

# DUAL RESPONSE

## INSIDE THIS ISSUE

Surviving Spouses Now Qualify for Health Care ..... 2  
 2008 Legislative Session Update ..... 2  
 Medicare Only Benefits Bill Passes ..... 2  
 Start Saving Today for Retirement Tomorrow ..... 3  
 COLA Increase for our LEOFF 2 Plan Retirees..... 3  
 Contribution Rate Increase Reminder..... 3  
 Contact Information ..... 4  
 What's on the LEOFF 2 Board's Website ..... 4  
 2008 Board Meeting Schedule ..... 4  
 Your Board Members..... 4

## Our Mission and Priority Goals

### Our Mission:

The mission of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board is to responsibly govern the pension plan for the benefit of the members.

### Our Priority Goals for 2006 - 2010:

- Enhance the benefits for the members.
- Provide the stakeholders with a voice in plan governance.
- Maintain the financial integrity of the plan.
- Inform the stakeholders.

[www.leoff.wa.gov](http://www.leoff.wa.gov)

## Message from the Chair



Kelly Fox

Brothers & Sisters,

It is the time of year for the board to reconnect with our peers and plan participants to keep you informed of the activities of *your* LEOFF Plan 2 Retirement Board.

As we have done since the inaugural edition of *Dual Response*, we strongly encourage you to read this newsletter in its entirety, resolve to learn more about your pension plan and communicate to your representatives on the board if appropriate or applicable. It is our objective to provide information, as we board members have learned, knowledge is crucial to our success as a representative agency.

In this edition you will find articles addressing all of the current issues being considered by the board. You will also learn about the accomplishments of the past year and, in particular, our legislative success with securing additional revenues for LEOFF Plan 2 (without affecting contribution rates!). We are extremely proud of establishing, for the first time in the history of LEOFF Plan 2, a dedicated source of revenue and a mechanism to generate sufficient funds to create the opportunity for significant pension plan improvement. ESSB 6573 will long be remembered as that major event that shifted pension policy for this State's public safety servants. Familiarize yourself with the details of this

*(continued on page 3)*

## What is Alternate Revenue? (ESSB 6573)

LEOFF Plan 2 has two sources of revenue to fund plan benefits: contributions and investment earnings. Any benefit improvement in LEOFF Plan 2 must be paid for by increasing contributions by plan members, employers and the State. Other public safety retirement plans around the country have developed alternate revenue sources as a means of increasing plan benefits without raising contribution rates.

This bill provides a new funding source for benefit improvements in LEOFF Plan 2 by potentially allowing transfers of monies from the State General Fund to the LEOFF Plan 2 trust fund. A transfer will take place when defined state revenue increases occur.

When the general state revenues increase from one biennium to the next by more than five percent, a portion of the revenue increase will be transferred to LEOFF Plan 2 for future benefit increases. The

Year	Amount that may be transferred
2011	\$2,500,000
2013	\$5,000,000
2015	\$10,000,000
2017	\$25,000,000
Ongoing (every 2 years)	\$25,000,000

amount that may be transferred to LEOFF Plan 2 starts with a maximum of up to \$2,500,000 in 2011 if the five percent state revenue increase threshold is met.

The amount that can be transferred in succeeding bienniums, when the five percent state revenue increase threshold is met, ramps up through 2017 when the maximum of \$25 million per biennium is

reached. Beyond 2017, the maximum amount that may be transferred to LEOFF Plan 2 in a biennium is \$25 million.

### What Happens Next?

This revenue is intended to pay the members', employers', and the State's cost of benefit improvements. The next step will be to determine which benefit improvement will be pursued. The LEOFF 2 Board has already studied several frequently requested benefit improvements including an Increased Multiplier, reducing the Final Average Salary period, Retiree Health Care and an improved Survivor Benefit. The stakeholder groups that represent LEOFF Plan 2 members will begin trying to develop a consensus on which benefit improvement to pursue.

## Surviving Spouses Now Qualify for Health Care Coverage if Member Dies of Occupational Illness

The Public Employees' Benefits Board (PEBB) approved a policy change (to fulfill the legislative intent of the LEOFF Plan 2 Retirement Board's 2006 legislation), which provided that surviving spouses and children of LEOFF 2 members, who are killed in the course of employment, are eligible to have their medical insurance premiums paid for by the LEOFF 2 retirement fund.

During the development of the policy change, the LEOFF Plan 2 Retirement Board worked cooperatively with the Health Care Authority (HCA) and the Department of Retirement Systems to ensure all surviving spouses of members killed in the line of duty due to occupational illness are also eligible for the health care coverage, without additional legislation. This change was requested by the LEOFF 2 Board, recommended by HCA Director Steve Hill, and approved at the PEBB's January 17, 2008 meeting.

A special thank you goes to Steve Hill from the LEOFF 2 Board for expediting the enactment of this policy change on behalf of these survivors.

## Medicare Only Benefits Bill (HB 2510) Passes

This bill gives certain individuals ineligible to participate in Medicare the opportunity to enroll in the program. Details regarding implementation of this bill are being worked on. We will post more specific information on our Website as it becomes available.

## 2008 Legislative Session Update

Here is a recap of the 2008 Legislative Session. There were a total of six bills recommended by the Board to the 2008 Legislature. The Alternate Revenue bill is discussed on page 1. None of the other five bills passed. The Board will continue to work on these issues in the 2008 interim and may refer them for legislative consideration again in 2009.

### Deferred Compensation (HB 3049/SB 6635)

LEOFF Plan 2 members are commonly offered access to a deferred compensation plan by their employer. Bargaining agreements in many jurisdictions provides for the employer to make contributions to individual member accounts, either as a percentage of pay or as a match to member contributions. Employer contributions to a member's deferred compensation account are treated inconsistently with respect to whether they are considered "basic salary" for purposes of calculating a member's pension.

The bill would have modified the definition of "basic salary" to include employer contributions to deferred compensation plans in calculating a member's pension.

## Be Sure to Check Your Annual Statement

Annual Statements were delivered to your employer in March. Please make sure all your information is correct; especially your annual salary, service credit and beneficiary information. If you notice any discrepancies, please contact the Department of Retirement Systems.

### Fish & Wildlife Enforcement Officers Service Credit Transfer (HB 3023/SB 6653)

Enforcement Officers with the State Department of Fish & Wildlife became members of LEOFF Plan 2 in 2003. Enforcement Officers were previously members of the Public Employees' Retirement System (PERS).

The bill would have provided the State Department of Fish & Wildlife Enforcement Officers with the opportunity to transfer their past service as Enforcement Officers from PERS Plan 2 to LEOFF Plan 2.

### Military Service Death Benefit (HB 3007/SB 6646)

Survivors of plan members, who die while in military service while on leave of absence, have their pension benefits reduced as if the member retired early.

The bill would have eliminated the reduction for the survivor of a member who left the employ of a retirement system-covered employer, due to service in the National Guard or military reserves, and died while honorably serving in a period of war.

### Interruptive Military Service Credit (HB 3008/SSB 6645)

Plan members who temporarily leave their position to serve in the military can currently purchase that lost service credit upon reemployment by paying the member contributions they would have paid had they remained in their position.

The bill would have eliminated the member's obligation to pay for interruptive military service credit if the member served during a period of war.

### \$150,000 Death Benefit (HB 3026/SB 6664)

\$150,000 death benefit is provided to all public employees who die in the line of duty. The benefit has not increased since it was created in 1996.

The bill would have created an annual increase to the death benefit equal to any rise in the Consumer Price Index for Wage Earners and Clerical Workers for Seattle-Tacoma-Bremerton, with a maximum increase of three percent per year.

For more detailed information on any of these bills, please visit the Board's **Legislation** page at [www.leoff.wa.gov](http://www.leoff.wa.gov).

## Message from the Chair

(continued from cover)

new funding policy by reading about it on the front page of this edition.

As a LEOFF Plan 2 member, you should contact your elected representatives at both the local and state levels to thank them for their support of ESSB 6573. The cooperation between the public safety fraternal organizations and our local government employer representatives was extraordinary and worth mentioning. We have always enjoyed that level of collaboration at the board level, but to be able to experience it in the legislative arena was remarkable. Let your State (the Governor, senators and representatives), city (AWC, city managers and council members) and county (WSAC, executives and commissioners) leaders know how much you appreciated their efforts!



I would like to recognize the appointed members of the LEOFF Plan 2 Retirement Board. They have done a tremendous job on behalf of the plan participants of LEOFF Plan 2. It has been their diligence and extra effort that has contributed to the overall success of the Board's legislative proposals since our establishment. The investment of time and energy that board members make at monthly meetings is a testament of their commitment and dedication—whether a LEOFF member or not—to police officers and fire fighters throughout the state of Washington. We also thank the skilled, competent and capable staff of the LEOFF Plan 2 Board. On behalf of the Board, I can honestly ask and answer the question, “Where would we be without them?” It would be, “Who knows and I would hate to have to find out!” They do a tremendous job and we are indebted to them for their service to us.

Stay Safe,  
Kelly Fox, Chair

## Start Saving Today for Retirement Tomorrow

This is the second in a series of articles to identify ways for you to prepare for retirement. Previously, we asked how prepared you were for retirement. Part of that discussion centered on the need to determine how much you will need to retire comfortably. The accumulation of your total monthly income at retirement is often referred to as the “three-legged stool.” One leg of the stool represents your monthly pension benefit you’ll receive from your LEOFF Plan 2 account. The second leg of the stool typically represents Social Security. However, not all members have Social Security, but may have another similar program through their employer. The final leg of the stool includes personal savings, including deferred compensation plans. In this installment, we will be focusing on 457 Deferred Compensation Plans.

You probably understand the importance of starting a savings plan that includes monthly contributions and how the compounding of interest earnings makes an account grow, especially if it can grow tax-deferred. But the importance of starting sooner rather than later can not be overemphasized. The following example illustrates this point.

**Example 1:** John is 30 years old and begins making contributions of \$200 per month to his 457 Deferred Compensation Plan. Assuming an annual rate of return of 6.5%, no increase in the contribution amount and retiring at age 53, John will contribute \$55,200 and accumulate a balance of approximately \$127,750.

Bill is 40 years old and begins making contributions of \$500 per month to his 457 Deferred Compensation Plan. Assuming an annual rate of return of 6.5%, no increase in the contribution amount and retiring at age 53, Bill will contribute \$78,000 and accumulate a balance of approximately \$122,750.

If you work for an employer that offers a matching program, it is even more advantageous for you to participate. The match is like getting free money and the boost to your account is greatly enhanced. The following example illustrates this point.

**Example 2:** Using the same assumptions for John in Example One above, but adding an employer match of \$150 per month (matching plans will normally match dollar for dollar the employee’s contribution up to a certain dollar or percent of salary limit). John still would have contributed \$55,200 to his account, while his employer would have contributed \$41,400. His accumulated account balance at the age 53 would be approximately \$223,550.

Begin saving early and take advantage of your employer’s match program if they have one. You’ll see your savings grow quickly and be better off in the long run.

### COLA Increase for our LEOFF 2 Retirees

You will receive a 3% Cost of Living Adjustment effective July 1, 2008.

### Contribution Rate Increase Reminder:

Beginning July 1, 2008, contribution rates will increase to:

	Current	July 1, 2008
<b>Members</b>	8.64%	8.83%
<b>Employers**</b>	5.35%	5.46%
<b>State</b>	3.45%	3.52%

\*\*Employer rate does include DRS administrative rate of 0.16%.

## Contact Information

### LEOFF Plan 2 Retirement Board

Contact us for questions or comments regarding possible benefit improvements, LEOFF Plan 2 pension policy, the Board's legislative activities or the status of Board-sponsored bills.

P.O. Box 40918

Olympia, WA 98504-0918

**E-mail:** [reception@leoff.wa.gov](mailto:reception@leoff.wa.gov)

**Website:** [www.leoff.wa.gov](http://www.leoff.wa.gov)

**Phone:** (360) 586-2320

### Department of Retirement Systems

Contact DRS for questions regarding your personal retirement account.

P.O. Box 48380

Olympia, WA 98504-8380

**E-mail:** [recep@drs.wa.gov](mailto:recep@drs.wa.gov)

**Website:** [www.drs.wa.gov](http://www.drs.wa.gov)

**Phone:** (360) 664-9700

**Toll-free:** (800) 547-6657

## Remaining 2008 Board Meeting Schedule

Board meetings are open to the public and take place in the Boardroom of the Washington State Investment Board, located at 2100 Evergreen Park Drive S.W., Suite 100 in Olympia, Washington from 9:30 a.m. – 3:00 p.m.

- Wednesday, May 28, 2008
- Wednesday, June 18, 2008
- Wednesday, July 23, 2008
- Wednesday, August 27, 2008
- Wednesday, September 24, 2008
- Wednesday, October 22, 2008
- Wednesday, November 12, 2008
- Wednesday, December 17, 2008

For the most up-to-date information and schedules, please visit [www.leoff.wa.gov](http://www.leoff.wa.gov) and click on the **Board Meetings** link.

## Board Members

### Law Enforcement Representatives

**Jack Simington, Vice Chair**  
Kennewick Police Department

**Ryan Martin**  
Vancouver Police Department

**Jeff Holy**  
Retired Law Enforcement

### Fire Fighter Representatives

**Kelly Fox, Chair**  
Olympia Fire Department

**Patrick Hepler**  
Edmonds Fire Department

**Mark Johnston**  
Vancouver Fire Department

### Employer Representatives

**Greg Cuoio**  
City of Lacey

**Glenn Olson**  
Washington Association of Counties  
*Vacant*

### Legislative Representatives

**Senator Linda Evans Parlette**  
Washington State Senate

**Representative Geoff Simpson**  
Washington State  
House of Representatives

## What's on the LEOFF 2 Board's Website?

For the most comprehensive and up-to-date information on the Board's activities, visit [www.leoff.wa.gov](http://www.leoff.wa.gov).

- Research what the board is currently doing and research conducted in the past;
- Proposals that have been forwarded to the Legislature and how they're progressing;
- Materials the Board uses to make decisions;
- Pension-related publications, links to other Websites and more...