

# Retirement

# OUTLOOK

## 2009 Legislative update

The 2009 legislative session concluded on April 26. Below is a summary of pension-related bills that were signed into law this spring. For more information, including the effective date of each new law, visit the Washington State Legislature Web site or the legislative summary on our Web site.

### *Bills that apply to more than one system*

**House Bill 1548: Interruptive Military Service.** This law provides up to five years of no-cost service credit for members who had their public employment interrupted by military service and who submit proof to the director of DRS that:

- The military service occurred during a period of war (as defined in the bill), and
- They initiated the process for re-employment with the same employer no later than 90 days from the date of their honorable discharge.

The bill applies to members of PERS Plans 2 and 3, SERS Plans 2 and 3, TRS Plans 2 and 3, LEOFF Plan 2, WSPRS Plan 2, and PSERS.

Survivors of eligible members and eligible members who were incapacitated as a result of their interruptive military service may also apply for the no-cost service credit.

Members who paid for this type of service credit will be eligible to receive a refund of the contributions. More information on applying for the refund will be available on our Web site this fall.

*(continued on next page)*

## Inside this edition

Summer 2009  
Legislative Update Edition

Administrative factors updated ....	3
Public disclosure requests for pension information .....	4
Governor appoints new DRS Director.....	5
Making it easy to see your future .	5
Web site redesign .....	6

For Active Members  
Judges LEOFF PERS PSERS SERS  
TRS WSPRS



## New contribution rates take effect in July and September for most members

Contribution rates for most members will be lower, beginning in July and September.

If you're a member of PERS Plan 2, your contribution rate decreased from 5.45% to 3.89% on July 1. Members of PSERS saw a slight decrease, from 6.57% to 6.55%. And if you're a member of WSPRS Plan 1 or Plan 2, your rate decreased from 6.65% to 4.85%.

Effective September 1, the rate for members of TRS Plan 2 will be lowered from 4.26% to 3.36%, and the SERS Plan 2 rate will decrease from 4.68% to 3.14%.

The rates, which are calculated as a percentage of your salary, fluctuate over time and are adjusted by the Pension Funding Council and the Legislature, as needed. More information about member contribution rates is available on the Web site of the Office of the State Actuary.

Contribution rates for members of PERS Plan 1 and TRS Plan 1 are set in statute and will not change. Plan 3 members choose their contribution rate at the time they enter the plan (or change employers) and those rates are not impacted.

The Office of the State Actuary also calculates and recommends adjusted contribution rates when the Legislature makes changes to benefits. For this reason, there will again be adjustments September 1 for members of PERS Plan 2 and WSPRS Plan 1 and Plan 2.

*(2009 Legislative update, continued)*

**House Bill 1551: Military Death Benefits.** This law extends eligibility for an unreduced benefit to survivors of members who leave an employer and die during a period of war while honorably serving in the National Guard or military reserves. It applies to PERS, TRS, SERS, LEOFF, WSPRS and PSERS.

**Engrossed Second Substitute Senate Bill 5688: Rights of Domestic Partners.** This law, which has an effective date of January 1, 2014, provides that domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal law.

### **Public Employees' Retirement System**

**Senate Bill 6157: Calculating average final compensation.** Under this law, the average final compensation that is used to calculate a retirement benefit for a PERS member will not be affected by salary reductions that are due to reduced hours, leave without pay or furloughs taken as a part of an employer's effort to reduce expenditures during the 2009-11 biennium. This bill does not grant retirement service credit.

**Senate Bill 5315: Survivors of PERS 1 Inactive Members.** Previously, the survivor of a PERS Plan 1 member who was eligible for retirement, but died after leaving employment and before applying for retirement, was eligible only for a refund of the member's contributions, plus interest. Under Senate Bill 5315, the survivor will have the option of either a refund of contributions, plus interest, or a monthly benefit, if the

member was eligible for retirement or had at least 10 years of service credit.

### **School Employees' Retirement System**

**Senate Bill 5303: Automatic transfer of service credit from PERS to SERS.** On and after August 1, 2009, a member who becomes employed in an eligible SERS position will no longer have prior PERS Plan 2 service credit automatically transferred to SERS Plan 2.

From September 1, 2009 through November 30, 2009, current and inactive members of SERS Plan 2 who had PERS service credit transferred to SERS Plan 2 may request, in writing, to have that service credit transferred back to PERS Plan 2 if the individual:

- Did not earn service credit with a school district or educational service district before the transfer; and
- Has not transferred to SERS Plan 3 or PERS Plan 3.

### **Law Enforcement Officers' and Fire Fighters' System**

**House Bill 1506: Benefits for Survivors of Pre-LEOFF Members Who Retired Under the Firefighters' Relief and Pensions Act.** This law affects pension benefits for survivors of firefighters who retired under the Firefighters' Relief and Pensions (FRP) Act. It removes language that currently stops the benefit if the surviving spouse remarries. The benefit will now continue for the lifetime of the spouse.

The FRP, which existed prior to the creation of LEOFF, is not administered by the Department of Retirement Systems.

**House Bill 1678: Duty Disability Conversion.** This bill took legislative changes from 2004 and 2005 a step further by reclassifying pre-2001 duty-related retirements as occupational disability retirements. That will allow affected retirees to receive favorable tax treatment on pension benefits they receive after the effective date of this bill.

This bill also establishes a minimum benefit for those with less than five years of service credit who retired from LEOFF Plan 2 before January 1, 2001.

**Substitute House Bill 1953: Fish & Wildlife Officer Service Credit Transfer.** This law allows Department of Fish and Wildlife Enforcement Officers to transfer service credit earned as an enforcement officer in PERS Plan 2 or Plan 3 to LEOFF Plan 2.

A member choosing to transfer service credit from PERS Plan 2 to LEOFF must pay the difference between the contributions the member made in PERS Plan 2 and the contributions the member would have paid in LEOFF Plan 2, plus interest, by June 30, 2014.

A member choosing to transfer service credit from PERS Plan 3 to LEOFF must pay the greater of the full balance of the member's defined contribution account or the amount of contributions that the member would have paid, had the service been rendered in LEOFF Plan 2, plus interest.

Member, employer and state contribution rates will increase to the extent necessary to fund the difference in the value of the service credit transferred between the plans, and the member contributions transferred into LEOFF Plan 2.

House Bill 1616: Domestic Partners in LEOFF Plan 2. This law gives domestic partners of LEOFF Plan 2 members the same pension rights and options as spouses.

### **Washington State Patrol Retirement System**

Engrossed Substitute House Bill 1445: Domestic Partners in WSPRS. Under this law, state-registered domestic partners will receive the survivor and death benefits available to spouses of WSPRS members.

### **Other Pension-Related Bills**

Engrossed Substitute Senate Bill 5238: Mailing Information to Members. Under this law, DRS must assist organizations that meet specific criteria with mailing information to retirees. The organization must exclusively provide representation or services to retired members of the state's retirement systems and have membership dues deducted through DRS. Any entity that meets this criteria may request DRS' assistance with mailings up to two times a year.

The mailings cannot support or oppose a political party, ballot measure or candidate and the organization must pay all related costs of the mailing. DRS will use a secure agreement with the mail center to provide the data required to address envelopes, ensuring that the organization does not have direct access to retiree names or addresses. DRS will not approve, disapprove, or in any other way take responsibility for the content of the mailings.

House Bill 2206: Old Age and Survivors Insurance (OASI) Program to DRS. This law facilitates the transfer of administration of the Old-Age and Survivors Insurance Program from the Employment Security Department to the Department of Retirement Systems. Governor Gregoire designated DRS as the OASI administrator effective July 1, 2009.

## Administrative factors were updated in July

### **What administrative factors are**

Administrative factors are the percentages we use to calculate adjustments to your retirement benefit if you choose options such as providing a survivor benefit or taking an early retirement. They're also used to calculate the cost of purchasing additional service credit.

If you requested a benefit estimate or the cost of purchasing service credit in the past year, you likely received a letter from us notifying you of the update.

The factors were updated July 1, 2009 for every plan and system except Washington State Patrol Retirement System (WSPRS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2. Updated WSPRS and LEOFF Plan 2 administrative factors are expected to be implemented in the fall.

### **How they might affect you**

The updated factors will affect your:

- Benefit amount if you choose certain options like a survivor benefit or retiring early;
- Cost to purchase or restore service credit; and/or
- Cost to purchase an annuity from the defined contribution part of Plan 3.

### **Why they change**

At least once every six years, the Office of the State Actuary (OSA) compares the actual experience of the plans to assumptions previously made about what would occur and, if necessary, recommends adjustments to the administrative factors. DRS adopts the factors recommended by OSA for all plans except LEOFF Plan 2. The LEOFF Plan 2 Board adopts factors for LEOFF 2 members and provides those factors to DRS.

Assumptions about the future include:

- Members' future rates of retirement and disability;
- Members' total length of service;
- The rate at which members' salaries will increase; and
- Mortality and other life experiences of retirement plan members, retirees and their beneficiaries.

*(continued on next page)*

*(Administrative factors, continued)*

## Two examples of when we apply administrative factors

### SURVIVOR OPTION EXAMPLE

John plans to retire from the Public Employees' Retirement System (PERS) Plan 2 and wants to provide a survivor option to his spouse (see the sidebar for information about choosing a survivor option). The administrative factor that applies to the calculation will reflect a couple of different elements, including the age of his spouse and the percentage of his original benefit that he wants his survivor to receive.

With a **July 1, 2009** retirement, John's benefit would be:

$\$3000$  (Option 1 benefit)  $\times$   $.76000$  =  $\$2280$  monthly benefit (100 percent survivor option)

### SERVICE CREDIT PURCHASE EXAMPLE

Mary is 65 and plans to retire from the Teachers' Retirement System (TRS) Plan 3. She wants to purchase five years of additional service credit at the time she retires, which will increase her monthly benefit by \$150 (see the sidebar). The administrative factor used to determine how much the service credit will cost reflects Mary's age and the benefit increase she will receive for the rest of her life.

With a **July 1, 2009** retirement, Mary's cost to buy the additional service credit is:

$\$150$  (benefit increase)  $\div$   $.0067357$  =  $\$22,269.40$   
(Cost of additional service credit)

For more about administrative factors, see the Administrative Factors FAQ on the DRS Web site.

### Choosing a survivor option:

If you want to provide for someone after your death, you choose a survivor option. This means that your benefit will be reduced over your lifetime so that your survivor can receive a continuing benefit for his or her lifetime. We use an administrative factor to calculate the monthly benefit so the total lifetime amount is spread over two lifetimes.

### Choosing to purchase service credit:

If you choose to purchase additional service credit when you retire, you pay a single lump sum up front so that you will receive an increased benefit each month for the rest of your life. We use administrative factors to determine what your one-time cost will be, based on the future value of your increased benefit.

For more information about survivor options and purchasing service credit, see your member handbook.

## Public disclosure requests for pension information

We occasionally receive public disclosure requests for pension data. When the request is for an individual's information, we notify that person in writing and delete information exempt from disclosure, such as your Social Security number, your mailing address, medical information and beneficiary. However, individual member notification is not feasible when a request covers thousands of retirement system members.

Broad requests are rare, particularly since a fee to create these types of records is normally charged for the time involved to prepare the information, but they do occur. If you have questions on what can and can't be disclosed in response to a public records request, please write us at:

Department of Retirement Systems PO Box 48380 Olympia, WA 98504-8380.

## Governor appoints new DRS Director



In February, Governor Gregoire appointed Health Care Authority (HCA) Administrator Steve Hill as the new director of DRS. Hill is now leading both HCA and DRS. In this dual role, he chairs the Public Employee Benefits Board and is a member of the Washington State Investment Board and the Select Committee on Pension Policy.

A former senior vice president of human services for the Weyerhaeuser Company and Regent for Washington State University, Hill has headed the HCA since 2005. He is a member of the first class of the American Leadership Forum Chapter for Tacoma-Pierce County and on the board of directors for the Consumers Union, the Washington Public Affairs Network and the Puget Sound Health Alliance. Hill holds a Bachelor of Science degree from the University of California at Berkeley and a Master of Business Administration degree from the University of California at Los Angeles.

Under Hill's leadership, the two agencies are collaborating on enhancing service to their mutual customers. Several customer service initiatives are already under way.

The possibility of a merger was explored, but it was concluded that a merger would not result in significant cost savings for taxpayers or make good business sense. Instead, the two agencies will continue to work together on increasing customer satisfaction, maximizing shared services and strengthening their partnership.

### Making it easy to see your future

We want to make sure you have all of the information you need to make the retirement decisions that are best for you. If you are within five years of retirement, register for one of our retirement planning seminars. At the seminar, representatives from DRS will discuss the retirement plans and the Deferred Compensation Program. Representatives from the Social Security Administration, Public Employees Benefits Board and VEBA (a medical expense reimbursement plan) will also provide you with information you need to successfully navigate the retirement process.

Register online or call us at 1-888-711-6676 (360-664-7300 in the Olympia area).

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*Retirement Outlook* is available to members in alternate formats.

# New Web site puts your retirement needs first

Your valuable input helped us redesign the DRS Web site so your retirement needs come first. With the late summer launch of the new site, it will be easier than ever to reach your goals.

## Here are some of the new features you'll find:

1. Access all your account information in one drop down menu – whether it's Plan 3 information you're looking for, or you want to increase the amount of your Deferred Compensation Program (DCP) deferral, you can select your account choices under *myDRS*.
2. Find your plan, your topics, your way – new categories and different navigation choices make finding your plan and system a snap. All you need to know is whether you're a member or a retiree. After that, traveling through the Web site is simple and intuitive.
3. Get what you want – Do you want to get a benefit estimate? Or print a 1099? Browse through the *I want to* lists to find the most-often requested items on the DRS Web site.
4. Keep up-to-date with the latest news and announcements – quickly locate recent articles related to retirement issues. If you want to read stories more in depth, or access the news archive, use the "See more news" link.

## We're still listening!

Please keep sending us your feedback so we can make the DRS Web site a place where it's easy to see your future.

