

DUAL RESPONSE

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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

Message from the Chair

Governance: the act, process, or power of governing.

The Washington State Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board was created by Initiative 790, passed by the people of Washington State in November 2002.



Kelly Fox

The LEOFF Plan 2 Retirement Board is a policy-making board with the responsibility to study pension issues, be fiduciaries of the retirement plan, set contribution rates, and recommend pension policy to the Legislature in the interest of the members and beneficiaries of LEOFF Plan 2.

The most important issue regarding pension funding for LEOFF Plan 2 is the issue of *governance*.

When Initiative 790 created the LEOFF Plan 2 Retirement Board, it authorized the Board (consisting of member, employer and legislative representatives) to adopt all pension funding methods and contribution rates for your pension plan. All of the current funding methods used for LEOFF Plan 2 have been adopted by the Board over the past five years in support of

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Benefit Improvements Recommended by LEOFF 2 Board to 2009 Legislature

The LEOFF 2 Board recommended six bills to the 2009 Legislature; four of which were developed jointly with the Select Committee on Pension Policy. The Board also voted to support two additional bills. The 2009 Legislative Session began on January 12 and is scheduled to end on April 26, 2009.

Below is a description of each bill recommended and supported by the LEOFF 2 Board:

Bills Recommended by the LEOFF Plan 2 Retirement Board

Catastrophic Disability Medical Insurance (HB 1679/SB 5541)

Members who suffer catastrophic duty-related disabilities may not have access to health care insurance. This bill extends the option to purchase health care insurance from the State (PEBB) to members who are catastrophically disabled in the line of duty, [and covers] their spouse and dependent children. The member and dependents pay the full cost of the insurance.

Duty Disability Conversion (HB 1678/SB 5314)

Members who retired as a result of duty-related disabilities prior to the creation of duty disability retirements are not receiving the favorable tax treatment on their benefits to which they are entitled. This bill reclassifies eligible Service and Disability retirements to Occupational Disability retirements for the purpose of allowing affected retirees to take advantage of favorable tax treatment on the first 10% of the member's salary.

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Bills Recommended Jointly with the Select Committee on Pension Policy:

Fish and Wildlife Enforcement Officer (FWEO) Service Credit Transfer (HB 1953/SB 5309)

FWEO members were not allowed to transfer their PERS Plan 2/3 service as Enforcement Officers to LEOFF Plan 2. This bill provides Enforcement Officers at the Washington State Department of Fish & Wildlife with the opportunity to transfer their past service as Enforcement Officers from PERS Plan 2/3 to LEOFF Plan 2. Transferring members will be required to pay the contribution rate they would have paid in LEOFF Plan 2, plus interest.

Inflationary Adjustment for \$150,000 Death Benefit (HB 1547/SB 5312)

The \$150,000 lump-sum death benefit paid to survivors of public employees who die in the line of duty is not adjusted for inflation and has not increased since it was created in 1996. This bill increases the amount of the death benefit to \$175,000.

Other Bills Supported by the LEOFF 2 Board:

Pension Treatment of Domestic Partners (HB 1616)

There are currently six areas in which spouses and domestic partners are treated differently under pension law:

1. Survivor Health Care
2. Survivor Retirements
3. Purchase of Military Service
4. Member Contributions
5. \$150,000 Death Benefit
6. Service and Disability Retirements

This bill gives domestic partners the same rights and options as spouses in each of the six areas listed above.

Survivor Labor and Industries Benefits (HB 1212)

Surviving spouses of LEOFF Plan 2 members who are killed in the line of duty are entitled to receive a monthly benefit of at least 60% of the member's wages. This benefit is paid for the lifetime of the survivor, or until remarriage. This bill allows surviving spouses of Law

Enforcement Officers' and Fire Fighters' Retirement System and the Washington State Patrol Retirement System members, who are eligible for death benefits under the Industrial Insurance Act, to continue to receive the benefit monthly, for life, regardless of whether they remarry. This applies to remarriages entered into on or after the effective date of the Act.

For more detailed information regarding any of these bills, please go to the **Legislation** page on the Board's Website at www.leoff.wa.gov.

Contribution Rate Decrease

Beginning July 1, 2009, contribution rates will decrease to:

	Current	July 1, 2009
Members	8.83%	8.45%
Employers*	5.46%	5.23%
State	3.53%	3.38%

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

Your Annual Statement is Arriving in March

Annual Statements will be delivered to your employer in March. Please take a look at it and make sure all of your information is correct; especially your address, annual salary, service credit and beneficiary information.

If you notice any discrepancies, please contact the Department of Retirement Systems (contact info on back page). It's much easier to correct information now, than when you are close to or ready to retire.

Interruptive Military Service Credit (HB 1548/SB 5313)

If a member, whose public employment is interrupted by military service, chooses to purchase the service credit, they are required to pay the member contributions. This bill eliminates the member obligation to pay for interruptive military service credit if the member served during a period of war. This bill also refunds the member contributions already paid by a member to purchase interruptive military service credit.

Military Service Death Benefit (HB 1551/SB 5314)

Beneficiaries of members who die while serving on active duty with the United States Military do not qualify for duty-related death benefits. This bill eliminates the actuarial reduction for the survivor of a member who left the employ of a retirement system-covered employer to serve in the National Guard or military reserves, and who die while honorably serving in a defined period of war.

Message from the Chair

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one of the Board's strategic goals to maintain the financial integrity of the plan. The current projections are that the Board's funding plan will keep contribution rates stable and keep LEOFF Plan 2 fully funded even when taking into account the poor performance of investment markets over the past 18 months.

The LEOFF 2 Board was aware of the tremendous challenges that would face legislative budget writers in this session when the Board adopted the current four-year rate plan last September. The economic and demographic assumptions used as the basis for funding LEOFF Plan 2 were reviewed for accuracy and reasonableness in order to ensure that your plan was being prudently and accurately funded. A key is that any assumptions that are changed are done so they would be more accurate and promote the long-term health of the plan, not simply because the changes would lower rates. The focus of the Board is on the best interest of the plan over the next 40 years, not the best interest of the budget over the next two years! This is where governance and the intention of I-790 are fully recognized—LEOFF Plan 2 contribution rates are not subject to political convenience, they are established to carry out the mission of the Board: *to responsibly govern the pension plan for the benefit of the members.*

What does it mean to be a fiduciary of the LEOFF Plan 2 retirement plan? It is my belief that I have been placed in a position of tremendous trust to act on behalf of, and for, the benefit of the entire LEOFF Plan 2 membership. To deviate from the expected long-term cost of the plan, as has been suggested by some, is to me, a violation of that relationship of trust, confidence and responsibility to LEOFF Plan 2. Worse yet is that some would suggest these unsupported changes in the face of reasonably adopted economic assumptions, actuarial tables and cost methodologies—all prudent financial policies based on the fiscal realities of the plan!

Please stay in contact with the associations that represent your basic retirement interests in Olympia. They have key players on the ground and are ready to support you and the adequate funding of LEOFF Plan 2.

Kelly Fox, Chair

Pension Funding is a Hot Topic for the 2009 Legislature

The top issue facing the 2009 Legislature is how to balance the State budget given the dramatic declines in State revenue. Governor Gregoire has already implemented a number of cost-saving cuts in programs, services and governmental expenses via Executive Order and the Legislature has adopted "belt-tightening" legislation to achieve further savings.

The Governor's proposed 2009-11 budget also includes a number of possible changes to pension funding methods that would lower the State, employer, and member pension contribution rates for the next two years for all State retirement plans including LEOFF Plan 2. The Legislature is certain to consider additional changes to pension funding methods as they develop their own budget proposals.

These pension funding proposals would not affect the pension benefits that retired LEOFF 2 members are currently receiving, nor would they affect the LEOFF 2 retirement age or the amount of pension benefits that working LEOFF 2 members are currently earning. Your benefits are guaranteed under the State Constitution. However, these proposals could very likely affect the manner in which your pension benefits are paid for over the long term by the State, by local government employers, and by you.

The final State budget will probably not be adopted until sometime close to the end of the legislative session on April 26, 2009. Member organizations, employer organizations, and the LEOFF 2 Board are already providing input to the Legislature and will continue to work on this issue throughout session.

A detailed summary of the Governor's proposed changes to LEOFF Plan 2 pension funding methods is available on the Board's Website at www.leoff.wa.gov and will be updated as information about any additional legislative proposals become available.

What's on the LEOFF 2 Website?

If you visit www.leoff.wa.gov, you'll find the following information:

- What topics the Board is currently researching and/or what research has been conducted in the past;
- More information on proposals forwarded to the Legislature and how the bills are progressing;
- All materials the Board uses to make decisions;
- Pension-related publications;
- Links to other Websites of interest, and more...

For the most comprehensive and up-to-date information on the Board's activities, visit www.leoff.wa.gov.

Contact Information

Contact the **LEOFF Plan 2 Retirement Board** if you have questions or comments regarding possible benefit improvements, LEOFF Plan 2 pension policy, the Board's legislative activities or the status of Board-sponsored bills.

LEOFF Plan 2 Retirement Board

P.O. Box 40918
Olympia, WA 98504-0918
E-mail: reception@leoff.wa.gov
Website: www.leoff.wa.gov
Phone: (360) 586-2320

For questions regarding your personal retirement account, contact the **Department of Retirement Systems**, which continues to administer the LEOFF 2 plan.

Department of Retirement Systems

P.O. Box 48380
Olympia, WA 98504 – 8380
E-mail: recep@drs.wa.gov
Website: www.drs.wa.gov
Phone: (360) 664-9700
Toll-free: (800) 547-6657

2009 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 SW, Suite 100 in Olympia, Washington from 9:30 am – 3:00 p.m.

- Wednesday, March 25, 2009
- Tuesday, April 21, 2009
- Wednesday, May 27, 2009
- Tuesday, June 23, 2009
- Wednesday, July 22, 2009
- Wednesday, August 26, 2009
- Wednesday, September 23, 2009
- Wednesday, October 28, 2009
- Wednesday, November 18, 2009
- Wednesday, December 16, 2009

For the most up-to-date information, schedules, and maps to our location, please visit 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

Darla Hartley
Washington Fire
Commissioners Association

Glenn Olson
Washington Association of Counties

Legislative Representatives

Senator Linda Evans Parlette
Washington State Senate

Representative Geoff Simpson
Washington State
House of Representatives