



# Advisory Committee Update

## April 2020

DRS Advisory Committee Members,

The past few months have seen a major shift in how we provide [services to our customers](#). We closed the public lobby in mid-March with the understanding that almost all services could be accessed virtually. The transition to providing all services online or via telephone has gone extremely well. Members appreciate that we remain available to them. We have also been in contact with our employers to assure them that we are available and will work with them to get contribution payments in while they are also teleworking.

Team members have been extremely flexible in the transition from physically being in the Tumwater facilities to working from home full-time. We have approximately 92% of team members teleworking and have not experienced a loss in productivity. This is great news for our members and employers given that the Stay Home, Stay Healthy proclamation will remain in effect.

The only strategic initiative impacted by the virus has been the renovation of the DRS building in Tumwater, largely due to the suspension of construction. Now that construction is able to resume we are working with the building owner on a revised schedule. While the public lobby will remain closed, we are exploring ways to provide a limited number of in-person appointments. We will be sure to share information regarding member appointments and the construction schedule as it becomes available. All of our other initiatives remain on schedule with team members and contractors working together via virtual meetings. We are getting really good at all sorts of virtual meeting applications as I am sure you are!

The DRS Leadership Team has begun planning for the orderly and safe return of team members to the Tumwater facilities. We have received feedback about their preferred future work locations. We know some team members are interested in resuming work onsite and some are not, largely because of concerns about risks to themselves or their households. For that reason, a transition back to the Tumwater facilities will be gradual, most likely starting with the Leadership Team and team members who would like to return. For those who are in the building, we will have a comprehensive plan for physical distancing and procedures to stop the spread of germs. Ultimately, much will depend on the Governor's direction to state agencies.

We remain committed to providing excellent customer service while providing a safe and healthy work environment for all team members, customers, contractors and anyone else who engages with us. I look forward to seeing you in-person in November!

I hope you and your loved ones remain safe and healthy.

*Tracy Guerin – Director*

## Budget Update

The supplemental budget contained the following adjustments to DRS' budget for the current biennium that ends June 30, 2021.

- **\$6,165,000** was placed into the state's Information Technology Pool to support our CORE Mainframe Re-hosting project. That was the amount we requested to cover the cost of vendor services that exceeded the market research previously obtained.
- **\$1,528,000** to cover the cost of our Record Keeper Transition from Empower to Voya. DRS requested this amount in the supplemental because the presence and extent of a transition couldn't be determined until the competitive procurement process was completed (which was after the biennial budget was set).
- **\$389,000** to cover the full cost of implementing the state's Information Technology Professional Structure. The initial amount placed in DRS' biennial budget was based on data and assumptions that were over two years old at the time the "snapshot" had to be taken for budget development.
- **\$166,000** to implement 2SHB 1661 concerning administration of the higher education retirement plans, including establishment of institution-specific accounts and contribution rates.
- **\$144,000** to implement E2SHB 1139, that passed in the 2019 Session, on expanding the current and future educator workforce supply (partially by changing some of the retiree return to work restrictions in SERS and TRS).
- **\$53,000** to implement SB 6417 on allowing retirees to change their survivor benefit option election after retirement after the state receives a determination from the IRS that this change conforms with federal law.
- **\$48,000** to implement EHB 1390 on providing a benefit increase to certain retirees of PERS Plan 1 and TRS Plan 1.
- **\$44,000** to implement HB 2189 on including specified competency restoration workers at DSHS institutional and residential sites in PSERS.
- **\$38,000** to implement SHB 2544 supporting an interim study to be conducted by the SCPP and the LEOFF 2 Board on the provision of free military service credit to members awarded an expeditionary medal but not a campaign medal.
- Finally, **\$52,000** for various interagency (central service) billing adjustments.

## Building Renovation Project Update

DRS is mid-way through a major building renovation that will modernize our workspace and improve building security to better serve our customers. The building's second and third floors are complete.

Our building owner began the renovation of the first floor in early March. The first floor is where the largest renovations are occurring including a complete remodel of our building's visitor areas. However, as a result of COVID-19, the remodel was placed on hold.

The project team ensured that the space under construction was safely cleaned up before sending renovation crews home to stay healthy with their families. The building renovation project team is closely monitoring the situation and planning for renovation activities to resume as permitted by the Governor's orders. A new timeline for completing the renovations will not be established until work begins again.

## Record Keeper Transition Update

DRS will go live with the transition of Plan 3, DCP and JRA recordkeeping services to Voya Financial on Sept. 21, 2020.

As a result of COVID-19, the project team has moved to 100% virtual work and kept the project on schedule. The project team continues to work closely with our new record keeper (Voya) and our outgoing record keeper (Empower) to complete the tasks necessary for a successful transition.

Through spring and into early summer, this team will be focused on systems and data migration testing to ensure a smooth migration in the fall. DRS will begin communicating with affected customers in late June so they are prepared for the changes to come.

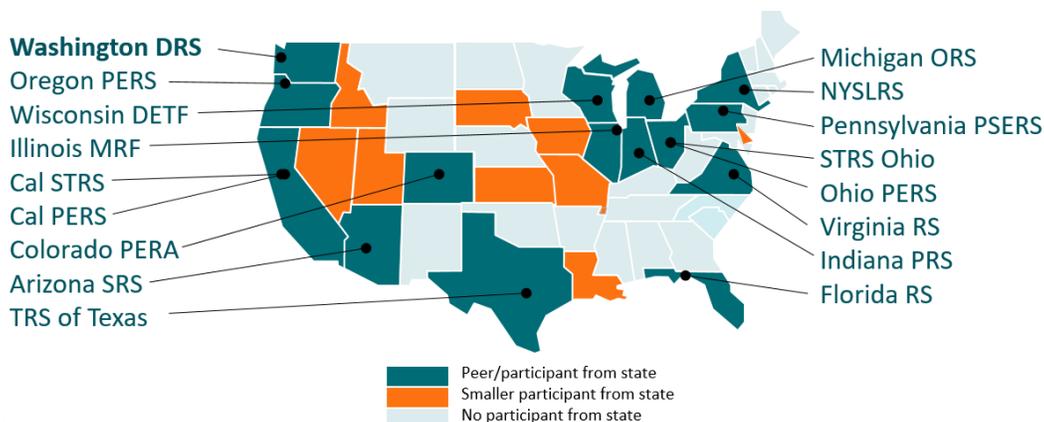
## Draft Public Pension Administration Benchmarking Report for FY 2019

The following summary was developed after April's meeting was cancelled. Please keep in mind that the report is copyright protected so while we can use materials from the report for a group presentation, we can't do that for a printed summary. Also, even though this is based on a draft report, very little is expected to change as the remaining pieces of data from other participants are processed.

- The company that provides the benchmarking service is [CEM Benchmarking](#) from Toronto, Canada. They are the only company that provides this service in the world and DRS has been working with them since 1999.
- 72 public retirement system administrators participated in 2019:
  - 32 from the United States
  - 12 from Canada
  - 11 from the Netherlands
  - 17 from the United Kingdom

The data in the report reflects input from the North American systems as the retirement systems in the UK and the Netherlands require a different benchmarking survey. The survey completed by the systems in North America requires over 1,000 responses.

- DRS has a custom peer group composed of the US systems who have more than 300,000 active members and annuitants. Having a solid peer group improves the validity (and usability) of the statistical comparisons. Following is a map of the US participants.



- DRS' Total Cost per active member and annuitant, for common public pension administration activities, remained very low. DRS' cost was \$62, the Peer Median Cost was \$89 and the Peer Average Cost was \$100. DRS' \$62 was in the lowest 25% for Total Cost. The top three reasons CEM identified to explain our low cost were: we have fewer FTEs per member, a lower salary/benefit cost per FTE, and lower support costs per FTE.
- DRS' Total Service Score of 77 was equal to both the Peer Median and the Peer Average. This is also consistent with past results in that our Service Score has tended to be within a couple points of the median.
- The actions DRS could take that would have the largest impact on the Service Score, per CEM's metrics, haven't changed from prior years. We could: answer incoming calls quicker, review more phone calls for coaching purposes, add future pension estimates to the annual statement and provide one-to-one retirement counseling at field locations. CEM cautions participants, however, that "chasing" a higher Service Score could result in higher costs and/or may not be the actions that customers or stakeholders would want the agency to pursue.
- DRS' Complexity Score of 51 was higher than the Peer Median of 41 and the Peer Average of 42, and it represented the 5<sup>th</sup> highest score for the systems in North America. DRS' Complexity is primarily the result of the fact that we administer so many different retirement systems/plans (that have their own sets of rules).
- DRS maintained its historical relationship in Information Technology (IT) in that we spent less on IT than the Peer Median while our IT systems scored as being more "capable" for member self-service, employer reporting and use by our own team members to complete business transactions. DRS' Total IT Cost of \$22 was less than the Peer Median of \$32, while DRS' IT Capability Score of 85 was above the Peer Average of 84.

## Pension-Related Bills Passed for the 2020 Session

The following bills were approved by the House and Senate and signed into law by Gov. Jay Inslee.

Bill Number	Title and Summary
<a href="#"><u>HB 1390</u></a>	<p><b>Providing a benefit increase to certain retirees of the Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1.</b> <i>(By request of the Select Committee on Pension Policy.)</i></p> <p>Provides certain retirees of PERS 1 and TRS 1 who are retired by July 1, 2019, a one-time benefit adjustment of 3% multiplied by their monthly benefit, not to exceed \$62.50, effective July 2020.</p>
<a href="#"><u>HB 1661</u></a>	<p><b>Concerning the higher education retirement plans.</b></p> <p>Establishes institution-specific employer contribution rates for supplemental benefits of each higher education retirement plan. Administration of benefit payments would transition to the Department of Retirement Systems at a point after the Pension Funding Council has determined that an institution has</p>

Bill Number	Title and Summary
	<p>accumulated sufficient assets in a supplemental benefit fund to adequately fund the benefits.</p>
<p><u>HB 2189</u></p>	<p><b>Including specified competency restoration workers at DSHS institutional and residential sites in the Public Safety Employees’ Retirement System.</b>  Modifies eligibility for PSERS to include specified competency restoration workers at Department of Social and Health Services institutional and residential sites.</p>
<p><u>HB 2544</u></p>	<p><b>Concerning the definition of a veteran.</b>  Amends the definition of veteran to include members who were awarded an expeditionary medal from any armed conflict.</p>
<p><u>SB 6218</u></p>	<p><b>Modifying the definition of salary for the Washington State Patrol Retirement System.</b> <i>(By request of the Select Committee on Pension Policy.)</i>  Allows WSPRS Plan 1 members who entered the system on or after July 1, 2001 to have lump sum payments for holiday pay and unused vacation leave included in the definition of salary for calculating pension benefits.</p>
<p><u>SB 6383</u></p>	<p><b>Concerning the retirement strategy funds in the Plan 3 and the Deferred Compensation programs.</b> <i>(By request of the Select Committee on Pension Policy.)</i>  Allows the Washington State Investment Board to include the state’s commingled trust fund in the asset mix for Plan 3 and DCP Retirement Strategy Fund options.</p>
<p><u>SB 6417</u></p>	<p><b>Allowing retirees to change their survivor option election after retirement.</b> <i>(By request of the LEOFF Plan 2 Retirement Board.)</i>  Contingent on approval by the IRS, this measure would provide retirees of all DRS systems up to 90 days after receipt of their first retirement allowance the ability to change their survivor option election.</p>

Bill Number	Title and Summary
<u>SB 6499</u>	<b>Concerning the confidentiality of retirement system files and records relating to health information.</b> <i>(By request of the Department of Retirement Systems.)</i> Exempts medical records provided to the Department of Retirement Systems from public inspection and copying.

### Investment Performance

Please see attachment for the investment performance from the Washington State Investment Board (WSIB).

### Meeting Schedule

The next meeting is scheduled for Nov. 12, 2020 at DRS from 9:30 am to 12:00 pm. If you have any questions or agenda suggestions, please contact Rubi Reaume at [rubi.reaume@drs.wa.gov](mailto:rubi.reaume@drs.wa.gov)