

Washington's public pension plans ***Secure supplemental retirement income for those who serve the state's citizens***

If you're a member or retiree of a Washington public retirement plan, you may find the following information helpful.

1) Is my retirement benefit safe, given the investment losses of last year?

Yes – your retirement benefit is safe and it will be paid.

Retirement benefits are funded over a long period of time and paying them is an obligation of the State. The value of the fund's investments went down during the economic turmoil of late 2008 and early 2009, but the markets began another upward turn toward the end of 2009. As of November, fund returns were up by 12.6 percent for the fiscal year.

It's important to remember the cyclical nature of capital markets and not react too much to short-term events. Most pension plans are funded over the working lives of the members who will receive the benefits, which means that the state [invests the assets of the trust fund](#) for long term results. The markets will go up and down many times during that period.

2) What is the funding status of the plans?

As shown on page 16 of the State Actuary's [September 2009 economic experience report](#), all but two of Washington's retirement plans are considered healthy and among the best funded in the nation.

The Legislature is continuing to work on fully funding the two that are less healthy – Teachers' Retirement System (TRS) Plan 1 and Public Employees' Retirement System (PERS) Plan 1 – and plans to bring them to full funding by 2027.

TRS 1 and PERS 1 were both closed to new members three decades ago. Part of the current unfunded liability is related to Cost of Living Adjustments (COLAs) and other benefit increases that were applied retroactively without a corresponding increase in contribution rates. Another part is related to contributions. Over the years, when faced with economic downturns and revenue shortfalls, there were times when the full recommended contribution amount for Plan 1 was not made.

In his [report](#), the State Actuary recommended a study of future pension plan funding. State leaders are discussing not only how best to fund the future Plan 1 obligations, but also how to protect the health of the remaining plans over the long term.

3) What happens if a plan runs out of money to pay benefits?

In a worst case scenario, a plan that depletes its assets would move to a “pay as you go” approach, with benefits paid from another source.

Again, all but two of Washington’s retirement plans are considered healthy and among the best funded in the nation. The Legislature is continuing to work toward fully funding the two older, closed ones and plans to do so by 2027.

Paying the retirement benefits that have been earned is an obligation of the State.

4) How are the retirement plan investments doing now?

While the markets are still recovering from last year’s downturn, they are once again showing positive returns.

It’s important to remember that any given pension plan will experience many market ups and down over its life cycle. Investment returns are cyclical. The long term results are what matter.

Since 1992 (when the separate retirement funds collectively became a diversified pool of investments known as the Commingled Trust Fund), returns have averaged an overall 8.34 percent. The State Investment Board’s strategies have resulted in a better performance than those of most other states, despite the difficult economic climate of late 2008 and early 2009.

The [Washington State Investment Board](#) regularly posts information on fund performance on its Web site.

If you’re a Washington citizen interested in knowing more about the state’s public retirement plans, you may find this information helpful.

1) Who pays for Washington’s public pension plans?

A public employee’s retirement benefit is paid for through contributions to the plan – from both the employee and the employer – and the investment earnings on that money, which grow over time. Roughly 75 percent of the [retirement benefits paid](#) come from investment earnings.

Pension benefits are funded over a long period – decades, in fact. Along the way, contribution rates are adjusted based on the actual experience of each plan, which includes how many new members join, the rate of return on investments, and inflation, among other factors.

2) What is the average retirement benefit for a public employee?

Retirement benefits depend on the individual’s compensation, years of public service and a mathematical factor used in the calculation, which varies by plan.

The average annual retirement benefit for Washington’s public employees (all retirees, all retirement systems) is \$18,676 per year or \$1,556 a month. The average annual benefit for those retiring within the last five years (all systems) is \$21,419.

[The statistical section of DRS's Comprehensive Annual Financial Report](#) provides more detailed information by system and plan.

3) How do Washington's plans compare with other states?

Overall, Washington's public pension plans are in a stronger funding position than those in most other states.

[A recent national report on public pension plan funding](#) (the Public Fund Survey for fiscal year 2008) listed 19 plans across the country with more assets than liabilities. More than a quarter of those plans were Washington's. The [State Actuary's 2008 Valuation Report](#) outlines the strong position of Washington's plans going into the recession.

In the late 1970s, our state made changes to the pension plans that were aimed at ensuring benefits were not only financially sustainable over time, but also met the needs of both public employees and the taxpayers. That's when the older plans were closed to new members.

Washington was also one the first in the nation to create a "hybrid" plan (Plan 3) that combines a smaller guaranteed benefit with a benefit that is dependent on member contributions and investment earnings. This plan addresses the needs of those who may not spend an entire career in public service, while at the same time creating a smaller guaranteed pension that is the responsibility of the state. Other states have since adopted similar plans.

4) Where do the state's retirees live and spend their money?

The majority of Washington's more than 131,000 public service retirees continue to live and spend their money in our state. A regularly updated [report](#) on our Web site shows the economic impact by county.

A [National Institute for Retirement Security](#) report issued in 2009 stated that each dollar invested by Washington taxpayers in these plans supported \$9.69 in total economic activity in the state.

QUICK FACTS ABOUT WASHINGTON'S PUBLIC PENSION SYSTEMS

History

In the 1930s and 1940s, retirement systems were created for the state's public employees, teachers, judges, law enforcement officers and fire fighters. Each was independently administered until 1976, when the Legislature created the Department of Retirement Systems (DRS) to serve as the administrator over all public retirement systems. In 1981, the Legislature created the independent Washington State Investment Board to manage the retirement and public trust fund investments.

DRS is consistently recognized for its cost-effective administration and quality of service by CEM Benchmarking Inc., which benchmarks the performance of public pension plan administrators across the world.

Pension Systems and Programs Administered by the Dept. of Retirement Systems

- Public Employees' Retirement System (PERS)
- Teachers' Retirement System (TRS)
- School Employees' Retirement System (SERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
- Washington State Patrol Retirement System (WSPRS)
- Public Safety Employees' Retirement System (PSERS)
- Judges' Retirement Fund (JRF)
- Judicial Retirement System (JRS)
- Deferred Compensation Program (DCP)

Brief Description of the Retirement Plans

Page seven of our [2009 Annual Financial Report](#) offers a summary of plan eligibility and provisions.

Pension System Roles and Responsibilities

The [Department of Retirement Systems](#) collects and accounts for contributions, verifies data reported by employers, maintains records, communicates pension information and pays retirement benefits.

The [Washington State Investment Board](#) serves as pension fund trustee and invests and accounts for the trust fund dollars.

The [Legislature](#) enacts retirement plan policy, including funding policy, and establishes contribution rates.

The [Select Committee on Pension Policy](#) studies pension issues and recommends any retirement plan changes to the Legislature. Committee members represent active and retired members of the retirement systems, as well as state legislators.

The [Office of the State Actuary](#) is staff support for the Select Committee on Pension Policy and performs regular valuations of the retirement plans, determining overall health and funding status, and recommends employer/state and member contribution rates to the Pension Funding Council.

The **Pension Funding Council** evaluates and adopts pension funding assumptions and recommended contribution rates.