



June 19, 2013  
BOARD OPERATING POLICY  
PROPOSED CHANGES

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## ISSUE

An opportunity to update and clarify Board Operating Policies has been identified. Updates are needed to ensure that the procedures to match Board practices. This document outlines the proposed changes to Rule 7 (Expenses) and Rule 9 (Process for Considering New Benefit Proposals).

## BACKGROUND INFORMATION

### Rule 7 - Expenses

Under Rule 7 in the Board's Operating Policies, Legislators may be excluded from certain travel expense reimbursement. Rule 7 was put in place to prevent the Board from paying travel expenses for Legislators in lieu of the Legislative Body paying for expenses.

Rule 7 currently reads:

**EXPENSES.** Legislators' travel expenses shall be paid by the member's legislative body; state employees' expenses shall be paid by their employing agency; other Board members' travel expenses shall be reimbursed by the Board in accordance with RCW 43.03.050 and 43.03.060.

At the time Rule 7 was first adopted, the Legislature was paying travel expenses for Legislative members on the Board. Practices have since changed in the Legislature. According to the Chief Clerk's Office in the house and the Secretary of the Senate's Office, payment for non-legislative per diem, mileage, travel expenses and conference fees is approved on a case-by-case basis, whether in-state or out-of-state.

Trustee education is considered by the Board an integral part of being an effective Trustee. Most of the Trustee education opportunities are out of state and require significant travel expenses. If the expenses are not paid by the Legislature, the current Rule 7 does not allow the Board to pay for the expenses. This leaves Legislative Board members at a disadvantage in accessing education opportunities essential to conducting Board business.

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There are no statutory provisions preventing Boards and Commissions from paying travel expenses for Legislative Board members as long as they aren't already being reimbursed by the Legislature, such as per diem during session.

### **Rule 9 - Process for Considering New Benefit Proposals**

Rule 9 was designed to provide staff with a process in which to present materials to the Board for consideration and time for public education and input. The procedure originally adopted included a process for keeping track of issue suggested for consideration by the Board and a three step report process for the Board to consider an issue and recommend legislation.

The report process currently has the following three steps (reports): Initial Consideration, Preliminary Report, and Final Proposal. The Initial Consideration is designed as an introduction to a topic with basic background information such that the Board may decide if it is an issue they want to consider further. The Preliminary Report is more robust adds more in-depth research and analysis; It also includes policy options for consideration. The Final Proposal is last step before a legislative recommendation and includes bill language and actuarial analysis of a policy option selected from the Preliminary Report.

The information and research needs of the Board have become more extensive and complex since the original report process was developed which has resulted in the development and use of reports that are not outlined in the current procedures.

#### **Educational Briefing**

The Board has received several "Educational Briefings" which are intended to only provide information to the Board about an issue, rather than being a proposal that may become a recommendation to the legislature.

#### **Follow-up Report**

The Board has requested for "Follow-up Reports" during the report process. This type of report is usually requested at the second step in the process and is requested when additional information is needed before the Board can decide if the issue should continue in the process.

Considering the process as a whole, it has been noted that the title "Preliminary" may not accurately reflect the level of content that is provided at the second report stage. Titles reflecting a more complete report than does "preliminary" have been suggested.

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## SUMMARY OF PROPOSED CHANGES

### Rule 7 - Expenses:

- Allow Legislative Board Members to be paid by the Board for travel expenses if not being paid for by the Legislature

(See Appendix A: Rule 7 Current & Proposed Changes)

### Rule 9 - Process for Considering New Benefit Proposals:

- Add "Education Briefing" as new report type
- Add "Follow-up Report" as part of report process
- Change the title of the "Preliminary Report" to "Comprehensive Report"

(See Appendix B: Rule 9 Current & Proposed Changes)

## POLICY OPTIONS

**Option 1:** Adopt proposed changes to Rule 7 and Rule 9

**Option 2:** Adopt only proposed changes to Rule 7

**Option 3:** Adopt only proposed changes to Rule 9

**Option 4:** Do not adopt any proposed changes

## SUPPORTING INFORMATION

- Appendix A: Rule 7 Current & Proposed Changes
- Appendix B: Rule 9 Current & Proposed Changes

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**APPENDIX A**  
**RULE 7 CURRENT & PROPOSED CHANGES**

**RULE 7 - CURRENT**

**RULE 7. EXPENSES**

Legislators' travel expenses shall be paid by the member's legislative body, state employees' expenses shall be paid by their employing agency, other Board members' travel expenses shall be reimbursed by the Board in accordance with RCW 43.03.050 and 43.03.060.

**RULE 7 - WITH PROPOSED CHANGE**

**RULE 7. EXPENSES**

Legislators' travel expenses shall be paid by the Board unless paid by the member's legislative body, state employees' expenses shall be paid by their employing agency, other Board members' travel expenses shall be reimbursed by the Board in accordance with RCW 43.03.050 and 43.03.060.

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## APPENDIX B

### RULE 9 CURRENT & PROPOSED CHANGES

#### RULE 9 - CURRENT

##### RULE 9.      **PROCESS FOR CONSIDERING NEW BENEFIT PROPOSALS**

The Board will maintain a register of all proposals for benefit changes, sorting them into the following categories:

- Proposals by Board members; or
- Proposals by plan members, employers, and the public; or
- Technical corrections identified by staff, the Department of Retirement Systems, or other agencies/organizations.

Proposals will remain on the register for two years unless withdrawn by the sponsor or acted on by the Board.

In order to provide stakeholders and the public with ample opportunity to comment on proposals and to understand the potential impacts on plan members, beneficiaries and/or contribution rates, the Board will consider proposed benefit changes from the register in the following stages:

**Initial Consideration** - Staff will prepare background information regarding the topic. A majority of Board members must agree to request that staff prepare a Preliminary Report.

**Preliminary Report** – Staff will develop key issues and policy alternatives for Board consideration. The Board may invite public and stakeholder comment. A majority of Board members must agree to request that staff prepare a Final Proposal.

**Final Proposal** – Staff will develop statutory or regulatory language describing the benefit and seek legal review by counsel, an analysis by the State Actuary on the impact of the change, an independent review of fiscal notes by an outside actuarial firm, if available, and supporting analysis and descriptive information.

The Board will review the Final Proposal in a public meeting and hear public testimony before voting to move the proposal forward to the Legislature. A majority of Board members must agree to move the proposal forward to the Legislature.

## **RULE 9 - WITH PROPOSED CHANGES**

### **RULE 9. PROCESS FOR CONSIDERING NEW BENEFIT PROPOSALS**

#### **Register**

The Board will maintain a register of all proposals for benefit changes, sorting them into the following categories:

- Proposals by Board members; or
- Proposals by plan members, employers, and the public; or
- Technical corrections identified by staff, the Department of Retirement Systems, or other agencies/organizations.

Proposals will remain on the register for two years unless withdrawn by the sponsor or acted on by the Board.

#### **Educational Briefings**

An Educational Briefing may be requested by the Board to learn about a specific subject with no expectation of further action. This type of report and/or presentation may be made by staff or requested of an outside source.

#### **Studying Policy Issues/Proposing Legislation**

In order to provide stakeholders and the public with ample opportunity to comment on proposals and to understand the potential impacts on plan members, beneficiaries and/or contribution rates, the Board will consider proposed benefit changes from the Register in the following stages:

1. **Initial Consideration** - Initial Consideration introduces the subject and provides basic facts about how it impacts the plan or members. The report and presentation serves to familiarize Board members with the subject matter. The Board may decide:
  - a. Not to pursue the matter (no action required), or
  - b. Move it to the next step and direct staff to prepare a Comprehensive Report (requires a motion).
2. **Comprehensive Report** - The Comprehensive Report provides more detailed information to Board members and presents options to allow discussion of

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policy implications and consideration of further action. As a result of that discussion the Board may decide to:

- a. Identify a need for more information and direct staff to prepare a “Follow-up Report” (requires a motion);
- b. Decide to defer the subject until the next interim or drop the issue (no action required); or
- c. Decide it has sufficient information and wishes to pursue possible legislation, in which case the Board chooses an option and directs staff to prepare a Final Proposal (requires a motion).

3. **Final Proposal** - The Final Proposal adds a summary to the report explaining the impact(s) of the chosen option. A cost analysis of the impact of the potential legislation is provided as well as a bill draft. The Board will review the Final Proposal in a public meeting and hear public testimony before voting to move the proposal forward to the Legislature. The Board may decide to:

- a. Submit the proposal to the Legislature (requires a motion);
- b. Defer to the next interim (no action required); or
- c. Drop the issue (no action required).

A majority of Board members must agree to move the proposal forward to the Legislature.



# Board Operating Policy Proposed Changes

**June 19, 2013**

# Overview

- Updates needed to ensure procedures are clarified to match practices
  - Rule 7: Expenses
  - Rule 9: Process for Considering New Benefit Proposals

# Rule 7 - Expenses

- “Legislators’ travel expenses shall be paid by the member’ legislative body.”
- Payment for non-legislative travel expenses approved by Legislature on a case-by-case basis. No authorization in procedure to be paid by Board if not paid by Legislature.
- Legislative Board members *may* be excluded from certain travel related expense reimbursement.

# Rule 7 - Expenses

## Proposed Change:

- Allow Legislative Board members to be paid by the Board for travel expenses if not being paid for by the Legislature.

# Rule 9 – Proposals

- Current rule only includes 3 types of reports for consideration by the Board.
- Need for additional categories of report; Clarity reflecting report content.
- Ensure practice matches procedure.

# Rule 9 - Proposals

## Proposed Changes:

- Add “Education Briefing” as new report type.
- Add the “Follow-Up” report as part of report process.
- Change the title of “Preliminary Report” to “Comprehensive Report”.

# Options

1. Adopt proposed changes to Rule 7 and Rule 9.
2. Adopt only proposed change to Rule 7.
3. Adopt only proposed changes to Rule 9.
4. Do not adopt any proposed changes.

# Any Questions?

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