

Employer Advisory Committee Meeting Minutes-  
November 15, 2012

**DRS Staff Members Present:**

Mike Ricchio, Chairperson  
Amanda Persell, Administrative Assistant  
Cathy Cale, Fiscal Manager  
Karla Phillips, Accounts Receivable Manager  
Debbie Brice, Accounts Receivable  
Dave Nelsen, Legal/Legislative Services Manager  
Brian Berghoff, DCP Program Administrator  
Jennifer Dahl, RSD Assistant Director  
Kim Smith, Employer Support Services Manager  
Debbie Callar, Employer Support Services  
Val Stone, Resource Team Leader

**Employer Members Present:**

Sheryl Gordon, Green River Community College  
Nancy Savage, Pierce County  
Kimberly Fleming, King County Metro  
Sheena Fournier, DSHS  
John Boesenberg, State Board of Community & Technical Colleges  
Angie Gill, Washington State Patrol

**Employer Members Present via Conference Call:**

Lynn Guyton, Puyallup SD  
Katy Dwyer, University of Washington  
Maureen Kwant, WSIPC  
Barbara Cox, Port of Tacoma

**Welcome**

Chairman Ricchio welcomed everyone to the meeting and thanked them for attending. He summarized the minutes from the last meeting and also let everyone know that this meeting is being recorded for ease of producing minutes.

**Legal/Legislative Update**

Dave Nelsen, Legal/Legislative Services Manager, gave a legislative update. Please click [here](#) to see what's happening in the Legislature.

Dave also gave an update on the DRS lawsuits.

*Gain-Sharing:* The final issues have been heard by the Supreme Court. The time period to file an appeal has passed and both the plaintiff and the state have appealed directly to the Supreme Court. Both parties are asking the court to bypass the Court of Appeals step. If there are no further delays in the filing deadlines, this would take it through about the later part of March. At that point, the Supreme Court would review the documents and decide whether or not they are going to hear the case directly or whether they will refer it down to the Court of Appeals. If they do decide to hear it, they will schedule it to their docket, meaning that it will

be later in 2013 before the Supreme Court hears any sort of oral arguments regarding this case.

*Removal of the uniform COLA (the annual increase for PERS and TRS I retirees):* The judge in this case filed his order on Friday and we just got it yesterday. He has ruled for the plaintiffs. Judge Wickham is a Superior County Court Judge here in Thurston County and he ruled that the repeal of the Uniform COLA was not valid. This is a memorandum opinion to be followed by a formal order. Once that final order is developed and signed by the judge, the 30-day appeal period would begin. There are a lot of complicated issues still to be worked out in developing that final order by the judge, so it may be a while before that is final. There is absolutely no information on whether or not DRS is going to have to start paying Uniform COLA payments to retirees. That is one of the issues that will have to be decided in the order. The judge did cite a couple of Supreme Court cases in saying that reservation of rights can't be used for pension benefits.

Please contact [Dave Nelsen](#) with any questions.

### **WAC Rules**

Dave Nelsen, Legal/Legislative Services Manager also presented on WAC Rules and whether or not DRS might be able to improve on the clarity and administration by adopting some rules that would govern the relationship between DRS and the employers. Dave states that there are three topics on which DRS would like employer feedback.

The first one is the information about how someone becomes eligible for the retirement system membership. The rules are present in the handbook and in training, but do not exist in WAC. So we thought it might be appropriate to put it in the rule to provide that clarity for both employers and the employees when they're wondering how they become eligible for the retirement system.

The second topic is the process for determining interest or penalties on late payments to the department. There have been some questions about this and how the department does it, so this may be a good time to draft clarifying rules.

Finally, there are employees that are working as independent contractors for some employers. As we have seen, sometimes there will be questions later about whether those employees are truly independent contractors, or not. In some cases, where it's been determined that these employees were not independent contractors, the department is required to go back and bill contributions and the employees end up getting a benefit. In the past, DRS used the salary they were paid as an independent contractor as the salary that their benefit was based on, and employer and the employee contributions were based on this amount as well. What DRS is considering, is to write a rule that clarifies that if someone has been working as an independent contractor, but has been determined to have been an employee rather than an independent contractor, the salary DRS would use is the salary they would have received if they would've been an actual employee working for that employer. DRS has had some situations where an independent contractor ends up with a much higher benefit that has not been funded over time because the independent contractor wages paid far exceed what they would have been paid as a public employee. This creates a greater liability to the system. Although contributions are usually paid at the time this is determined, usually it's far after the fact. The department is considering writing a rule that states that if a former independent contractor petitions for benefits as an employee, it would be based on the salary they would have received as an employee.

Chairman Ricchio reminded the group that DRS proposed to put together a subcommittee of the EAC to look at the WAC rules; not to work separately from the EAC, but in combination with it. The subcommittee would be looking for discrepancies between rules and practices that might need to be addressed in WAC. While the scope of the effort would have to be reasonable, he was certain that there will be a few topics that rise to the top. Once the ideas are captured, he will put them back out to the employers and solicit feedback - on what ought to be considered and on who would like to participate on the subcommittee.

Sheena Fournier of DSHS asked that when DRS sends a request to do an eligibility determination for a prior period, that the department would include the rules that would apply to that prior period of the request; possibly to include a macro in the worksheet. Dave stated that he would look into that.

Katy Dwyer of University of Washington stated currently WACs might say an employer must retain a paper copy of something in the employee's records. Sometimes those aren't available. For example, the University of Washington may not have paper payroll files anymore. Everything's electronic, so they have very few documents left like the I-9. It may be prudent to prepare the WACs for the future, where most everything is electronic.

John Boesenberg of the State Board of Community & Technical Colleges requested that when developing rules regarding positions and personal eligibility that it is remembered that in some cases, there's some overlap between the higher education retirement plans and the eligibility for PERS and TRS. This gets a little complicated and it would be great to have it clarified where a person has a choice or is mandated into one plan or another.

Please contact [Mike Ricchio](#) or [Dave Nelsen](#) with any further feedback or questions.

### **Employer Outreach**

Chairman Ricchio reminded the group that at the last meeting, DRS advised that it had done around 70 interviews of randomly selected employers to try and determine what it would take for employers to be 100% satisfied with the service they received from DRS. There was some early trending in the responses that related to things like accuracy, timeliness of service, friendliness, getting the right answer the first time, and being available, etc., but that criteria capturing these elements hadn't been fully quantified yet. DRS' goal is to create a survey tool of some kind that can be sent to employers to rate DRS. In addition, as DRS moved through this employer feedback process, it became clear that Retirement Systems Division (RSD) analysts generated a lot of correspondence and questions to employers too and should be included in the feedback process along with DRS' electronic systems folks. The result of this work will be the first cut at developing criteria that employers can use to rate DRS. Those criteria will need some refinement, and we are working hard to finish by the end of the year. Once DRS has a working tool to collect feedback from employers, DRS will take that feedback and use it to improve the way we do business. This is something that DRS will incorporate into its quarterly target performance reviews on a regular basis.

Click [here](#) to see the Employer Outreach presentation.

### **Quarterly Target Review**

One of the processes that DRS is using to measure our performance is a Quarterly Target Performance Review, explained Chairman Ricchio. The approach is based on a book written by John Bernard called Business at the Speed of Now. There are a series of templates and business mapping and processes that are involved, but the one thing about Bernard's approach that's different than a lot of others is that it combines LEAN, Six Sigma and other management/performance tools with a focus on management itself. In Bernard's system, management is a process just like any other, that itself should be Leaned out and optimized. Management is often times out of the loop when it comes to improving process. And management is a process that needs to be improved. Part of the way to do that is to measure key core competencies, core processes, and supporting processes, link them to outcomes, and hold business owners accountable. DRS is doing this by assigning managers and leaders to these core processes as business owners. DRS is also holding Quarterly Target Performance Reviews (QTRs). DRS' first QTR was held on October 29<sup>th</sup> where 66 performance related measures were reviewed. DRS rated this performance as red, yellow or green. There were a lot of reds, typical when first starting this process. The idea is to identify problems. If you can identify the problem, you can fix it. Especially if the root cause of those problems is understood. The goal of the QTRs is to find where the problems are and to concentrate resources on how to solve them. Resources come from whatever group is needed to help solve the problem. DRS is committed to identifying and fixing those problems and improving its performance as it moves forward with this approach.

For those of you that want more information about this effort within DRS, please feel free to contact [Mike Ricchio](#).

### **Pay Cards**

Chairman Ricchio introduced Cathy Cale, Fiscal Manager to talk about pay cards. To view Cathy's presentation, click [here](#).

Katy Dwyer from the University of Washington asked if you could mandate people into a pay card. John Boesenberg stated that the law changed last year, and that payment could be mandated through a pay card or other means. This may or may not be limited to higher education.

Please contact [Cathy Cale](#) with any further questions or feedback.

### **Retirement Readiness/DCP Results**

Chairman Ricchio introduced Brian Berghoff, DCP Plan Administrator to present on Retirement Readiness and DCP Survey Results. To see Brian's presentation, click [here](#).

Brian also promised the following links to the group:

[Retirement Planning Seminar and the National Save for Retirement Week](#)  
[Retirement Planning Resources and Tools](#)  
[Retiree Benefit Payments by County](#)

Please feel free to contact [Brian Berghoff](#) with any suggestions.

## **Employer Information System (EIS) Update**

As previously reported, DRS submitted a decision package to the Office of Financial Management for a new EIS. Following discussions with the Office of the Chief Information Officer and others about moving forward with the Employer Information System we expect that this item will be included in the Governor's budget. We have every reason to believe the legislature will look favorably on the request for spending authority for a new EIS as well.

EIS is being viewed as the first step in a larger replatforming effort to move from DRS' 15+ year old mainframe-based system to a more modern infrastructure that will incorporate modern programming, modern applications, mobile apps, and maybe even cloud-based solutions. It's a long overdue move for the department at this point. As we testified before the Select Committee earlier this year, our systems are very old, very brittle and, in some cases, constrain policy choices because we can't implement the ideas coming forward in legislative proposals without going far beyond what's reasonable in terms of cost. Moving onto a more modern platform is something that should open the door to more efficiency and better performance in the future. DRS is very excited to have this opportunity to move forward technologically.

In terms of implementation, DRS is going to start with employer information, not our core member information system. But the hope is that we can replatform the entire infrastructure so that it's all running on modern platforms and using modern applications. With that in mind, DRS will be looking for employers' support should it be needed in the legislatively if EIS becomes a point of discussion at any point along the way. DRS views this effort as a partnership and we're moving forward with the goal of not just meeting our own needs, but meeting employers' needs as we move forward. We will certainly continue to keep employers involved in the design aspects of EIS and to make sure DRS is delivering the kind of service that employers expect and need to be able to do their part in reporting and ensuring that employees get the pensions that they've earned.

DRS has assigned a project manager and is looking at what the procurement regulations require. The project manager is ensuring that we are appropriately sampling the different kinds of technologies that are out there. DRS is in contact with other states who have recently implemented new technology platforms for retirement systems, as well. Funding will most likely not be available until July as a budget is not likely to pass until the end of session; but DRS would like to have everything ready and set to go when that funding comes through. DRS will be reaching out to you frequently over the next several months as we continue down the path toward a new information system for employer reporting.

Please contact [Mike Ricchio](#) with any questions or feedback.

## **Miscellaneous**

Chairman Ricchio asked the group if they would like to have guest speakers, such as someone from State Investment Board or the State Actuary's Office. There was a general consensus that the group would enjoy guest speakers.

Next, Chairman Ricchio asked how the group felt about eliminating paper publications. The group was divided on this. Some employers have a community of retirees who do not use computers, some have employees who work in the 'field' and do not have access to computers. And, there are some employees with language barriers. Katy Dwyer stated that this may be something we could look to in the future, but that employers are not ready to go completely paperless yet.

Chairman Ricchio asked if anyone had any other items they would like to discuss. Kimberly Fleming of King County stated that they are having issues with the RSAs giving out misinformation. For example, they did some lay-offs and an RSA told a member that DRS could not pay them until they received a termination date. Kimberly had to explain that King County has a 13 day lag and couldn't provide that date until they were finished paying out wages. Because of the influx of lay-offs, if everyone is being told that King County could manually key the termination date into WBET, it is problematic. Kimberly requested that this issue be reviewed. Val Stone from DRS' Division of Retirement Services assured Kimberly that DRS would make it clear to RSAs that they may not get a separation date until the member is completely paid out.

Sheena Fournier of DSHS stated that she has had the opposite problem; that some members have a retirement date before their separation date. She believes the RSAs are asking when the last day of work was as opposed to the final date of pay. DRS also pledged to follow up on this issue.

Kimberly Fleming suggested that RCWs and WACs be included when they are referenced in the employer handbook.

Sheena Fournier stated that they are having issues with invoices received from DRS for a contribution during a non-taxed period. Sometimes the invoice bills the employer for the employer portion and the employee portion. Then the employer will, in turn, have to bill the employee. She would like to know if DRS could just bill the employee. Kim Smith said that a bill goes directly to the employee for the time period when the public employer is non-taxed (pre-1984), but any time after 1984 billing goes directly to the employer and the employer would then pay both up front. This falls under the "employer pick up" rule. The group consensus is that sometimes it is difficult to locate retired members or employees who have not worked for them for many years. It creates issues and tension when the employer cannot collect monies already paid to the department. Kim Smith stated she wasn't sure if there was anything DRS could do, but that she could look into it.

**Closing**

Next meeting will be February 14, 2013 at the Department of Retirement Systems.