

Multiple Agency Fiscal Note Summary

Bill Number: 6247 SB	Title: PERS 2/labor org. officers
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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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

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

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Final 2/ 9/2024
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Individual State Agency Fiscal Note

Bill Number: 6247 SB	Title: PERS 2/labor org. officers	Agency: 124-Department of Retirement Systems
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: Amanda Cecil	Phone: 360-786-7460	Date: 02/02/2024
Agency Preparation: Candice Myrum	Phone: 360-664-7124	Date: 02/06/2024
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 02/06/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/07/2024

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.

Section 2 (b) of this bill amends RCW 41.40.710 to allow members of Plan 2 of the Public Employees' Retirement System (PERS) to purchase service credit for an unpaid authorized leave of absence while serving as an elected official of a labor organization. The service credit purchase would be according to the plan's existing Authorized Leave of Absence provisions. This bill also allows the labor organization to pay the bill on the member's behalf.

This bill doesn't have a cost impact on the Department of Retirement Systems (DRS), as DRS already has the programming and processes in place to create this type of service credit bill for members.

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

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.

Individual State Agency Fiscal Note

Bill Number: 6247 SB	Title: PERS 2/labor org. officers	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

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

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: Amanda Cecil	Phone: 360-786-7460	Date: 02/02/2024
Agency Preparation: Darren Painter	Phone: 360-786-6155	Date: 02/09/2024
Agency Approval: Michael Harbour	Phone: 360-786-6151	Date: 02/09/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/09/2024

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

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

III. B - Expenditures by Object Or Purpose

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

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: Allows eligible PERS 2 members to receive service credit for an authorized unpaid leave of absence to serve as an elected official of a labor organization.

COST SUMMARY

The cost that could arise from this bill is **indeterminate**, but also likely not sufficient to round to a contribution rate increase of 0.01% in PERS 2/3. Under this bill eligible members could purchase more service credit for these circumstances than under current law; the additional service credit (if any) will increase plan obligations.

Given the options currently available for purchasing service credit, it is possible that this bill could result in no additional cost to the pension system. Any costs that do emerge would be captured in the participant data relied upon in future actuarial valuations and contribution rates would adjust accordingly.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- ❖ This bill provides enhanced service credit restoration for certain PERS 2 members. Based upon our research, the State negotiates with roughly 50 unions (excluding local government); however, not all their elected officials may be eligible under the bill.
 - For example, it is unclear if these individuals are in PERS 2 or how many members may take an eligible authorized unpaid leave of absence in the future. As a result, due to a lack of data the cost associated with this bill is indeterminate.
- ❖ Based on the information we do have, the group eligible for improved benefits under this bill appears to be quite limited compared to the roughly 164,000 actives in PERS 2/3 as of our [June 30, 2022, Actuarial Valuation Report](#).
 - For additional context, DRS reported for Calendar Year 2023 that about 60 individuals (across all retirement systems) purchased an average of 3 months service credit under current law. With all that in mind, we anticipate the cost of this bill would likely not be sufficient to round to a contribution rate increase of 0.01%.
- ❖ In terms of risk, we expect no impact to overall plan affordability or solvency compared to current law. (For more information, see our [Risk Assessment](#), [Commentary on Risk](#), and [Glossary](#) webpages.)

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

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

This bill impacts the Public Employees' Retirement System (PERS) Plan 2 by providing an alternate option for members to receive service credit for an authorized unpaid leave of absence to serve as an elected official of a labor organization.

To receive service credit under this bill:

- ❖ The leave of absence must be authorized in a collective bargaining agreement which provides that the member retains seniority rights during the period of leave; and
- ❖ The member or the labor organization must make both the employer and employee monthly contributions to PERS 2 as the service is rendered.

Assumed Effective Date: 90 days after session.

What Is the Current Situation?

Members may receive a maximum of two years of service credit for authorized *unpaid* leaves of absences over their careers. Members must pay the employer and employee contributions plus interest as determined by the Department of Retirement Systems (DRS). Payment must be made within five years of returning to service in a DRS plan and prior to retirement, or the member must pay the full actuarial cost of the increased service credit.

Members may also receive service credit for the full duration of an authorized *paid* leave of absence to serve as an elected official of a labor organization. To qualify, the employer must be reimbursed by the labor organization for the compensation paid to the member during the period of absence.

ACTUARY'S CERTIFICATION

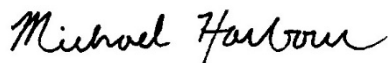
The undersigned certifies that:

1. The actuarial assumptions, methods, data, and models used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, data, and models 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. We believe that the assumptions, methods, and data used in our risk assessment model are reasonable for the purposes of this pricing exercise. However, the use of another set of assumptions, methods, and data could also be reasonable and could produce different results.
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 2024 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 T. Harbour, ASA, MAAA
Actuary

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