.

Jacob White, DRS Legal and Legislative Services Manager, provided a summary of the results of the gain sharing and UCOLA litigation and the Supreme Court decision.

**New Business**

**Round Table and Agenda Setting**

Committee members requested an update at the April 2015 meeting on new tools and products offered by the DCP and Plan 3 record keeper and offered to assist with evaluating proposed tools.

Committee members adopted the 2015 meeting schedule. Meetings will be held on April 24 and November 6, 2015.

With no additional business, the meeting adjourned at 11:45 a.m.

Approved:

  
Nancy Baldwin, Chair