

Employer Advisory Committee Meeting Minutes-
May 19, 2011

DRS Staff Members Present:

George Pickett, Chairperson
Amanda Persell, Administrative Assistant
Andrea Mower, Office Assistant
Kim Smith, Employer Support Services Manager
Dave Nelsen, Legal/Legislative Services Manager
Lanette Barton, Employer Audit Supervisor
Monette Jenney, Trust Accounting Manager
Mark Feldhausen, Budget & Benchmarking Director
Gayle McGee, Project Manager
William Sherman, Employer Auditor
Dawn Gothro, Communications Manager

Employer Members Present:

Sheryl Gordon, Green River Community College
Nancy Savage, Pierce County
Kimberly Fleming, King County Metro
Amy Bohocky, Department of Social & Health Services

Employer Members Present via Conference Call:

Gail Davila, City of Bellevue
Beverly Freeman, Chelan County PUD

Welcome and Announcements

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

Legislative Update

Chairman Pickett introduced Dave Nelsen, Legal & Legislative Services Manager, who gave a Legislative update.

Dave began with bills that have passed the Legislature:

HB 1263, PSERS Employer Definition, modifies the employer definition within PSERS to include correctional entities formed by PSERS employers under the Interlocal Cooperation Act. This bill has been signed by the governor.

HB 1625, Default Investment Option for Plan 3, changes the investment option for new employees who default into membership in PERS, TRS or SERS Plan 3 by failing to choose a retirement plan within

the allotted 90 days. The current default investment option is investing in the Commingled Trust Fund option, called the Total Allocation Portfolio, or TAP. The new default investment option is the Target Date fund that is designed for the closest age to the member at the time of default. The defaulted member will still retain the option to change his/her investment choices at any time. This bill has been signed by the governor.

SHB 2021, Eliminating the plan 1 Annual Adjustment for Certain PERS and TRS Retirees, eliminates an automatic annual benefit increase for retirees/beneficiaries in Plan 1 of the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) after June 30, 2011. This bill does not reduce retirement allowances below the amounts in effect on July 1, 2010; nor does it impact the existing minimum retirement benefits. This bill also lowers the minimum employer contribution rates for the unfunded liability in both plans, and increases the Adjusted Minimum Benefit limit to \$1,545 per month. This bill has been signed by the governor. With this bill, the contribution rate will change, but we won't know the new rate until the Legislature is done. We will try to provide the new rate information 30 days in advance but we may not know until last minute. Nancy Savage of Pierce County asked if a rate change would be retroactive. Dave said it's more likely that we would get the information out to the employers within 30 days of it going into effect but it's not out of the realm of possibility that we would have to go back. DRS will have some form of communication out to employers on or before May 25 to keep employers apprised of what is happening.

HB 2070, Determining Average Salary for the Pension Purposes of Public Employees, requires the Department to calculate the benefits of retiring government employees so that they include qualifying foregone compensation that occurred during the 2011 – 2013 biennium. This would apply to members of PERS, TRS, SERS, PSERS, WSPRS, and LEOFF Plan 2.

Dave then talked about ESHB 1981, Retire/Rehire and Higher Education Plans Reform, which is still under consideration. This bill would impact retirees from each plan within PERS, TRS, SERS and PSERS in the following ways (Please note that elements of this bill changed before final passage, to view the most current legislative information, go to www.drs.wa.gov/legislative.):

- Limits to 867 the post retirement hours a retiree from Plan 1 of PERS and TRS could work prior to suspending their pension benefit. This

limit would only apply to retirees who retire on or after September 1, 2011.

- Limits the ability of higher education institutions and entities to offer their Higher Education Retirement Plans (HERPs) to only faculty and senior administrative employees.
- Applies the return to work provisions of the applicable retirement system to higher education positions eligible for the HERPs.
- Higher education institutions and entities would be prohibited from offering participation in a HERP to any newly hired employee that has retired or is eligible to retire from a DRS administered retirement system.
- The guaranteed minimum retirement benefit provisions currently available to HERP participants would be discontinued for all newly hired HERP participants.
- Newly hired employees eligible for participating in a HERP would be given the option at the time of hire to participate in PERS or TRS Plan 3, or participate in HERP.
- The Office of the State Actuary would oversee an actuarial valuation of the guaranteed minimum retirement benefit provisions.
- Institutions will be required to submit a percentage of HERP covered employees' salary to DRS to be invested by the WSIB. These funds will be used to pay required supplemental benefits to eligible HERP retirees.
- The SCPP is given the authority to review HERP benefits and make recommendations to the Legislature.

To view the most current legislative information, go to www.drs.wa.gov/legislative.

Dave also gave an update on Gainsharing. There will be oral arguments later this month on class representation issues for phase two of the lawsuit. A tentative court date to begin phase two is in August, but it is likely to be delayed. It is more likely that it will be late summer or fall before we begin phase 2 of the lawsuit at the Superior Court level.

Self Audit

Chairman Pickett introduced Bill Sherman, Employer Auditor. Bill presented, and highlighted the new features of the Self-Audit Program. To see the presentation, click [here](#).

Kimberly Fleming, with King County Metro, asked if there will be a capture feature. Bill indicated no and that we are hoping if an employer has an issue that they will contact DRS. If they are directed to perform an audit and assigned an auditor, the auditor will maintain contact with the employer and

answer any questions. If you have any questions, feel free to contact the [Audit Unit](#).

Chairman Pickett wanted to acknowledge Michael Zeitner with our Communications Division for his help in making this tool possible. Our desire is to have the program be a useful tool for employers to use privately to assess themselves, and contact DRS if they have any questions or concerns.

FY10 Benchmarking Report

Chairman Pickett introduced Mark Feldhausen, Budget & Benchmarking Director, who presented on the Fiscal Year 2010 Benchmarking Report. To see the presentation, click [here](#). Due to copyright restrictions, the graphics have been removed from this presentation. Kimberly Fleming of King County Metro asked if the information in this report included DCP. Mark said that no, it does not include DCP or OASI. To enable an “apples-to-apples” comparison, participants need to isolate/remove the cost of optional benefit programs, like DCP, and the cost of activities like health care administration and investment management, as they aren’t performed by all pension administrators. Chairman Pickett said that all DCP costs are separated out because they are funded by the participants. Contact [Mark](#) with any questions.

Fund Transition

Chairman Pickett introduced Gayle McGee, Project Manager. Gayle’s [presentation](#) covered the upcoming fund transition. Nancy Savage of Pierce County wanted to know if there will be a courtesy notification to employers. The answer was yes, we will email employers when it goes into effect. Please contact [Gayle](#) with any questions.

Miscellaneous

Chairman Pickett wanted to give some updates about what is happening here at DRS.

It doesn’t look like the state hiring freeze is going to continue. Currently, DRS is about 10% smaller. With the removal of the hiring freeze we are developing a strategy to fill key positions as quickly as we can. There are opportunities coming open and anyone can apply. Nancy Savage asked if we are still doing furloughs. Chairman Pickett said no, we are done. We will be taking a general 3% pay cut but we will be here Monday – Friday. We really appreciate the collective patience while we were out on furlough.

Also, we have a personnel change. Cathy Cale is now the Fiscal Manager and Jennifer Dahl has moved to the Assistant Director of Retirement Services.

CEM reflects highly on the people of this organization and the work we do. But as good as we are, we can do better. This thought process initiated what we call Service to Satisfaction. We have done a series of interviews with approximately a quarter of our staff, and are developing some basic principles. The next phase is to talk to customers, which includes employers. We may be contacting some of you to ask you one question, something like – How can we make it so you have 100% satisfaction? We have learned internally that this is not an easy process. Sometimes it's hard to hear the answer, but we need to know so that we can improve. We value all input, positive or negative. Please understand that the results will not be instantaneous. It will be a long transition to get to 100% satisfaction.

Open Discussion

Nancy Savage asked if an employer calls, is there a screen that pops up in the DRS system that has an overview of all employer information. Kim Smith said no, we go to different screens based on your questions. Nancy said that they are having ongoing issues with excess compensation and it would be nice if there was a screen that gave a snapshot so that they didn't receive incomplete information. Chairman Pickett said that this is the type of feedback we will be looking for when we interview the employers. We will be talking to different employer types to get a wide range of situations. We will also be talking to members.

Next meeting is August 18, 2011 at the Department of Retirement Systems.