Multiple Agency Fiscal Note Summary

Bill Number: 3258 HB	**Title:** PERS 3/SERS 3/TRS 3

Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	1,400,000	1,600,000	.0	2,600,000	2,800,000	.0	2,500,000	2,700,000
Department of Retirement Systems	.1	0	88,133	.0	0	0	.0	0	0
Total	0.1	$1,400,000	$1,688,133	0.0	$2,600,000	$2,800,000	0.0	$2,500,000	$2,700,000

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

Prepared by: Jane Sakson, OFM	**Phone:** 360-902-0549	**Date Published:** Final 3/ 5/2008

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 20618

Individual State Agency Fiscal Note

Bill Number: 3258 HB	**Title:** PERS 3/SERS 3/TRS 3	**Agency:** 035-Office of State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

		FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund						
All Other Funds-State	000-1	0	200,000	200,000	200,000	200,000
General Fund-State	001-1	0	1,400,000	1,400,000	2,600,000	2,500,000
Total $		0	1,600,000	1,600,000	2,800,000	2,700,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Andrea Leigh	Phone: 360-902-0544	Date: 03/04/2008
Agency Preparation:	Nelsen Dave	Phone: 360-786-6144	Date: 03/04/2008
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 03/04/2008
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 03/04/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$0	$0	$0	$0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	**035**	**3/4/08**	**HB 3258**

INTENDED USE

The Office of the State Actuary ("we") prepared this fiscal note based on our understanding of the bill as of the date shown above. We intend this fiscal note to be used by the Legislature during the 2008 Legislative Session only.

We advise other readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of or reliance on only parts of this fiscal note could result in its misuse, and may mislead others.

EXECUTIVE SUMMARY

This bill provides an increasing annual payment starting at $10 for each year of service to the defined contribution account of eligible Plan 3 retirees and vested inactive members.

Increase in Actuarial Liabilities			
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits	$28,380	$32.5	$28,412
Unfunded Liability (PVCPB)	($3,790)	$32.5	($3,758)

Note: Totals may not agree due to rounding.

Total Increase in Contribution Rates			
Current Biennium	**PERS**	**TRS**	**SERS**
Employee (Plan 2)	0.01%	0.03%	0.09%
Employer	0.01%	0.03%	0.09%

Fiscal Costs			
(Dollars in Millions)	**2008-2009**	**2009-2011**	**25-Year**
General Fund-State	$1.4	$2.6	$23.9
Total Employer	$3.1	$5.4	$47.7

See the Actuarial Results section of this fiscal note for additional detail.

BENEFIT IMPROVEMENT

This bill impacts the Public Employees' Retirement System (PERS) Plan 3, the Teachers' Retirement System (TRS) Plan 3, and the School Employees' Retirement System (SERS) Plan 3 by:

Providing an annual payment to eligible Plan 3 retirees and vested inactive members who separate from employment prior to July 1, 2008 for PERS and prior to September 1, 2008 for TRS and SERS. The payment will be made to the defined contribution account of the eligible members each January 1, beginning with January 1, 2009, and shall amount to $10 for each year of service credit the member or retiree had on August 31, of the prior year. This dollar amount will increase by three percent per year, rounded to the nearest cent.

To be eligible for this annual payment, Plan 3 retirees and vested inactive members who separated from employment prior to the dates above must also meet the following requirements:

- Be receiving a retirement allowance calculated pursuant to 41.32.875, 41.35.680, or 41.40.820; or
- Be in receipt of their defined contribution account and,
    - Completed 10 service credit years; or
    - Completed five service credit years, including 12 months after attaining age 54; or
    - Completed five service credit years in Plan 2 prior to transferring to Plan 3.

The bill further states that this benefit is intended by the legislature as a replacement benefit for gain-sharing, and the legislature reserves the right to amend or repeal this benefit provision until there is legal certainty of the repeal of Chapter 41.31A RCW (Plan 3 gain-sharing).

Effective Date: 90 days after session

Current Situation

With the repeal of Chapter 41.31A RCW, Plan 3 members are not provided direct payments to their defined contribution account outside of their own monthly contribution amount. The last gain-sharing payment to Plan 3 members was made January 1, 2008, and amounted to $270.69 per year of service.

Members Impacted

We estimate this bill will affect terminated vested and service retired Plan 3 members of PERS, TRS, and SERS through improved benefits. The total number of members affected as of September 30, 2006, is outlined in the table below.

Members Impacted				
	Terminated Vested	Service Retirees	Total Impacted	All Plan 3 Members
PERS 3	2,331	417	2,748	25,290
TRS 3	4,045	828	4,873	58,349
SERS 3	3,267	862	4,129	36,564
Total	**9,643**	**2,107**	**11,750**	**120,203**

We estimate this bill will increase the benefits for a typical member by providing an annual contribution of $10 per year of service into the defined contribution account of all terminated vested and retired Plan 3 members. For a typical terminated vested or service retired PERS 3 member with 14 years of service, this would amount to an annual $140 contribution into their account that would grow at three percent per year.

Additionally, this bill impacts all 118,341 Plan 2 members of PERS, all 6,983 Plan 2 members of TRS, and all 32,354 Plan 2 members of SERS through increased contribution rates. This bill will not affect member contribution rates in Plan 3 since Plan 3 members do not contribute to their employer-provided defined benefit.

WHY THIS BENEFIT HAS A COST AND WHO PAYS FOR IT

Why this Bill Has a Cost

This bill has a cost since the $10 per year of service payment, to all eligible members, serves as an increase in benefits. Since all contributions plus investment returns must equate to the cost of benefits plus expenses, an increase in the cost of benefits must be provided for through an increase in investment returns or an increase in contributions. Therefore, since we assume a constant rate of return on investments, then as a result, this bill has a cost from increased contributions.

Who will Pay for these Costs

This bill does not present an alternate funding method. The unfunded liability changes that result from this bill will be subsidized using the normal plan 2/3 funding method.

- 50 percent Plan 2 members
- 50 percent employer

HOW WE VALUED THESE COSTS

Change in Methods

We modeled an increasing annual payment starting at $10 for each year of service credit to eligible Plan 3 retirees and vested inactive members as of September 30, 2006. The annual payment was increased by three percent each year starting in the second year of payment.

We applied population growth factors to approximate the liability increase due to the growth in the eligible population from the date of our participant data (September 30, 2006) to the date the group is closed for eligibility purposes (July 1, 2008 for PERS; September 1, 2008 for TRS and SERS). The resulting factors were 1.51 for PERS, 1.53 for TRS and 1.90 for SERS. See the Assumptions Made section for more details of the development of these factors.

Within our valuation system we forced the benefit to commence 2 years after the valuation date. Furthermore, we applied a three-month interest discount as a timing adjustment to account for the difference between the valuation start date of October 1, 2008 and the improved benefit provisions that commence on January 1, 2009.

Otherwise, we developed these costs using the same methods as disclosed in the September 30, 2006 actuarial valuation report (AVR).

Assumptions Made

We assumed that Plan 3 members will not retire earlier or terminate earlier to become eligible for this benefit. Therefore, we did not change future rates of retirement or termination. Furthermore, we have assumed that the existing group of eligible inactive members will remain eligible for this benefit in the future except for those who die prior to the first payment. As a result, we assumed these members will not return to work and/or retire under new early retirement reduction factors provided under EHB 2391 (2007 Legislative Session).

We assumed that this payment will only be made to terminated vested members and service retirees. The bill does not indicate that the payments would be made to all annuitants. Therefore, we assumed disability retirees and survivor beneficiaries would not qualify for this benefit.

We assumed the following percentage increases in the eligible population from the date of our participant data to the date the group is closed for eligibility purposes: 51 percent for PERS, 53 percent for TRS and 90 percent for SERS. These factors were developed by projecting the number of future retirements and future vested terminations that would occur prior to the closing of the eligibility period and comparing that count to the existing eligible population as of September 30, 2006.

Otherwise, we developed these costs using the same assumptions as disclosed in the AVR.

Data Used

We developed these costs using the same assets and data as disclosed in the AVR.

ACTUARIAL RESULTS

Liability Changes

This bill will impact the actuarial funding of PERS, TRS, and SERS by increasing the unfunded present value of future benefits payable under the systems, and increasing the required actuarial contribution rate as shown below.

Increase in Actuarial Liabilities			
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Projected Benefits			
(The Value of the Total Commitment to all Current Members)			
PERS 2/3	$18,966	$7.3	$18,973
TRS 2/3	6,804	12.6	6,816
SERS 2/3	$2,610	$12.6	$2,623
Unfunded Liability (PVCPB)			
(The Value of the Total Commitment to all Current Members Attributable to Past Service)			
PERS 2/3	($2,338)	$7.3	($2,331)
TRS 2/3	(1,116)	12.6	(1,104)
SERS 2/3	($336)	$12.6	($323)

Note: Totals may not agree due to rounding.

Contribution Rate Changes

The rounded increase in the required actuarial contribution rates result in the supplemental contribution rate shown in the Executive Summary that applies in the current biennium. However, we will use the un-rounded rate increases to measure the fiscal budget changes in future biennia. This benefit is only available to a closed group of members and therefore the new entrant rate will not be affected.

Increase in Contribution Rates: (Effective 9/1/2008)			
System/Plan	**PERS**	**TRS**	**SERS**
Current Members			
Employee (Plan 2)	0.006%	0.030%	0.089%
Employer	0.006%	0.030%	0.089%
New Entrants*			
Employee (Plan 2)	0.000%	0.000%	0.000%
Employer	0.000%	0.000%	0.000%

**Rate change applied to future new entrant payroll, and used for fiscal budget changes only. A single supplemental rate increase equal to the increase for current members would apply in the current biennium for all members or employers.*

Fiscal Budget Changes

	Fiscal Costs			
(Dollars in Millions)	**PERS**	**TRS**	**SERS**	**Total**
2008-2009				
General Fund	$0.1	$0.8	$0.5	$1.4
Non-General Fund	0.2	0.0	0.0	0.2
Total State	0.3	0.8	0.5	1.6
Local Government	0.4	0.4	0.7	1.5
Total Employer	0.7	1.2	1.1	3.1
Total Employee	$0.6	$0.2	$0.4	$1.2
2009-2011				
General Fund	$0.1	$1.6	$0.9	$2.6
Non-General Fund	0.2	0.0	0.0	0.2
Total State	0.3	1.6	0.9	2.8
Local Government	0.5	0.8	1.3	2.6
Total Employer	0.9	2.4	2.2	5.4
Total Employee	$0.7	$0.3	$0.8	$1.8
2008-2033				
General Fund	$1.2	$16.3	$6.4	$23.9
Non-General Fund	1.9	0.0	0.0	1.9
Total State	3.1	16.3	6.4	25.8
Local Government	4.7	7.9	9.4	21.9
Total Employer	7.7	24.2	15.8	47.7
Total Employee	$6.3	$1.9	$5.6	$13.8

Note: Totals may not agree due to rounding.

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the systems could exceed the sum of each proposed change considered individually.

As with the costs developed in the actuarial valuation, the emerging costs of the systems will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from the actuarial assumptions.

SENSITIVITY ANALYSIS

To determine the sensitivity of the actuarial results to the best-estimate assumptions or methods selected for this pricing we varied the following assumptions and methods:

- Assumed growth in the eligible population prior to the date the group is closed for eligibility purposes.

Please see the Change in Methods section for a description of the growth factor assumption. For the purposes of this sensitivity analysis, we assumed 75 percent and 125 percent of the increase in the growth factor for low and high sensitivity, respectively. This assumption change produced the differences from the best estimate and is shown in the table below.

Increase In: *(Dollars in Millions)*		**75% of Factors**	**Best Estimate Factors**	**125% of Factors**
PV of Future Benefits	PERS	$6.7	$7.3	$7.9
	TRS	11.5	12.6	13.7
	SERS	$11.1	$12.6	$14.1
Contribution Rates	PERS	0.006%	0.006%	0.007%
	TRS	0.028%	0.030%	0.033%
	SERS	0.079%	0.089%	0.100%
25-Year Fiscal Costs	General Fund	$21.7	$23.9	$26.1
	Total Employer	43.3	47.7	52.2
	Total Employee	$12.5	$13.8	$15.1

Currently, we assume the affected members will follow the standard healthy mortality assumptions disclosed in the AVR. However, since this payment is entirely contingent upon the survival of the member, the assumed length of time this payment will be made directly corresponds to the increase in the unfunded present value of future benefits. If we were to include projected mortality improvements using the RP-2000 Combined Healthy Mortality Table and 50 percent of the Scale-AA developed by the Society of Actuaries, the resulting liability would be marginally higher than the best estimate and well within the sensitivity analysis range provided above.

CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods and assumptions may also be reasonable, and might produce different results.
5. This fiscal note has been prepared for the Legislature during the 2008 Legislative Session.
6. This fiscal note has been prepared, and opinions given, in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page 1 of this fiscal note.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components – the:

- Normal cost.
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Present Value of Credited Projected Benefits (PVCPB): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PVCPB): The excess, if any, of the Present Value of Credited Projected Benefits over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Individual State Agency Fiscal Note

Bill Number: 3258 HB	Title: PERS 3/SERS 3/TRS 3	Agency: 124-Department of Retirement Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	0.2	0.1	0.0	0.0
Fund					
Department of Retirement Systems Expense Account-State 600-1	0	88,133	88,133	0	0
Total $	0	88,133	88,133	0	0

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Andrea Leigh	Phone: 360-902-0544	Date: 03/04/2008
Agency Preparation:	Chris Lamb	Phone: (360)664-7282	Date: 03/05/2008
Agency Approval:	Sandra J. Matheson	Phone: (360) 664-7312	Date: 03/05/2008
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 03/05/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill provides an annual payment for retired and vested terminated Plan 3 members of the Public Employees' Retirement System (PERS), School Employees' Retirement System (SERS) and Teachers' Retirement System (TRS).

On January 1, 2009, member accounts will be credited an amount of $10 multiplied by the member's service credit total on August 31st of the previous year. On January 1st every year following, the $10 rate will be increased by 3 percent per year, rounded to the nearest cent.

To be eligible:
- Vested PERS members most recent date of separation from service must be on or before June 31, 2008, and they must not be receiving alternate early retirement benefits under RCW 41.40.820(3)(b).
- Vested SERS and TRS members most recent date of separation from service must be on or before August 31, 2008, and they must not be receiving alternate early retirement benefits under RCW 41.32.875(3)(b) or 41.35.680(3)(b).

If a retiree or terminated vested member reenters membership; after July 1, 2008 for PERS, and after September 1, 2008 for SERS and TRS; their most recent retirement or separation date will be used to determine eligibility.

These annual payments are non-contractual and the legislature reserves the right to amend or repeal them.
If the court orders reinstatement of gain-sharing or other alternative benefits as a remedy to the gain-sharing repeal, then the annual payments will cease.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		0.2	0.1		
A-Salaries and Wages		14,160	14,160		
B-Employee Benefits		4,428	4,428		
C-Personal Service Contracts		31,000	31,000		
E-Goods and Services		38,545	38,545		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$88,133	$88,133	$0	$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	**Salary**	FY 2008	FY 2009	2007-09	2009-11	2011-13
Communications Consultant 4	60,120		0.1	0.0		
Info Tech Specialist 4	71,496		0.1	0.1		
Retirement Svcs Analyst 3	49,368		0.1	0.1		
Total FTE's			0.2	0.1		0.0

Part IV: Capital Budget Impact

No impact.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New or modified rules will be required.

II. C - Expenditures

Administrative Assumptions

- Retiree means an individual in receipt of a monthly defined benefit.
- Section 1 (3)(b)(ii) means completed 5 service credit years, including 12 service months after attaining age 44 as provided in SHB 2684 passed by the 2006 Legislature.
- The monies will be credited from the combined trust fund.
- Eligible vested separated members who've withdrawn their funds will receive annual payments.
- Retirees who are working under the retiree return to work provisions will be eligible to receive payments provided under this bill.
- When a member is deceased and there is no longer a survivor the annual payments will cease.
- Service credit restored after July 1, 2008 for eligible members will count towards the annual payments.
- Purchased service credit that is not membership service, will not be applied towards the annual payments.
- DRS will notify eligible retired and terminated members of this new benefit. (Currently there are 9,000 terminated Plan 3 vested members that will require notification letters, while retired members will be notified via the Retired Outlook newsletter.)

The assumptions above were used in developing the following workload impacts and cost estimates.

Benefits/Customer Service

Staff time will be required to answer member and employer questions. The benefits unit staff will also support the modification of DRS' automated systems, the development of member and employer communications, and the modification of policies, procedures and rules to support this legislation. The tasks associated with implementing this bill are:

- Define business requirements for the automated systems
- Participate in user acceptance testing
- Update the Retirement Services Division online operations manual
- Conduct staff training
- Revise rules and operating policies
- Review and assist with communication materials

Retirement Services Analyst 3 - 202 hours (salaries/benefits)	$6,420
Total Estimated Benefits/Customer Service Costs	**$6,420**

Member Communications

Retired and terminated vested Plan 3 members will require communication about the new annual payment. The following items will be updated or developed:

- Letters to separated (vested) Plan 3 members
- Retirement Outlook article for retired members
- Frequently Asked Questions (for staff and Plan 3 retirees)
- Member handbooks for Plan 3 of PERS, SERS and TRS
- Plan Choice Booklet and At-A-Glance brochure
- Return to Work brochures
- Thinking About Retiring Early brochures
- Employer Newsletter article

Printing and distribution costs	$4,050
Communications Consultant 4 – 100 hours (salaries/benefits)	$ 3,779
Total Estimated Member Communications Costs	**$7,829**

Automated Systems

A new process will be developed, which extracts Plan 3 defined benefit retirees and terminated members, then determines which are qualified for the new annual distribution payments. The new process will calculate and apply the annual payments to the defined contribution file. Also, a new defined contribution transaction type code will be created for transmitting the funds to the third party record keeper of the defined contribution funds. Programs will be developed to report funds being distributed and to ensure proper trust funds are available by January 1 to transmit to the third party record keeper.

Information Technology Specialist 4 – 190 hours (salaries/benefits)	$8,389
Programming, testing and verification – 321 hours @ $95 per hour	$30,495
DIS* cost of $500 per week for 8 weeks	$4,000
Total Estimated Automated Systems Costs	**$42,884**

**cost for mainframe computer processing time and resources at the Department of Information Services*

Record Keeping

DRS contracts with an external third party company to provide record keeping services for member defined contributions accounts in SERS, TRS and PERS Plan 3. The new annual distribution payments will require changes to add a new defined contribution transaction code to the existing systems that support those accounts.

Record keeper modifications	$31,000
Total Estimated Record Keeping Costs	**$31,000**

ESTIMATED TOTAL COST TO IMPLEMENT THIS BILL:

	2007-09	2009-11	2011-13
BENEFITS/CUSTOMER SERVICE	**$6,420**	**$0**	**$0**
MEMBER COMMUNICATIONS	**$7,829**	**$0**	**$0**
AUTOMATED SYSTEMS	**$42,884**	**$0**	**$0**
RECORD KEEPING	**$31,000**	**$0**	**$0**
ESTIMATED TOTAL COSTS	**$88,133**	**$0**	**$0**