Multiple Agency Fiscal Note Summary

Bill Number: 1055 HB	**Title:** Pub safety telecommunicators

Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Retirement Systems	.8	0	0	199,000	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	1,300,000	1,300,000	1,500,000	.0	1,100,000	1,100,000	1,400,000	.0	1,100,000	1,100,000	1,300,000
Total $	**0.8**	**1,300,000**	**1,300,000**	**1,699,000**	**0.0**	**1,100,000**	**1,100,000**	**1,400,000**	**0.0**	**1,100,000**	**1,100,000**	**1,300,000**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	**Phone:** (360) 489-4327	**Date Published:** Final

Individual State Agency Fiscal Note

Bill Number: 1055 HB	Title: Pub safety telecommunicators	Agency: 124-Department of Retiremen Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.5	0.0	0.8	0.0	0.0
Account					
Department of Retirement Systems Expense Account-State 600-1	199,000	0	199,000	0	0
Total $	199,000	0	199,000	0	0

Estimated Capital Budget Impact:

NONE

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:	David Pringle	Phone: 360-786-7310	Date: 01/04/2023
Agency Preparation:	Amy McMahan	Phone: 360-664-7307	Date: 01/11/2023
Agency Approval:	Mark Feldhausen	Phone: 360-664-7194	Date: 01/11/2023
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/11/2023

Part II: Narrative Explanation

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

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

This bill expands eligibility for membership in the Public Safety Employees' Retirement System (PSERS) Plan 2 to include public safety telecommunicators.

Section 1(2) declares that the provisions of this bill apply only to (a) newly hired public safety telecommunicators that would otherwise be eligible for membership in Plan 2 or Plan 3 of the Public Employees' Retirement System (PERS), and (b) current public safety telecommunicators that are currently active members of PERS 2 or 3. It also states that this legislation is not intended to provide membership or benefits to any employees who are not already eligible for state retirement benefits.

Section 3(12)(a) calls out the specific employers participating in PERS, where some or all their employees' primary duty is receiving, processing, transmitting, or dispatching 911 emergency and nonemergency calls for law enforcement, fire, emergency medical, or other public safety services. As stated in section 3(19)(f), these employees are made eligible for PSERS membership.

Section 4(1) provides PERS Plan 2 or 3 members, if they were a member of PERS 2 or 3 before and on June 1, 2024, and they meet the eligibility requirements stated above, the opportunity to (a) remain in their current retirement system or plan, or (b) become a member of PSERS Plan 2 and become a dual member in both retirement systems/plans. Any service credit that had been earned during their time in PERS Plan 2 or 3, should the member decide to join PSERS Plan 2, cannot be transferred to their new retirement system/plan.

Section 4(2) provides an "election period" for eligible PERS Plan 2 or 3 members to make their plan transfer decision. This period, as written in the bill, is between January 1, 2024 and March 1, 2024.* Additionally, section 4(3) states that until an election has been made, the member will remain in PERS Plan 2 or 3, and their membership in PSERS Plan 2 will begin prospective from the date of their election.

Section 4(5) addresses members that are in PERS Plan 1 on or before June 1, 2019 and on or after June 1, 2024, are employed by an employer as identified in section 3(12)(a) and meet the eligibility criteria as defined in section 3(12)(a) will remain in PERS Plan 1.

Section 4(4) states September 1, 2024 as the deadline for eligible PERS Plan 2 or 3 members to elect into PSERS Plan 2. If an election is not made by this date, the member will remain in their current PERS plan.

Section 4(6) declares all new employees hired on or after June 1, 2024 by an employer as defined in section 3(12)(a) and meet the eligibility requirements as defined in section 3(12)(a) will become members of PSERS Plan 2.

*Please note that the election period (January 1, 2024 to March 1, 2024) provided in this bill is misaligned with the September 1, 2024 deadline for eligible PERS Plan 2 and 3 members to elect into PSERS Plan 2. Based on this, DRS would create clarifying WACs to properly administer the intent of this bill that would provide an extended election period.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Administrative Assumptions:

- The estimated number of current PERS members that would benefit from the provisions of this bill is roughly 1,000.
- Based on the intent of the bill and its current language concerning the January 1, 2024 to March 1, 2024 election period, WACs must be developed to provide an extended election period.
- Employers would be responsible to notify DRS of the employees who are eligible for this transfer opportunity.
- DRS will provide informational packets to known eligible members, including a letter explaining their options and directing them to online resources (e.g., member handbooks, dual membership information, and comparison benefit estimates), an election form, and a return envelope.
- DRS will create a new transmittal type code for employer reporting purposes.
- DRS will create and provide additional specialized training to Retirement Specialists to ensure that they are able to address all questions from these members about their choice, including possible scenarios of dual membership and Early Retirement Factor (ERF) choice.
- DRS will make available webinar training to educate eligible members on the differences between PSERS Plan 2 and PERS Plans 2 and 3, benefits of dual membership, and ERF options so that they can make an informed decision.

To implement this legislation, DRS will:

- Confirm project scope, timeline, and conduct project implementation tasks,
- Conduct business analysis and business process design,
- Complete systems changes (which includes defining system requirements, coding system changes in our web and Linux applications, testing, and deployment),
- Identify impacted members,
- Update agency WACs,
- Update member handbooks and all relevant letters, create a PSERS Enrollment form and a PSERS Election form, communicate to members and employers by mail, and
- Train team members.

To support this implementation DRS will form a project team that will include a project manager, business analyst, web and Linux programmers, communication consultant, program specialist, and retirement specialist.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
600-1	Department of Retirement Systems Expense Account	State	199,000	0	199,000	0	0
		Total $	199,000	0	199,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.5		0.8		
A-Salaries and Wages	151,000		151,000		
B-Employee Benefits	48,000		48,000		
C-Professional Service Contracts					
E-Goods and Other 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					
9-					
Total $	199,000	0	199,000	0	0

III. C - Operating FTE 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 2024	FY 2025	2023-25	2025-27	2027-29
Communications Consultant 5	84,396	0.1		0.1		
IT Application Develop-Journey	96,888	0.1		0.1		
IT Application Develop-Snr/Spec	112,176	0.1		0.0		
IT Business Analyst-Journey	96,888	0.5		0.3		
IT Project Manager-Mgr	123,636	0.3		0.2		
Program Specialist 5	80,292	0.2		0.1		
Retirement Specialist 3	61,224	0.1		0.1		
Total FTEs		1.5		0.8		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Relevant WACs must be updated and or created according to the provisions of this bill.

Individual State Agency Fiscal Note

Bill Number: 1055 HB	Title: Pub safety telecommunicators	Agency: AFN-Actuarial Fiscal Note - State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
All Other Funds-State 000-1	100,000	100,000	200,000	300,000	200,000
General Fund-State 001-1	600,000	700,000	1,300,000	1,100,000	1,100,000
Total $	700,000	800,000	1,500,000	1,400,000	1,300,000

Estimated Capital Budget Impact:

NONE

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:	David Pringle	Phone: 360-786-7310	Date: 01/04/2023
Agency Preparation:	Aaron Gutierrez	Phone: 360-786-6152	Date: 01/16/2023
Agency Approval:	Michael Harbour	Phone: 360-786-6151	Date: 01/16/2023
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/16/2023

Part II: Narrative Explanation

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

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

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
000-1	All Other Funds	State	100,000	100,000	200,000	300,000	200,000
001-1	General Fund	State	600,000	700,000	1,300,000	1,100,000	1,100,000
		Total $	700,000	800,000	1,500,000	1,400,000	1,300,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits	700,000	800,000	1,500,000	1,400,000	1,300,000
C-Professional Service Contracts					
E-Goods and Other 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					
9-					
Total $	700,000	800,000	1,500,000	1,400,000	1,300,000

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

SUMMARY OF RESULTS

BRIEF SUMMARY OF BILL: This bill allows existing Public Safety Telecommunicators (PSTs) who are in PERS 2/3 the opportunity to prospectively transfer into PSERS. Newly hired PSTs will also become PSERS members instead of PERS members.

COST SUMMARY

During the 2023-25 Biennium, a supplemental contribution rate will be collected from PSERS members and employers. The budget impacts identified below also capture the cost to employers of PSTs that will pay PSERS contribution rates instead of PERS.

Impact on Contribution Rates *(Effective 9/1/2023)*		
2023-25 Biennium	PERS	PSERS
Employee (Plan 2)	0.00%	0.13%
Total Employer	**0.00%**	**0.13%**

Budget Impacts			
(Dollars in Millions)	2023-2025	2025-2027	25-Year
General Fund-State	$1.3	$1.1	$10.6
Local Government	$1.6	$2.1	$46.1
Total Employer	**$3.0**	**$3.6**	**$59.2**

Note: We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- Moving members from PERS to PSERS results in an expected cost because members can retire earlier and receive larger benefits under PSERS.
- We relied on data from DRS to determine the impacted PERS local government employers. We then identified all eligible members that would benefit from transferring to PSERS. This group served as the basis for calculating the supplemental rate in the 2023-25 Biennium. Once the transfer window is complete, the data will be incorporated into our next rate-setting valuation and contribution rates will adjust accordingly; this actual experience will dictate the actual long-term cost of this bill.
- The estimated long-term cost of this bill depends on the number of members electing to immediately transfer to PSERS and the new hires who replace PERS members that do not transfer. Please see the **How the Results Change When the Assumptions Change** section for sensitivity of the results to the size of the transfer group.
- We anticipate the changes in financial risks to be minor in the context of all the state pensions systems, but could be material to PSERS.

See the remainder of this fiscal note for additional details on the summary and highlights presented here.

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

This bill impacts the following systems:

- Public Employees' Retirement System (PERS) Plans 2/3.
- Public Safety Employees' Retirement System (PSERS) Plan 2.

This bill allows existing PSTs who are currently in PERS the opportunity to transfer (prospectively only) to PSERS. It also makes any newly hired PSTs, who would normally be members of PERS under current law, members of PSERS.

Effective Date: January 1, 2024.

In this summary, we only include changes pertinent to our actuarial fiscal note. See the legislative bill report for a complete summary of the bill.

What Is the Current Situation?

PSTs in Washington State are employed by a number of agencies at different levels of government. For example, they can be state, federal, tribal, municipal, or created by interlocal agreement. While federal agencies are clearly not participating in PERS, for agencies at other levels it is not as clear. For example, some municipalities have opted into PERS, and others have not.

To be a member of PSERS, an employee must meet certain job requirements **and** be working for a PSERS employer. See the Revised Code of Washington 41.37.010 for definitions of "member" and "employer".

Who Is Impacted and How?

This bill could affect certain active PERS members through an option of prospectively changing plan membership to PSERS (with no transfer of prior service credit). Additionally, these members may pay higher (or lower) contribution rates in PSERS than PERS.

Based on employer information provided by the Department of Retirement Systems (DRS), we identified 1,120 active PERS members in our June 30, 2021, valuation data that may be eligible to transfer to PSERS. Of those members, we determined 974 are under age 55 and thus would benefit from transferring prospectively to PSERS. Due to a lack of data on job titles, the identified group does not include potentially eligible members from certain state agencies. However, we expect the number of impacted members to be limited. Please see the **Special Data Needed** section for additional information.

This bill impacts all PERS 2 and PSERS 2 members through increased contribution rates due to changes in plan membership. Additionally, this bill will not affect member contribution rates in PERS 3 since Plan 3 members do not contribute to their employer-provided Defined Benefit (DB).

PSERS provides more valuable benefits than PERS 2/3 in terms of retirement eligibility and unreduced benefits at an earlier age. This bill would benefit a typical member by making at least part of their retirement benefit available earlier than under current law, resulting in a higher lifetime retirement benefit for that member.

For example, a future PERS 2 member who enters at age 30 could retire as early as age 55 under current law, with a total of 25 Years Of Service (YOS) at retirement. The benefit would be actuarially reduced to recognize retirement before age 65. If the member's Average Final Compensation is $50,000, their retirement benefit would be as follows: $50,000 x 25 x 2% x 0.4092 = $10,230 per year.

The same future member who starts service in PSERS could retire as early as age 53, with a more favorable early retirement factor. To keep this example consistent, the PSERS retirement benefit at age 55 with 25 YOS is calculated as follows: $50,000 x 25 x 2% x 0.85 = $21,250 per year.

A PERS member who transfers to PSERS would pay the PSERS contribution rates, which are expected to be higher than the PERS contribution rate. We have captured the expected change in contributions for the impacted employers since they will be contributing to a different Washington State Retirement System.

WHY THIS BILL HAS A COST AND WHO PAYS FOR IT

Why This Bill Has a Cost

For the following reasons, we expect the bill will have an impact on all Plan 2 members and all employers in PERS and PSERS, plus an additional impact on employers with PSTs.

- **PERS Impact (All PERS 2 Members and PERS 2/3 Employers):** The removal of PERS members can have a cost or savings in PERS depending on the demographics of the group removed. In this case, we expect a cost because removing future salaries has a greater impact than removing future benefit accruals.
- **PSERS Impact (All PSERS Members and Employers):** Adding PSTs to PSERS can have a cost due to employees transferring to PSERS who are more experienced and are more likely to receive a retirement benefit than current PSERS members.
- **Affected Employers Impact:** Adding PSTs to PSERS will result in a cost equal to the difference between employer contribution rates in PSERS and PERS for the affected transfer group and new hires in the future. Please see the **How We Applied These Assumptions** section for further details.

Who Will Pay for These Costs?

The costs to the affected retirement systems that result from this bill will be divided between members and employers according to standard funding methods that vary by plan.

- Plan 2: 50 percent member and 50 percent employer.
- Plan 3: 100 percent employer.

HOW WE VALUED THESE COSTS

We modeled the current law cost of the retirement systems using our most recent actuarial valuation report (*June 30, 2021, Actuarial Valuation Report*) as well as the assumptions and methods found on our Projections webpage. To analyze the impact of this bill, we then adjusted the following assumptions, methods, or data.

Assumptions We Made

Using our June 30, 2021, valuation data and the special data on PST employers provided by DRS, we found 1,120 active PERS members who could potentially transfer. The costs identified in this actuarial fiscal note were based on all 974 members under the age of 55 transferring to take advantage of the larger benefits in PSERS. We assume all members aged 55 or older would not transfer because the benefits are similar between PERS and PSERS for this group.

The actual number of members eligible to transfer could be higher or lower than we identified. Here are a couple specific examples:

- When reviewing the data, we noted a small portion of the identified group that earn notably higher or lower compensation than average. While some of these members may serve in non-PST roles, we chose not to exclude them because DRS does not have job titles in their data.
- We did not receive data from state agencies for potentially impacted members. Based on responses from Department of Social and Health Services and Department of Children, Youth, and Families, we expect the number of eligible PSTs that work for the state to be relatively small; we did not quantify the possible increase in cost to this bill.

For purposes of this pricing, we assumed the economic and demographic assumptions, as well as the future new entrant profile assumptions in PERS and PSERS would not change as a result of this bill. We further assumed no change in the PERS 1 Unfunded Actuarially Accrued Liability (UAAL) rates since the total payroll used to amortize the PERS 1 UAAL rate will not change.

Lastly, we assumed the projected salaries for eligible members and their replacements would be the same if they are in PERS or PSERS. Please see **Appendix A** for details on how we developed the budget impacts.

How We Applied These Assumptions

To price this bill, we calculated the contribution rate change based on the members identified (who would benefit from transferring) terminating from PERS and accruing future service within PSERS. We also modeled that all eligible members would eventually be replaced by PSERS members.

The fiscal impact of this bill represents the change in projected contributions. To estimate the fiscal impact of this bill, we compared projected pension contributions under current law to the projected contributions we expect under this bill. The projected pension contributions reflect contributions from the current members as well as future hires.

For more detail, please see **Appendix A**.

Special Data Needed

We received the department code for 25 employers that DRS determined provide services consistent with the transfer eligibility requirements of the bill. It's our understanding these are all local government employers.

We checked the data for reasonableness. An audit of this data was not performed. We relied on all data provided by DRS as complete and accurate. In our opinion, the data is reasonable, adequate, and substantially complete for the purposes of this pricing.

The table below shows some details about the potentially impacted members, along with similar information on PERS and PSERS under current law.

Active Membership				
		Average		
	Count	Age	Service	Annual Salary
PERS 2/3	162,757	46.6	10.9	$74,765
PSERS	9,132	40.8	5.8*	$74,920
Transfer Group**	974	38.4	9.0	$83,338
All PSTs	1,120	41.2	10.5	$84,992

**PSERS service only. The average PSERS member also has approximately 2.4 years of prior PERS service.*
***Excludes members age 55+ who would not benefit from transferring.*

ACTUARIAL RESULTS

How the Liabilities Changed

This bill will impact the actuarial funding of PERS and PSERS by decreasing/increasing the present value of future benefits payable to the members, respectively. The impact of the changing the present value of future benefits payable for current members is shown in the following table.

Impact on Pension Liability *(As of 6/30/2021)*			
(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	$63,347	($118.0)	$63,229
PSERS 2	$2,060	$154.9	$2,214
Unfunded Entry Age Accrued Liability *(The Value of the Total Commitment to All Current Members Attributable to past Service That Is Not Covered by Current Assets)*			
PERS 2/3	$2,588	($24.9)	$2,563
PSERS 2	$26	$0.0	$26

Note: Totals may not agree due to rounding.

How the Assets Changed

This bill does not change current asset values, so there is no impact on the actuarial funding of the affected plans due to asset changes.

How the Present Value of Future Salaries (PVFS) Changed

This bill will impact the actuarial funding of PERS and PSERS by decreasing/increasing the PVFS of the members, respectively. The impact of the changing the PVFS for current members is shown below.

Present Value of Future Salaries *(As of 6/30/2021)*			
(Dollars in Millions)	**Current**	**Increase**	**Total**
Actuarial Present Value of Future Salaries *(The Value of the Future Salaries Expected to Be Paid to Current Members)*			
PERS 2	$83,598	($753.8)	$82,844
PERS 3	25,861	(204.5)	25,656
PERS 2/3	**$109,459**	**($958.3)**	**$108,500**
PSERS 2	**$7,031**	**$916.7**	**$7,948**

Note: Totals may not agree due to rounding.

How Contribution Rates Changed

The rounded increase in the required actuarial contribution rate results in the supplemental contribution rate for PSERS shown on page one that applies in the 2023-25 Biennium. However, we will use the unrounded rate increase shown in the following table to measure the budget changes in future biennia.

Impact on Contribution Rates		
System/Plan	PERS	PSERS
Current Members		
Employee (Plan 2)	0.003%	0.126%
Employer	0.003%	0.126%
New Entrants*		
Employee (Plan 2)	0.000%	0.000%
Employer	0.000%	0.000%

Note: There is no impact to the Plan 1 UAAL under this bill.

**Rate change applied to future new entrant payroll and used to determine budget impacts only. Current members and new entrants pay the same contribution rate.*

How This Impacts Budgets and Employees

The budget impacts to PERS reflect (1) the increase in PERS contribution rates noted above, and (2) the removal of prospective PERS contributions for the members that transfer from PERS to PSERS. The budget impacts in PSERS reflect (1) the increase in PSERS contribution rates noted above, and (2) the addition of prospective PSERS contributions for the members that transfer from PERS to PSERS. The budget impacts also capture the cost of replacement members being hired into PSERS instead of PERS. We display the net impact in the Total column below.

Budget Impacts			
(Dollars in Millions)	PERS	PSERS	Total
2023-2025			
General Fund	$0.0	$1.3	$1.3
Non-General Fund	0.0	0.2	0.2
Total State	**$0.0**	**$1.4**	**$1.4**
Local Government	(12.6)	14.2	1.6
Total Employer	**($12.6)**	**$15.6**	**$3.0**
2025-2027			
General Fund	$0.1	$1.0	$1.1
Non-General Fund	0.2	0.1	0.3
Total State	**$0.3**	**$1.2**	**$1.4**
Local Government	(14.6)	16.7	2.1
Total Employer	**($14.3)**	**$17.8**	**$3.6**
2023-2048			
General Fund	$0.9	$9.7	$10.6
Non-General Fund	1.3	1.3	2.6
Total State	**$2.2**	**$11.0**	**$13.1**
Local Government	(249.6)	295.7	46.1
Total Employer	**($247.4)**	**$306.6**	**$59.2**

Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

Given we won't know until after the transfer window closes how many members ultimately elect to transfer, the supplemental rate is temporarily charged to start pre-funding costs now. The actual transfer data will be included in the subsequent rate-setting valuation and contribution rates will adjust accordingly. As such, the emerging costs of the systems will vary from those presented above to the extent that actual experience differs from the actuarial assumptions.

PERS 3 members contribute to their Defined Contribution (DC) account; whereas their employers contribute to the DB portion of their retirement. Plan 3 members transferring to PSERS will have their contribution rate change from the self-selected Plan 3 DC rate to the PSERS DB rate. We did not provide employee budget impacts because information on Plan 3 member contribution rates was not available.

In addition to (1) the impacts for all current PERS and PSERS employers as a result of the change in contribution rates, the budget impacts shown also include (2) the cost to the local government employers of eligible members paying PSERS contribution rates instead of PERS. Please see **Appendix B** for a separate listing of these impacts.

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

Comments on Risk

Our office performs annual risk assessments to help us demonstrate and assess the effect of unexpected experience on pension plans. The risk assessment allows us to measure how affordability and funded status can change if investment experience, expected state revenue growth, and inflation do not match our long-term assumptions. Our annual risk assessment also considers past practices, for funding and benefit enhancements, and their impact on pension plan risk if those practices continue.

The following table displays our latest risk measurements as of June 30, 2021. The figures in this table were not reproduced for this bill. For more information, please see our Risk Assessment, Commentary on Risk, and Glossary webpages.

Select Measures of Pension Risk as of June 30, 2021		
	FY 2022-41	FY 2042-71
Affordability Measures		
Chance of Pensions Double their Current Share of GF-S*	1%	2%
Chance of Pensions Half their Current Share of GF-S*	44%	42%
Solvency Measures		
Chance of PERS 1, TRS 1, in Pay-Go**	<1%	2%
Chance of Open Plan in Pay-Go**	<1%	1%
Chance of PERS 1, TRS 1, Total Funded Status Below 60%	5%	1%
Chance of Open Plans Total Funded Status Below 60%	20%	31%

**Pensions approximately 4.9% of current GF-S budget; does not include higher education.*
***When today's value of annual pay-go cost exceeds $50 million.*

In terms of risk, we expect this bill would worsen the affordability and solvency risk measures because benefits are larger in PSERS. We did not analyze how the bill affects the financial risks to the system. We expect the changes in financial risks to be minor in the context of all the state pensions systems, but could be material to PSERS.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

The cost of the bill is sensitive to the number of people who actually transfer from PERS to PSERS, as well as their demographics. To demonstrate this, we also priced the impact if there were no transfers. Please see **Appendix A** for information on how we developed the new entrant growth rates.

How Results Change When We Assume Different Transfer Groups		
(Dollars in Millions)	**No Transfers (New Entrants Only)**	**Transfer Group***
Number of Current Members Impacted		
Number of Assumed Transfers	0	974
Transfer Rate from Eligible Group	0%	87%
Estimated Costs		
Initial PSERS Contribution Rate Impact	0.00%	0.13%
25-Year Total Employer Budget Impact	$32	$59

**Excludes members age 55+ who would not benefit from transferring.*

Overall, we found the budget impact is sensitive to the actual transfer group. However, the budget impact for new entrants does not change because new entrants in positions covered under this bill must join PSERS. The actual cost of this bill may vary from the analysis shown above and may fall outside the range of costs identified in this section.

We considered the actual transfer rate under House Bill 1558 in 2018 that provided a similar transfer window to eligible security staff and nurses at certain state institutions and corrections departments. Although this provides an interesting data point, we believe historical transfer rate experience is not the best indicator for future transfers. Each PSERS transfer bill applies to a different group of members with different demographics and under different economic circumstances.

Given this level of uncertainty regarding the actual transfer rate, we elected not to set a best estimate assumption and instead identify the cost of all eligible members transferring that would benefit from doing so. We feel this approach is reasonable knowing that contribution rates will quickly adjust to actual experience. That said, we may revise this actuarial fiscal note in the future to reflect a best estimate assumption for the transfer rate if additional information becomes available.

ACTUARY'S CERTIFICATION

The undersigned certifies that:

1. The actuarial assumptions, methods, and data used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, and data may also be reasonable and might produce different results.
2. The risk analysis summarized in this Actuarial Fiscal Note (AFN) involves the interpretation of many factors and the application of professional judgment.
3. We prepared this AFN based on our current understanding of the bill as of the date shown in the footer. If the bill or our understanding of the bill changes, the results of a future AFN based on those changes may vary from this AFN. Additionally, the results of this AFN may change after our next annual update of the underlying actuarial measurements.
4. We prepared this AFN and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this AFN.

We prepared this AFN to support legislative deliberations during the 2023 Legislative Session. This AFN may not be appropriate for other purposes.

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

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this AFN is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Michael Harbour

Michael T. Harbour, ASA, MAAA
Actuary

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APPENDIX A

How We Applied These Assumptions

We estimated the fiscal impact of this bill by comparing projected pension contributions under this bill to projected contributions under current law, reflecting contributions from both current members as well as new entrants.

- To determine the projected contributions under current law, we relied on our base model described in the **How We Valued These Costs** section. For current members, the Aggregate contribution rates from our base model are multiplied by future payroll. For future hires, contribution rates under the Entry Age Normal Cost method are multiplied by future new entrant payroll.
- To determine the projected costs under this bill, we modified the base model described above to reflect the provisions of the bill, as well as the assumptions, methods, and data noted above. We then multiplied the respective new contribution rates reflecting these changes in future payroll. We assumed the projected salaries for eligible members and their replacements would be the same if they are in PERS or PSERS.

We developed changes to the expected system growth rate of PSERS to accurately model the new projected salary of the system and resulting contribution amounts. PERS projected salaries were assumed to change by the same amount as estimated for PSERS.

We adjusted PSERS growth rates to reflect (1) the initial transfer group along with their future replacements, and (2) new entrants that join PSERS when replacing PERS members we assumed would not transfer. We further assumed the population eligible to transfer under this bill grows at the PERS and PSERS long-term growth rate of 0.60 percent annually. We relied on our valuation model to estimate when members under (2) would exit PERS and be replaced with a PSERS new hire.

Our current law PSERS system growth assumption includes a select period growth rate of 3.60 percent for 15 years, followed by the ultimate growth rate of 0.60 percent thereafter. We developed annual rates for the 25-year period to calculate the budget impacts identified in the body of this AFN. For simplicity, the table below shows the average growth rate for the select period and the ultimate rate (the remainder of the 25-year budget impact period) for Current Law, the Transfer Group, and No Transfer sensitivity.

PSERS Average System Growth Rates Assumption

	Current Law	Transfer Group*	No Transfer (New Entrants Only)
15-Year Select Period	3.60%	3.42%	3.93%
Ultimate Rate	0.60%	0.60%	0.75%

**Excludes members age 55+ who would not benefit from transferring.*

APPENDIX B

Budget Impact Details

We expect this bill will have an impact on (1) all current Plan 2 members and all employers in PERS and PSERS who will pay higher contribution rates, plus (2) an additional impact on the 25 local employers DRS identified who will pay PSERS contribution rates instead of PERS. In the following two tables we break out the total budget impacts by the numbered components above.

The table below displays the budget impacts for all current employers in PERS and PSERS paying the supplemental rates in the **How the Contribution Rates Changed** section.

Budget Impacts—All Employers in PERS and PSERS			
(Dollars in Millions)	**PERS**	**PSERS**	**Total**
2023-2025			
General Fund	$0.0	$1.3	$1.3
Local Government	0.0	0.6	0.6
Total Employer	**$0.0**	**$2.0**	**$2.0**
2025-2027			
General Fund	$0.1	$1.0	$1.1
Local Government	0.3	0.5	0.8
Total Employer	**$0.6**	**$1.7**	**$2.2**
2023-2048			
General Fund	$0.9	$9.7	$10.6
Local Government	2.2	4.7	6.9
Total Employer	**$4.3**	**$15.7**	**$20.0**

Note: Table does not explicitly show the costs associated with Non-GF-S funding sources, but are included in the Total Employer costs. The footnotes in the table below apply to this table as well.

The next table displays the budget impacts for the 25 local employers that will pay PSERS contribution rates instead of PERS. This includes all members who transfer immediately, as well as the replacement members. Also note that it's our understanding all funding comes from local government sources.

Budget Impacts—Eligible PST Employers			
(Dollars in Millions)	**PERS**	**PSERS**	**Total**
2023-2025			
General Fund	$0.0	$0.0	$0.0
Local Government	(12.6)	13.6	1.0
Total Employer	**($12.6)**	**$13.6**	**$1.0**
2025-2027			
General Fund	$0.0	$0.0	$0.0
Local Government	(14.9)	16.2	1.3
Total Employer	**($14.9)**	**$16.2**	**$1.3**
2023-2048			
General Fund	$0.0	$0.0	$0.0
Local Government	(251.7)	291.0	39.2
Total Employer	**($251.7)**	**$291.0**	**$39.2**

Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1055 HB	**Title:** Pub safety telecommunicators

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Indeterminate expenditures due to a slight increase in the employer contribution rate. Please see discussion.
- [X] Counties: Same as above.
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: The number of telecommunicator employees that meet eligibility requirements and the number of eligible employees that will transfer t‹ the Public Safety Employees' Retirement System (PSERS) retirement plan.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 01/11/2023
Leg. Committee Contact: David Pringle	Phone: 360-786-7310	Date: 01/04/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/11/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/11/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

The proposed legislation would amend RCW 41.37.005 and 41.37.01 and add a new section to RCW 41.37 to extend membership into the Public Safety Employees' Retirement System (PSERS) Plan 2 to current public safety telecommunicator employees.

Section 2 would amend RCW 41.37.005, which defines the eligibility for the public safety employees' retirement system to include certain public employees whose jobs contain a high degree of "psychological" risk to their own personal safety.

Section 3 would amend RCW 41.37.010 to add subsection numbers for eligible employers and adds a new subsection (xiii) definition that states: "Any employer participating in the public employees' retirement system in chapter 41.40 RCW, some or all of whose employees' primary responsibility is to receive, process, transmit, or dispatch 911 emergency and nonemergency call for law enforcement, fire, emergency medical, or other public safety services that is not already covered by the provisions of this subsection."

Section 3 would amend RCW 41.37.010 to add new subsection (19)(f) and would extend membership to those employees whose responsibilities include the handling of 911 emergency and nonemergency calls for public safety services or how supervise those employees.

Section 4 would add a new section to chapter 41.37 which establishes the election period for eligible participants as between January 1, 2024, and March 1, 2024, and states the conditions for enrollment for employees hired between certain time periods.

Section 5 would add a new section to chapter 41.37 RCW which states that the act takes effect June 1, 2024.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This legislation would have an indeterminate impact for local governments.

According to the administrative assumptions in the Department of Retirement Systems (DRS) fiscal note, the estimated number of current PERS members that would benefit from the provisions of this bill is approximately 1,000. This data point may increase, or decrease, for each employer once a transmittal type code is established for reporting purposes. Local government expenditures may increase due to differences in respective employer contribution plan rates calculated by the number of employees who transfer to the PSERS retirement plan.

The 2023-25 biennium (adopted) total employer contribution rate for the PSERS retirement plan (10.45%) is slightly higher than the PERS retirement plan (10.21%) which represents a slight rate increase. According to 2022 survey data provided by the Association of Washington Cities (AWC), there were 311 public safety telecommunicators estimated employed by cities and counties. This number does not reflect the number of telecommunicators employed by local governments who did not respond to the survey, or those employees that were inadvertently excluded. The Local Government Fiscal Note Program assumes there will be an expenditure impact for local governments related to the rate increase. However, this impact is indeterminate, pending reporting provided by these employers.

The administrative assumptions in the DRS fiscal note also state that employers will be responsible for notifying DRS of the employees who are eligible for this transfer opportunity. The Local Government Fiscal Note Program assumes this function to be a de minimus expenditure impact.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This legislation would have no revenue impact for local governments.

SOURCES
Department of Retirement Systems (DRS) fiscal note, HB 1055
Department of Retirement Systems (DRS) Pension Funding Contribution Rates (wa.gov)
Select Committee on Pension Policy (SCPP)