



Select Committee on Pension Policy

Merger Study Policy Update

Aaron Gutierrez, MPA, JD
Senior Policy Analyst

October 18, 2016



Office of the State Actuary
Supporting financial security for generations.

Today's Presentation

- Update on policy analysis of LEOFF 1/TRS 1 merger
- Current status
- Overall process
- Goals of analysis

Select Committee on Pension Policy



Office of the State Actuary
Supporting financial security for generations.

O:\SCPP\2016\10.18.Full\3.Merger.Study.d.Policy.Update.pptx

1

Current Status of Policy Analysis

- On track to provide draft of policy analysis to committee at November meeting
- Currently 17 pages, plus appendix
- Still too rough of a draft to share





Office of the State Actuary
"Supporting financial security for generations."

O:\SCPP\2016\10.18.Full\3.Merger.Study.d.Policy.Update.pptx

2

Stakeholder Input Informed the Study

- The web survey was very helpful in
 - Identifying broader range of questions than staff had thought of
 - E.g., merger impacts on GASB reporting
 - Reminding staff of the need to "show our work" in the analysis for the benefit of readers at all experience levels
- Not practical to answer all seven pages of stakeholder questions
 - Will answer as many as we can while conducting our analysis
 - Time, resources, and complexity are important factors
 - Asked assisting agencies to do the same, but have exercised no editorial control over their process or analysis





Office of the State Actuary
"Supporting financial security for generations."

O:\SCPP\2016\10.18.Full\3.Merger.Study.d.Policy.Update.pptx

3

Current Draft is Answering Many of the Questions

- Uses overall Q&A format to assist with clarity
 - Many questions answered directly, and some indirectly
 - In other words, you can't talk about the potential impact of a merger on funding policy without answering several questions about that funding policy
- Analysis doesn't necessarily change as draft evolves, but the way it's communicated changes many times before completion
 - Critical emphasis on thoroughness and neutrality

Select Committee on Pension Policy



Ultimate Goal of Policy Analysis

- Other reports looking at impacts - what *would* happen
- Policy analysis aimed at arming the reader to decide what (if anything) *could* or *should* happen

Select Committee on Pension Policy



Example: How Could the Expected Surplus be Used?

- Sample uses:
 - Reduce contribution rates (and budget impacts)
 - As in SB 6668
 - Establish/formalize a funding reserve for LEOFF 1
 - Reduce risk or "immunize" LEOFF 1
 - E.g., convert assets to fixed annuities
 - Enact benefit improvements
 - E.g., larger multiplier, or lump sum payouts ("13th check")
 - Help employers pay the ongoing costs of LEOFF 1 medical benefits
- What are the pros and cons of each approach?
- Are there other ways to accomplish these things besides a merger?



Next Steps

- November
 - SCPP receives draft reports from agencies
 - Includes
 - Policy analysis
 - Framing or "shell" document intended to combine the pieces of the report together
- December
 - Final action on report
 - Optional: Committee recommendations
- Report due January 9, 2017

