

Employer Advisory Committee Meeting Minutes-  
November 21, 2008

**DRS Staff Members Present:**

George Pickett, Chairperson;  
Jeff Wickman, Senior Assistant Director, Policy;  
Michelle Hardesty, Assistant Director, RSD;  
Kim Smith, Employer Support Services Manager;  
Yvonne Haukom, Secretary Supervisor;  
Amanda Persell, Administrative Assistant;  
Lanette Barton, Audit Supervisor;  
Monette Jenney, Trust Accounting Manager;  
Zan Johnston, TRS Plan Administrator;  
Dawn Gothro, Communications Director;  
Cathy Dodson, Management Analyst;  
Keoni Fontaine, Management Analyst

**Employer Members Present:**

Patty Orchard, DOP;  
Jay Minton, DSHS ;  
Shawnte Papac, DSHS;  
Sharon Brown, King County;  
John Goetz, CIS;  
Nancy Savage, Pierce County

**Employer Members Present via Conference Call:**

Chandra Winston, Port of Seattle;  
Gail Davila, City of Bellevue;  
Loni Shorten, Port of Tacoma;  
Katy Dwyer, UW;  
Lynn Guyton, Puyallup SD;  
Chandra Winston, Port of Seattle;  
Pamm Scott, Bellevue Community College

**Welcome and Announcements**

Chairman Pickett welcomed everyone to the meeting and thanked everyone for attending either in person or via conference call. Target Date Funds were successfully implemented in October.

## **Legislative Activity**

Chairman Pickett introduced Jeff Wickman, Senior Assistant Director of Policy, to brief the members on the interim activities of the Select Committee on Pension Policy (SCPP). The SCPP has taken Executive action on the following five bills:

### **Transfer of Fish and Wildlife Enforcement Officer Service**

Allows for the transfer of prior PERS service earned as an enforcement officer into LEOFF Plan 2. The proposal will include PERS Plan 3 members in the transfer. Previous proposals only included PERS Plan 1 and Plan 2 enforcement officer service.

### **Survivors of Inactive PERS Plan 1 Member**

Allows the beneficiary of a PERS Plan 1 inactive member, who was eligible to retire but died before retiring, to receive the same retirement annuity options as if the member was active at the time of death.

### **PERS to SERS Auto Transfer**

Ends the auto transfer of PERS service to SERS when a PERS member takes a SERS eligible position. Allows a window for members, whose service was transferred to SERS, to return the service to PERS if they wish.

### **HECB Proposal**

Allows the Higher Education Coordinating Board to offer the Higher Education Retirement Plan (HERP) to its employees instead of PERS.

### **SERS/PERS 2/3 Part-Time Service**

Prior to January 1, 1987 members paid contributions if they were in an eligible position even if they did not meet the hourly threshold to earn service credit. On September 1, 1991 the Legislature created the partial service credit rules that allow for .25, .5 and 1.0 service credit depending on the hours worked. This proposal would retroactively apply the current half-time service credit rules for educational employees to periods of prior educational service. A member, who worked for an educational employer prior to January 1, 1987, could receive six months of service if they worked the entire year and earned at least 630 hours.

The following five bills are still under consideration by the SCPP:

### **Change Membership Default for Plans 2/3**

New employees hired into PERS, TRS, or SERS eligible positions must choose to be a member of Plan 2 or Plan 3. Members who don't choose are

“defaulted” into membership in Plan 3. The SCPP is considering whether to change the default plan option.

### **Interruptive Military Service Credit**

The SCPP is considering whether members should receive free service credit for periods of public employment that were interrupted by military service during a period of war. This proposal would provide no cost interruptive military service for periods that have not already been purchased. Members, who had purchased interruptive service for Operation Iraqi Freedom and Operation Enduring Freedom, would receive a refund of employee contributions.

### **Plan 1 COLA Proposals**

The SCPP is considering whether to modify the COLA provided to TRS and PERS Plan 1 retirees. A short-term proposal would grant additional increases to the Uniform (\$1.73 per year of service) COLA based on when a retiree retired (1985-1990 = \$.35, 1980-1984 = \$.50 and prior to 1979 = \$.75). The long-term proposal would create a CPI-based COLA that would protect future retirees from inflation.

### **\$150,000 Death Benefit**

The SCPP is considering whether to increase the \$150,000 death benefit to \$175,000.

### **Improved Disability Benefits**

The SCPP is considering whether to create a new disability benefit for members of Plan 2/3. The benefit would provide a smaller actuarial reduction at retirement for members with at least 20 years of service who could no longer be gainfully employed.

You can also log onto the SCPP website <http://www1.leg.wa.gov/scpp/> for legislative information.

### **ERF (Early Retirement Factor) Update**

Chairman Pickett introduced Kim Smith, Employer Support Services. After the feedback DRS received during the EAC meeting in August, DRS has been working on an alternate approach to 2007s HB2391. Under the revision, employers must verify employment status on any independent contractor, contractor, or personal contract employee who is directly compensated by the employer. Under the newly revised process, employers are not required to verify vendors of subcontractors. DRS is working to revise the current Retirement Status Form

(<http://www.drs.wa.gov/forms/employer/retirementStatusForm.pdf>) The revision removes “Section 2” from the current form and create a separate

form specifically for "Contractor Status" to be completed by the employer of the retiree. The "Retirement Status" form is being revised back to its original format. These forms will be e-mailed to employers upon completion. Employers must verify contractor status with Member Reporting Verification (MRV). Some of the committee members' issues, comments and suggestions are:

- The "Contractor Status" form should have a perjury clause for the contractor's acknowledgement.
- Employers are concerned about staffing; they don't have enough staffing for the added MRV process.
- DRS need to prepare specific guidelines that will apply to all service providers that are paid directly.
- DRS should discuss this subject with SCPP.

The employer will be liable for overpayment if retiree is not reported to DRS. DRS will consider the options available to revising the form with the suggestions set forth. DRS will do their best to make it as easy as possible for all groups. DRS will counsel the member at the time of retirement as well as notifying them annually to remind them of their decision not to return to work.

### **Plan Handbook Distribution**

Chairman Pickett introduced Michelle Hardesty, Assistant Director of Retirement Services Division. Michelle has been tasked with publishing a Plan Choice Handbook that is simple and easy to understand for the members. With ever-changing legislation, it creates a challenging and costly situation to keep the handbook up-to-date and readily available. Michelle proposed to the committee the idea of providing the handbook online and reducing the hard copy publishing to a minimum for those employers without Internet access. Michelle opened the meeting up for feedback from the committee. A number of committee members agreed that making the handbook accessible only through online access would be a disservice to the member. It was also suggested that if this was implemented that those members who do not have Internet access could have a DVD burned for viewing at their convenience either at work or at home. Several agencies are completely out of handbooks. Michelle informed the committee the handbooks will be available the first part of December, and they will be filling the back-orders first.

### **Retiree RTW Process Changes**

Michelle Hardesty, Assistant Director of Retirement Services Division, informed the committee that DRS will stop the benefit of the retiree if DRS has been notified the member is

1. Going over the 867 hour maximum and

2. The member will continue to work in the month following the month the member exceeded the maximum hours.

Once DRS has the exact date, an adjustment will be made to the member's account. DRS' policy is to send a "warning notice" to the retiree and the employer when the retiree reaches between 600-630 hours and once the retiree has reached the maximum 867 hours, a letter is sent once again to the retiree and the employer.

### **Annual Statements**

Michelle Hardesty, Assistant Director of Retirement Services Division informed the committee that DRS would like to change the way annual statements are disseminated. DRS would like to cease paper distribution and send an e-mail to all employers who would forward the e-mail to their employees with a hyperlink for members to view their annual statement online. Some committee comments were:

- Start a campaign, a newsletter approach letting members know "we're going paperless". This would give members the opportunity to opt-out of paper copy and view annual statement online.
- Member's who do not have online access could call DRS directly to request a paper copy of their statement.
- If statement is only available to members online, this could hinder employees from actually performing their job duties.

### **Open Discussion**

Heart Act information will be e-mailed to employers within the next few weeks. The Heart Act affects military members who are called to active duty. If the member is paid differential compensation, it is now reportable. DRS will comply with all federal requirements, and will communicate with employers regarding reporting requirements.

Next year's EAC dates have been set. They are February 19, May 21, August 20, and November 19.