

Employer Advisory Committee Meeting Minutes
November 19, 2015

DRS Team Members Present:

Mike Ricchio, Chairperson
Alfonso Botana, Central Reception Unit
Amanda Persell, Administrative Assistant
Brian Berghoff, Senior Policy and Rules Analyst
Dave Nelsen, Assistant Director of Customer and Policy Services
Eleanor Conway, Employer Support Services
Jacob White, Legal/Legislative Services Manager
Jeff Groebner, Employer Support Services
Jennifer Rosebraugh, Financial Reporting
Kym Nelsen, Employer Support Services
Lanette Barton, Retirement Services Manager
Larry Bona, Employer Support Services
Linda Sciacotta, Retirement Specialist
Lisa Horne, Project Manager
Mario Cruz, Employer Audit
Marla Mortensen, Project Manager
Rachel Jo Nesse, Project Manager
Seth Miller, Retirement Services Manager
Shannon Davis, Employer Audit Manager
Sharon Houseman, Accounts Receivable Manager
Sheila Alexander, Employer Support

Employer Members Present:

Darrin Litchfield, WA Tech
Gail Davila, City of Bellevue
Kimberly Fleming, King County
Lacey Ledford, Washington State Patrol
Sheryl Gordon, Green River College
Sue Aschenbrenner, Washington State Patrol

Employer Members Present via Conference Call:

Barbara Cox, Port of Tacoma
Cinda Wilkey, WSIPC
Katy Dwyer, University of Washington
Lana Elder, Port of Seattle
Lynn Guyton, Puyallup School District
Susan Devine, Dept. of Social & Health Services
Terry Schaefer, WSIPC
Tess Ylescupidez, Pierce County

Welcome

Chairman Ricchio welcomed everyone to the meeting and thanked them for attending.

Legal/Legislative Update – Jacob White

Legislative Update:

The Department of Retirement Systems does not expect to see many pension related bills introduced in the 2016 Legislative session. The following bills are ones that the LEOFF 2 Board and the Select Committee will be discussing and voting on whether or not they will be sponsoring them:

- **State Employee Opt-Out Enrollment in Deferred Compensation Program (DCP)** – This came from last session but there may be some changes to it. Last session, this bill would have made it mandatory for all employers to offer DCP to new employees. That language has been removed. Now the auto-enroll will be done only for new state employees. While other states have anti-alienation laws which prevent auto-enrollment, the State of Washington received advice from tax counsel that this was legal in our state.

Darrin Litchfield of Wa Tech inquired as to whose responsibility it would be to enroll new employees. He wanted to know if it would be a feed coming from DRS or if it would be the responsibility of each agency's payroll department.

Dave Nelsen responded that, with HRMS, the auto-enroll would be each agency's payroll or HR department's responsibility as part of the set-up of a new employee and that it would be an automatic deduction that would be taken from the check.

- **Adding additional employers and job types to membership in PSERS** – This bill made it out of the House in the last session, but didn't go anywhere in the Senate. It adds employees from DSHS and Veteran's Affairs into PSERS.
- **Allowing 2008 ERF TRS retirees to return to work as substitute teachers** – There is a substitute teacher shortage and some employers think that it may be in part due to the 2008 ERFs which don't allow people to return to work, without forgoing their pension benefit, until they reach age 65. This bill would address that issue.

There are also a couple of bills with the LEOFF 2 Board *and* the Select Committee:

- **Additional Annuity Purchase** – In the last session there was a State Patrol bill that passed, and in the previous session there was a LEOFF 2 bill that passed, that provided an additional annuity purchase for those members. During this session, they are looking to open that up to LEOFF 1, LEOFF 2 and State Patrol members that had already retired. (In the past bills, this was a purchase you made at the time of retirement; therefore retired members were not eligible for this purchase.)

Gail Davila, City of Bellevue stated that they have LEOFF 2 members that are interested in an additional annuity purchase, with the understanding that they have to apply at the time of retirement. They have had a couple situations where the invoices for the annuity purchase was sent to the member prior to their last day of service or their final payroll. These members are very anxious to pay that invoice but the City hasn't finalized their employment or transmitted an end date to DRS yet nor have they finished paying them. As they do not have access to their other retirement accounts to roll over to do the purchase, they become upset because they feel that they are losing money DRS will start processing that annuity purchase prior to their end date. She would like to recommend defining the processes and timelines showing when the annuity purchases can occur.

Seth Miller, Retirement Services Manager answered that one of the concerns the Department often hears when people are approaching retirement is that they want to get that bill as quickly as possible and so the agency intentionally processes those retirements as soon as possible in the month to let them have the opportunity to see the bill. But it is understandable that it would be beneficial to have some

language that they might not be able to access those funds until they've completed the payroll process. The DRS project teams will look into defining the timeline better.

- **Disability Coverage for LEOFF 2 Members** - LEOFF 2 members have disability coverage if there is an act of war, but are not covered if they are in the National Guard and sent to serve at a natural disaster, such as the OSO Landslide or wildfires. This bill would fill in that gap for LEOFF 2 members in these circumstances.

DRS Rules Update:

- **Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System definitions** – To provide further clarity for the department's interpretation of the terms "supervisory fire fighter" and "fully compensated" within LEOFF.
- **Retirement allowance computations** – When a LEOFF 2, PERS 3, SERS 3 or TRS 3 retirement plan member has at least 20 years of service credit and leaves employment, that member's defined benefit increases by about 3 percent for each year the member delays receiving it. Additional rules will clarify how the department applies this benefit when a member retires from more than one retirement plan.
- **LEOFF Plan 2 Duty Disability** – To clarify how the department administers duty disability benefits, including clarification of the requisite causal connection between the member's employment and disability.
- **Catastrophic disability allowance** – To clarify how the agency will administer adjustments to a member's catastrophic disability allowance.
- **Purchasing additional annuities and service credits** – To define, document and clarify how the agency administers statutes that provide for the purchase of additional annuities and service credits in certain retirement systems.

Click [here](#) to see the Legal/Legislative Update slide show.

Record Keeper Update – Marla Mortensen

The Department of Retirement Systems is committed to ensuring that member data and financial information transitions accurately and seamlessly to the new record keeper, Empower Retirement. Because the complexities of Plan 3 required additional development and testing, the effective transition date from ICMA-RC to Empower Retirement has been postponed. Plan 3 will go live with Empower on March 4, 2016 at 8:00 a.m. (PT). ICMA-RC will continue to service Plan 3 customers up until that time. Members were notified of the postponement at the end of September.

DRS is not introducing any new implementation items with the postponement, therefore there will continue to be no changes to reporting requirements for the March transition. Employer notices will continue to be provided ahead of member mailings. Also, education seminars will no longer be facilitated by ICMA-RC; please contact the agency's Education & Outreach Team for educational needs.

The transition period (blackout) begins on February 22, 2016 at 1:00 p.m. (PT) and ends on March 4, 2016 at 8:00 a.m. (PT). A flyer will be mailed directly to customers in January and a blackout reminder postcard will be mailed in February. During the blackout period, Plan 3 members will have limited access to account information. Also, during the blackout period, employers will continue to report as usual and DRS will send the daily reporting to Empower. Empower will process all of those contributions once DRS goes live on the 4th.

DRS now has a dedicated phone line for customers to call about the transition (800-547-6657, Option 5).

Click [here](#) to see the Record Keeper Update slide show.

ERA Update – Lisa Horne

In May, Sue Gordon shared that the project team was working on the proposal for the new Employer Reporting Application (ERA), the RFP to send to the bidders and that DRS was in the middle of doing some hiring. The team hired a new Business Systems Analyst (BSA), Richard Westfall. The Project Coordinator position was filled by Jennifer Freeze, who was the BSA and who has been with the project from the beginning.

The RFP was published on July 21, 2015. On August 11, DRS held a bidder's conference and walked through the documentation for them. On Sept 1, the proposals were due and 5 bids were received. This means there is really good pool of bidders and companies to come to demonstrate their software to the team.

Not only has work been going on around the RFP, but the team has also been doing a lot of work around the requirements, the data, and environmental readiness. There are a lot of people on the back end working hard to make sure DRS's systems are ready for this new tool.

Click the link below to see the presentation that shows the procurement timeline. The procurement is done in stages. During each stage of the procurement, there is an evaluation done, eliminating bidders as time goes on. The department is currently at the end of Stage 3 and will be making an announcement on Monday, Nov 23 who moves into Stage 4.

Stage 4 consists of the Implementation Planning Study (IPS) Workshop. That means that the bidder is brought onsite and their project team works together with the DRS project team to plan out the project. Major documents such as the Statement of Work, the Joint Resource Plan, and the schedule will be worked on and will get ironed out before a contract is signed.

There are some TBD dates on the slideshow. This is because a month and a half for the workshop and a month and a half for contract negotiations were anticipated, but depending on how smooth those processes go and how quickly they can be worked through, it could happen sooner. So definite dates could not be assigned.

The timeline is very preliminary and it's not very detailed. During the IPS session, the team will work with that bidder to develop a very detailed project schedule based on their tools and methodologies. DRS anticipates the contract to be done and for work to begin in April 2016, and a full rollout to happen in the middle of 2019.

Mike Ricchio added that this is a very important project for DRS. It is part of a modernization strategy for DRS and will be the first application that will be built on a more modern platform. DRS is currently working with a 20+ year old mainframe for all of its major applications. One of the things DRS wants to be sure to do is to reach out to employers, and others around the state, to ensure that all affected users are involved in discussing the requirements as the project moves forward. The agency knows what the DRS processes are, what is needed to satisfy the statute, how things work today, the vision of the future, but as the process moves forward, employers will be needed at the table as well to help refine those requirements and to share knowledge about where this is headed. The team will be reaching out with a plan for sharing about the project and will be inviting employers to participate in the discussion. So if any employers have an interest in being involved, please contact [Mike Ricchio](#). The team will be reaching out to executives in each jurisdiction so that they are aware of what the agency is doing as there will be questions about timing, operating systems, etc. that may have to be worked through with your IT departments, operations, and other departments.

Kimberly Fleming, King County inquired as to the timeframe in which the department might reach out to the employers and how much time the employer community may anticipate committing for this portion of the project.

Rachel Nesse, Project Manager replied that part of the reason there isn't a slide on it, is that there are 2 different bidders right now and they have slightly different approaches, so the answer to that isn't really known at this point. If an employer already knows they want to be involved in the process, email [Mike Ricchio](#).

Darrin Litchfield of Wa Tech asked if the agency is anticipating any of the employer interface files needing to be changed, or if the existing files will be accommodated as they are now.

Rachel replied that right now the expectation is that current interface files will work, but there may be additional file fields added. One of the great things about this new system is that when the Legislature needs additional information, it makes it easier for DRS to map that information in. But that's still to be finalized once one successful bidder is selected.

Kimberly Fleming voiced a concern that even a small change to something on the employer's IT side can take a lot of time, especially for a large employer. She asked that DRS be mindful that a lot of communication in time is needed for implementations.

Rachel answered that the team hopes to notify employers one year in advance before there are any changes, but all of that will depend on what the changes are and how soon DRS can share those requirements.

GASB 68 DRS Publications – Jennifer Rosebraugh

DRS-administered pension plans and participating employers who prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) are impacted by GASB Statement 68 requirements. The DRS CAFR (Comprehensive Annual Financial Report) and PEFI (Participating Employer Financial Information) include information employers and employer auditors will need to implement GASB 68. DRS publications are for fiscal year ending June 30 and are published on the DRS website www.drs.wa.gov. The 2014 Comprehensive Annual Financial Report (CAFR) became available November 2014 and the 2015 CAFR became available October 2015. The 2013 and 2014 Participating Employer Financial Information (PEFI) became available June 2015 and the 2015 PEFI became available October 2015.

The GASB FAQs on the DRS website reference page numbers in the CAFR and PEFI for employer information. The Table of Contents in the CAFR and PEFI have page number hyperlinks for each section to help with navigation. The quickest way to search for your allocations in the PEFI is to search by your 4 digit DRS organization number. The DRS CAFR and PEFI are anticipated to be published on the DRS website in November of each year. The Monthly Transmittal Summary available through Eservices is expected to be updated by January 2016 to allow employers to run 12 months of transmittal data at a time.

For assistance with examples of journal entries and note disclosures for GASB Statement 68, local governments should reference the State Auditor's Office. This information will be available January 2016 in the BARS manual on the SAO website or employers may submit a request through SAO's Client Portal, www.sao.wa.gov. State agencies should contact their agency's consultant at the State Office of Financial Management. School districts should contact Paul Stone (Paul.Stone@k12.wa.us) at the Office of Superintendent of Public Instruction (for school districts). At any time, employers may contact DRS and Employer Support Services will assist with any questions (employersupport@drs.wa.gov, 360-664-7200 or toll-free 800-547-6657).

Click [here](#) to see Jennifer's presentation.

Open Discussion

Participation in Washington State's DCP Program – Mike Ricchio

DRS has heard from a number of employers that they would be interested in exploring what it would mean to bring their DCP program over to DRS to manage. The agency has been working on what might be involved in making that offering. For example, what would happen if the plan that exists in the local jurisdiction had some features that the DRS plan does not (like ROTH, IRAs or loans), what some of the legalities are, and what some practical impacts of switching over are. DRS is very open to having these discussions. There has been some discussion with Gail Davila, City of Bellevue, about how to start that conversation, as the City been thinking about what that might mean for them. There is a meeting planned in the near future to run through what it would look like in terms of plan design or what some of the issues might be.

There are some the things going on within DRS that have to be completed before this can move forward; the number 1 thing being the Record Keeper Transition. The agency needs to get through that transition before

moving onto the next step which might be moving some of the local programs over to DCP or offering ROTH within the DCP program. This is something that probably won't happen for several months, but in the lead up to that time, start-up conversations could be had about what it might mean to bring somebody's program into the state program.

Gail Davila, City of Bellevue, stated that many of the materials or publications from DRS (Choice packet, website, retirement planning documents, etc.) are always referring to the Deferred Comp Plan which is very confusing to the members of the employers who do not offer DCP. Now that DRS is bundling Plan 3 and the DCP program with one record keeper, it would be an advantage for participants to do one-stop shopping with one log in. She stated that they were fortunate to have a presentation at the City of Bellevue for their employees about the pension plan and about the changes that were coming for PERS 3. She stated that when you go online you can get information from the member's point of view, but wanted to know where to find the information that explains more about who is managing this plan, who is investing the money, and who is selecting the funds. Is it the Washington State Investment Board? Does one have to drill down into that area on the website to find out fund replacement, etc.?

Mike Ricchio answered yes. For all of the fund line-ups and investment options, the SIB supplies information about who's managing that fund, what the rate of return is, what the fees are, and what the performance of those funds may be with those investments over time. That information is available to anybody that participates.

Dave Nelsen added information regarding the governance structure for the state's plans. For a lot of the local plans, there are boards that oversee the plan. They are fiduciaries and they do that work. The Washington State Investment Board is the governance of the Deferred Compensation Program. The SCC is doing a lot more rules and guidance about the fiduciary responsibility plan sponsorship. One of the things they are really pushing is communication and fee transparency. One of the unique things about Washington State's plan is the governance structure of it and one of the challenges for local governments coming over is the fact that that governance structure is set and it is not something that can be modified by an employer. It's a really good idea to look at how to enhance that section and make it really clear about the roles in the governance of the plan – who selects the fund managers, who selects the line-up, etc.

Gail Davila stated that the Beneficiary Designation Form is now one form for all of the plans. At the top of the form it indicates PSERS, PERS, LEOFF, Deferred Comp, etc. If somebody was in PERS 3 and Deferred Comp, could one form be used and all of those boxes marked, if it was the same beneficiary designation for all of them?

Yes. If someone is in DCP and one of our retirement systems, or if they are a dual member, and they want the same beneficiary designation for all of them, they could choose those boxes and the one form would suffice.

Plan Choice Booklets – Mike Ricchio

The Department of Retirement Systems is exploring the idea of eliminating the printed copies of the Plan Choice Booklets and going to an online version. Because they are printed, if anything changes, they have to be reprinted and the information is out-of-date fairly quickly.

Gail Davila, City of Bellevue stated that she's in favor of putting it online, but everybody looks at information differently. Some people like it in writing. The chart that compares the plans is the most go-to spot in that booklet because that's what they really want to know. Her recommendation would be to have the chart in printed materials. There still needs to be an enrollment form since a signature is required if an employer isn't doing auto-enrollment. At the City of Bellevue, it is required that everyone sign that document when they make a choice. Gail's concern is around the City's 400 temporaries that are hired each year. They are forced to make that choice. They are out in different areas and she doesn't have access to them for the 8 hour orientation that they do for fully benefited employees. Mailing them a packet is her only contact with them.

Kimberly Fleming, King County agreed that the graph/chart is a very useful tool and should be included in any online version. But the County has a very large group of bus drivers (over 4,000 individuals) without access to computers. Their new employee orientation is at their base without computers. There would need to be handouts available for these situations. There is the potential, however, for a huge scaling back of printing.

Darrin Litchfield added that there would be the same issue with some state agencies. There are two very large agencies that still print earning statements, DSHS & DOT. They do this because they have so many people who don't have a computer and they can't guarantee that employees can access one at home. So they have to mail statements.

Mike Ricchio stated that he likes the idea of scaling it down and including just the really critical information such as the chart and some other things that people find really useful. Part of what the agency is running into is the cost of continued printing is mounting because there is less and less of it and the printers charge more for small runs. DRS is also troubled by the lack of currency of some of the information. There is information on the record keeper site, information on the DRS site and a publication which may or may not be completely accurate for a period of time, depending on what's happened since the last publication. The Department's goal is two-fold: 1) to make sure that the information out there is correct and consistent, and 2) to save on the cost of printing.

Kimberly Fleming asked if it would be possible to do a soft launch; maybe create something online to show it as an option and see how many employers absorb that into their practice.

Mike Ricchio stated that the Department is going to wait for the record keeper transition to be over, then will redesign the website. It's on the road map already – not necessarily stopping the printed copies immediately, but improving the online information that is shared.

Dave Nelsen asked the group how easy is, at the employer level, to identify those employees where an email with a link to the booklet would work because they have a computer at work, and those that don't. Is it administratively feasible to order copies only for those who are out in the field or do all employees get a printed booklet because there isn't an easy way to distinguish?

Darrin Litchfield stated that with the earnings statement it's on or off. It would be difficult to decide who needs one and who does not.

Gail Davila added that, at the City of Bellevue, they have an 8 hour orientation for fully benefited employees twice a month and they are usually very large. They are looking to redesign our program and do more online presentations and are waiting for DRS to post a new and updated PERS Choice video. When looking at a lot of organizations' websites for orientations, many of them are just tiles that are very quick and easy "here's your benefit" and could link to very quick videos. So if the choice video was something that employer have opportunities to utilize, she believes they would use less paper for the fully benefited. But again, it's the partially benefited employees that are of concern. They have to get an outreach to them in paper copy.

Dave Nelsen stated that because the DRS seminar group is doing plan choice education as well, they did record their plan choice education voice over PowerPoint. That video is available on the website. This is the same presentation they make when they go out and do an onsite plan choice presentation. Also, as part of the transition, DRS is looking at providing more video-type educational opportunities. The agency is also looking at expanding its webinar ability to do plan choice webinars on a regular basis. Over the next year, some work will be done around expanding these webinars, as well as on various other topics, every two weeks or so that employers can schedule meetings around. There will also be some flexibility to accommodate large gatherings.

Mike Ricchio promised to keep the group posted as the agency moves through this. DRS would like to find a way to get to a more consistent and accurate set of information, combine what's already out there so it doesn't

differ, either in presentation or printed content, and somehow drive down some of the printing costs so that the funds can be spent on newer types of technology.

EAC Meeting Frequency – Mike Ricchio

Currently, the Employer Advisory Committee bylaws state that meetings will be held quarterly. The DRS Advisory Committee meets twice a year and Mike Ricchio wanted to know if that might make more sense for this group. As the agency moves into things like ERA and other projects, there will be other groups meeting that will be more engaged and will probably meet more frequently than this group could and with a slightly different composition. One of the benefits of a quarterly meeting is that it's a relatively short time in between meetings so information is more current. Trending in favor of a twice a year meeting is that there's more time to plan for a meeting, there's more information to share, there's probably a longer agenda with a possibility of a longer commitment of time for those employers who attend the meeting. Mike requested feedback from the group.

Gail Davila, City of Bellevue stated that she would be willing to go semi-annual. She suggested that there be more updates by email. There's been a tendency for the August meetings to get cancelled and, historically, February is lightly attended because of some weather issues. May meetings are important for the legislative updates.

Kimberly Fleming, King County stated that she has no problem with the twice a year meetings that are longer, as long as other information is flowing. Currently, all information is delivered at the EAC meetings. She suggested that there be one in May and one in September or October, because November is really not the best of months for this because of year end activities. She would like to see more useful emails so that she can respond with any questions she may have.

Darrin Litchfield added that it would be nice if the meetings were not scheduled during payroll processing time.

Eleanor Conway, Employer Support Services suggested doing 2 conference call meetings and calls and 2 in-person meetings each year.

Mike Ricchio summed up the group discussion - keep the frequency of the information flowing but actually come together in person twice a year, May being one of those times to sync up with the legislative information better, and to avoid some of the winter travel and any other issues. Also, hold the meetings earlier in the month with more information in between meetings with the opportunity to post questions, and conference calls. He stated that he is going to put this out to all of the employers on the EAC list and ask more formally in email, but wanted to see how people thought about it here – if there were strong feelings one way or the other. It is possible that he will incorporate all of these ideas and send out a survey listing the possibilities given for members to consider.

Closing

Next meeting will be February 18, 2016 at the Department of Retirement Systems.