

State of Washington
Recommendation Summary

9:53:03AM

Agency: **220 Board for Volunteer Firefighters**

9/26/2014

Dollars in Thousands

	Annual Average FTEs	General Fund State	Other Funds	Total Funds
2013-15 Current Biennium Total	4.0		959	959
CL 01 OFM Budget Increases			20	20
Total Carry Forward Level	4.0		979	979
Percent Change from Current Biennium			2.1%	2.1%
Carry Forward plus Workload Changes	4.0		979	979
Percent Change from Current Biennium			2.1%	2.1%
M2 AA Social Security Master File Request			9	9
M2 AB State Actuary Rate Increase			2	2
Total Maintenance Level	4.0		990	990
Percent Change from Current Biennium			3.2%	3.2%
Subtotal - Performance Level Changes	0.0			
2015-17 Total Proposed Budget	4.0		990	990
Percent Change from Current Biennium			3.2%	3.2%

M2 AA Social Security Master File Request

The Board for Volunteer Firefighters and Reserve Officers is requesting funding to subscribe to the US Department of Commerce's Social Security Death Master File to retain our ability to verify the continued eligibility for benefit recipients.

Until a few months ago, the Board would check social security numbers through a national database to ensure that members receiving a pension were not deceased and still eligible to continue receiving benefits. With the passing of the Federal Budget Act of 2013, Section 203 mandated that the Secretary of Commerce cease disclosing any personal information with respect to any individual who has died within the last three years.

Since the point of verifying eligibility is to stop payments before a significant amount of time has passed, this law inhibited the agency's ability to verify information. Federal Law did provide a process by which businesses with a legitimate need to know the information could access it, but it requires that we "subscribe" to the Department of Commerce's Social Security Death Master File system.

This package would provide the funding to allow the Board to continue to monitor eligibility and meet its fiduciary obligations.

M2 AB State Actuary Rate Increase

This package will grant Board for Volunteer Firefighters and Reserve Officers (BVFF) authority to increase its budgeted amount to pay for an increase in the amount that is charged by the Office of the State Actuary (OSA) to provide actuarial services to the Board.

RCW 41.24.320 requires that "The state actuary shall provide actuarial services for the state board". These services include, but are not limited to, preparing an annual valuation of both the pension system and the relief system, attendance at Board meetings, providing cost estimates for proposed legislation and/or WAC changes, and working with the Board, staff, and constituents to explain actuarial methods and calculations used in valuations.

The OSA has not requested an increase in the amount it has charged to the BVFF for providing these services in several years. However, because they do need to contract outside of their office for portions of the valuation process, their costs are increasing. They have asked that the Board request additional funding to provide a 3% per year increase in the amount they charge us for their services.

Agency: 220 Board for Volunteer Firefighters
Decision Package Code/Title: AA Social Security Master File Request
Budget Period: 2015-17
Budget Level: M2 - Inflation and Other Rate Changes

Program: Blank

Recommendation Summary Text:

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This package would provide the funding to allow the Board to continue to monitor eligibility and meet its fiduciary obligations.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
204-1 Vol Firefight/Res Off Administrativ-State	4,500	4,500	9,000
Total Cost	4,500	4,500	9,000

Package Description:

This package would allow the Board for Volunteer Firefighters to subscribe to the US Department of Commerce's Social Security Death Master File.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This package will enable the agency to continue monitoring the eligibility status of benefit recipients, thus utilizing best practices to try to prevent overpayments.

Performance Measure Detail

Activity:	A001Benefits to Volunteer Firefighters and Reserve Law Enforcement Officers	Incremental Changes	
		<u>FY 2016</u>	<u>FY 2017</u>
	Outcome Measures		
000281	Percentage of clients rating the Board of Volunteer Firefighters' service level above average to excellent on an annual random survey.	1.00%	1.00%

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This package is necessary to allow us to administer RCW 41.24 efficiently, economically, and in conformance with all applicable statutes and accounting standards.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This package supports the Governor's Goal to put tax dollars to the best use by providing efficient, effective, and accountable administration of RCW 41.24.

What are the other important connections or impacts related to this proposal?

The Board for Volunteer Firefighters believes that stakeholders would support this package because it creates a hardship with the survivors of a benefit recipient have to return an overpayment. By ensuring that payments cease upon the death of a benefit recipient, the Board safeguards against potential lawsuits and audit findings.

What alternatives were explored by the agency, and why was this alternative chosen?

The agency considered contract with a third party to act as an intermediary, but they would be using the US Department of Commerce's system, and the cost would be higher to ultimately obtain the same information from the same source.

We also considered ceasing to monitor the eligibility of benefit recipients to receive payments, but we ruled that out because it would result in overpayments and audit findings. Continuing to pay benefits to members that are deceased, the Board for Volunteer Firefighters would be acting contrary to the Governor's Goal of providing and efficient, effective, and accountable government.

What are the consequences of adopting or not adopting this package?

If this package is not funded, the Board for Volunteer Firefighters will be unable to ascertain whether benefit recipients have passed away within the last three years. This would result in an increase in overpayments. In order to recover the overpayments, it would take additional staff hours to find executors, prepare and send notifications, and obtain repayment. There would be many instances where not executor could be located or identified and there would be a greater financial loss to the fund.

Ultimately, the loss from the overpayments would far outweigh the cost of the service.

What is the relationship, if any, to the state's capital budget?

This package has no relationship to the state's capital budget.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

This package would require no changes to existing statutes, rules, or contracts.

Expenditure and revenue calculations and assumptions

Access to the US Department of Commerce's Social Security Death Master File costs \$4,500.00 per year for the level of access and queries that are necessary for our business needs.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

These costs will be ongoing costs that we would anticipate to increase over time.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services	4,500	4,500	9,000

Program: 010 Salaries and Expenses

Recommendation Summary Text:

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Fiscal Detail

Operating Expenditures			<u>Total</u>
Total Cost			

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What specific performance outcomes does the agency expect?

This package will enable the agency to continue monitoring the eligibility status of benefit recipients, thus utilizing best practices to try to prevent overpayments.

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This package is necessary to allow us to administer RCW 41.24 efficiently, economically, and in conformance with all applicable statutes and accounting standards.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This package supports the Governor's Goal to put tax dollars to the best use by providing efficient, effective, and accountable administration of RCW 41.24.

What are the other important connections or impacts related to this proposal?

The Board for Volunteer Firefighters believes that stakeholders would support this package because it creates a hardship with the survivors of a benefit recipient have to return an overpayment. By ensuring that payments cease upon the death of a benefit recipient, the Board safeguards against potential lawsuits and audit findings.

What alternatives were explored by the agency, and why was this alternative chosen?

The agency considered contract with a third party to act as an intermediary, but they would be using the US Department of Commerce's system, and the cost would be higher to ultimately obtain the same information from the same source.

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Expenditure and revenue calculations and assumptions

Access to the US Department of Commerce's Social Security Death Master File costs \$4,500.00 per year for the level of access and queries that are necessary for our business needs.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

These costs will be ongoing costs that we would anticipate to increase over time.

Agency: 220 Board for Volunteer Firefighters
Decision Package Code/Title: AB State Actuary Rate Increase
Budget Period: 2015-17
Budget Level: M2 - Inflation and Other Rate Changes

Program: Blank

Recommendation Summary Text:

This package will grant Board for Volunteer Firefighters and Reserve Officers (BVFF) authority to increase it's budgeted amount to pay for an increase in the amount that is charged by the Office of the State Actuary (OSA) to provide actuarial services to the Board.

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The OSA has not requested an increase in the amount it has charged to the BVFF for providing these services in several years. However, because they do need to contract outside of their office for portions of the valuation process, their costs are increasing. They have asked that the Board request additional funding to provide a 3% per year increase in the amount they charge us for their services.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
204-1 Vol Firefight/Res Off Administrativ-State	1,000	1,000	2,000
Total Cost	1,000	1,000	2,000

Package Description:

This package requests additional funding to pay for an increase in the amount charged by the Office of the State Actuary to provide actuarial services to the Board for Volunteer Firefighters and Reserve Officers.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The Board and its constituents use the information gathered from the Actuary's services to ensure that the BVFF is efficiently and economically administering the provisions of RCW 41.24.

This package ensures the Actuary's ability to continue providing a quality service, and for the Board to continue to meet its legal obligations to utilizing the State Actuary.

Performance Measure Detail

Activity: **A001Benefits to Volunteer Firefighters and Reserve Law Enforcement Officers**

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

It is necessary so the Board can administer RCW 41.24 efficiently, economically, and in conformance with all applicable statutes and accounting standards.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This package provides support to the Governor's Goal to make results easily available (which the valuations do) and to provide transparency and accountability while ensuring an efficient, effective, and accountable government.

What are the other important connections or impacts related to this proposal?

The Board for Volunteer Firefighters and Reserve Officers believes that stakeholders would support this decision package. The services provided by the Office of the State Actuary are vital to ascertaining the health and funding status of the pension and relief systems, and it provides information that is of high quality and standards.

What alternatives were explored by the agency, and why was this alternative chosen?

The Agency considered rejecting any language in an agreement that would increase the Board's financial obligations. However, this rejection would result in the Actuary either performing fewer services for the Board, or their own rejection of the agreement with the current level of payment included.

The Agency also considered contracting outside of the Office of the State Actuary with another independent actuarial service. However, since law requires that the Board use the services of the State Actuary, this idea was considered to be a last resort.

Continuing to use the services to the Office of the State Actuary, while paying a slightly higher rate, is the best alternative. It provides for consistency in reporting and the Actuary is already familiar with the BVFF system, as well as the state's other pension systems. Since we are legally obligated to use their services, it also prevents potential audit findings and lawsuits.

What are the consequences of adopting or not adopting this package?

If this package were not funded, the Office of the State Actuary would have to reduce the quality and/or quantity of services they provide to the Board, or the Board would have to contract with an outside actuarial service. As mentioned before, the Board is bound by state law to contract with the Office of the State Actuary, so contracting with a difference actuarial service would result in an audit, a potential lawsuit, and/or other negative consequences.

What is the relationship, if any, to the state's capital budget?

There is no relationship to the state's capital budget.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

No changes to existing statutes, rules, or contracts would be required. This change would be implemented at the renewal of the next inter-agency agreement.

Expenditure and revenue calculations and assumptions

The next agreement with the Office of the State Actuary would include an automatic 3% per year increase in the amount billed to the Board. This package would cover the increase for several years before we would have to ask for an additional increase.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

This request would be ongoing and would impact future biennia at a rate of 3% per year.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services	1,000	1,000	2,000

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