

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

## Message from the Chair

Despite the fact that this is the first article you have begun to read, I would ask you to redirect your attention to the Board's Priority Goals above. These four goals were established during the Board's strategic planning sessions in 2005.



Kelly Fox

Two of the four goals would have been futile without the combined efforts of the LEOFF Plan 2 Board, staff and stakeholder groups in securing full funding for our pension plan. A third goal could have turned into a charade, as a voice in plan governance is no voice at all when it isn't heard. Which means the fourth goal would simply allow us to inform the stakeholders of the fruitless labor of the first three goals!

The point here is that *despite* the incredible challenges the goals represented, we triumphed! In that win, it's important to note that pension funding is the underlying support that made our goals achievable and to under fund the plan is to eradicate the potential for all other LEOFF Plan 2 goals.

As you know, Washington has seen one of the worst economic downturns in its history. The condition of the economy required the state to cut spending as it anticipated a continued drop in revenues and revenue sources (read taxes!). In circumstances like these, the usual casualties are FTE's, wages and benefits, such as contributions to pension plans. Most of the LEOFF Plan 2 impacts from the economy are felt at the local government level, but not so with *our* statewide pension plan. In the case of LEOFF Plan 2, the

state is the tail that wagged the dog. If they'd determined that a drop in contribution rates was in order, our defense would be to either fall in line or work hard to prevent it. This year we chose the latter and it paid off very well!

Briefly, the budget deficit that faced the state was over \$8 billion and the initial proposal on pension funding was to treat all the plans equally. Each of the state retirement plans was going to "share the pain" and reduce their contributions uniformly. What transpired was anything but equal or uniform. The result of the reductions had a disparate impact on LEOFF Plan 2—almost 14 times the impact of other state retirement plans. Because of the funding mechanism for our plan and the progressive stewardship of the policies, LEOFF Plan 2 was postured more fully to withstand an investment downturn than any of the other plans. As a result, funding reductions could be greater for our plan than for the others. Recognizing this was easier to point out than it was to explain, and explaining it was easier than convincing policy-makers to refrain from implementing it!

In the end, after many meetings and discussions, the Legislature decided that they could fund LEOFF Plan 2 at the level recommended and adopted by the Board. There are many people to thank and to name one would require me to name them all. Suffice is to say that they know who they are and we will remember their efforts on behalf of the over 17,000 Law Enforcement, Fire and EMS members of LEOFF Plan 2.

Stay Safe,  
Kelly Fox, Chair

# 2009 Legislative Session Update

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 and a pension-funding bill. The 2009 Legislative Session began on January 12 and ended April 26, 2009.

## Bills That Passed

### Actuarial Funding of Pension Systems (SB 6161)

This bill changed the methods and assumptions for the actuarial funding and revised pension contribution rates for all the state retirement systems, **except** LEOFF Plan 2. In all other plans this bill lowers contribution rates in the 2009-2011 Biennium and increases member contribution rates in future biennia beginning with the 2013-2015 Biennium.

### Duty Disability Conversion (HB 1678)

Members who retired as a result of duty-related disabilities prior to the creation of Duty Disability Retirements were not receiving the favorable tax treatment on their entitled benefits. 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.

## How the Department of Retirement Systems (DRS) will Implement the Provisions of HB 1678: Duty-Disability Retirements

House Bill 1678, signed into law in 2009, expands on two previous duty-disability retirement laws.

The first law, passed in 2004, created the provisions for a duty-related disability retirement. Members who retired on or after January 1, 2001 because of a disability related to duty were eligible and a portion of their retirement benefit was not subject to federal income tax.

The second law, enacted in 2005, meant that members who became disabled in the line of duty would no longer have their pensions reduced for "early retirement" if they were younger than age 53.

HB 1678, passed this last session, took these two laws a step further by reclassifying pre-2001 duty-related retirements as occupational disability retirements. That will allow those who qualify, to receive the same favorable tax treatment on their benefits as those who retired after 2001. It also establishes a minimum benefit for those who retired before January 1, 2001 with less than five years of service.

DRS will implement the new law in two phases:

### Phase One: Review of all Pre-2001 Disability Retirements

In the first phase, DRS will review all of the LEOFF disability retirements that occurred before 2001. When DRS finds documents that supports a duty-related disability, the account will be reclassified to receive the favorable tax treatment. Duty-disability retirees with less than five years of service will also receive a benefit increase at that time. Each affected retiree will receive a letter explaining the conversion and if applicable, the benefit increase.

If DRS is uncertain whether the disability retirement was related to duty, the retiree will be sent a letter that explains the new law and asks for documentation to determine qualification.

### Phase Two: Contacting All Pre-2001 Retirees

In phase two, DRS will send a letter to all remaining LEOFF members who retired before 2001, explaining the new legislation and the qualifications for a duty-disability conversion. Retirees who believe they are eligible will be asked to respond with the needed documentation.

In both phases, DRS will review the documentation and make a determination on each account. If approved, the account will be converted and the retiree notified. If denied, the retiree will receive a letter explaining their appeal rights. DRS expects to finish the notification of retirees by August 31, 2009.

### Domestic Partner Benefits/ LEOFF Plan 2 (EHB 1616)

Domestic partners are not treated the same as spouses for all pension benefits. There are six distinct areas in which spouses and domestic partners are treated differently under pension law including: (1) Survivor Health Care, (2) Survivor Retirements, (3) Purchase of Military Service, (4) Member Contributions, (5) \$150,000 Death Benefit and (6) Service and Disability Retirements. This bill gives the domestic partners of LEOFF Plan 2 members the same rights and options as spouses for the pension benefits listed above.

### Interruptive Military Service Credit (HB 1548)

Members whose public employment is interrupted by military service are required to pay member contributions in order to purchase back their service credit. This bill, developed jointly with the Select Committee on Pension Policy (SCPP), eliminates the member's obligation to pay for interruptive military service credit if they served during a period of war. This bill also refunds the member contributions previously paid by a member to purchase interruptive military service credit.

### Military Service Death Benefit (HB 1551)

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, developed jointly with the SCPP, 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 died while honorably serving in a defined period of war.

### Fish and Wildlife Enforcement Officer (FWEO) Service Credit Transfer (SHB 1953)

FWEO members were not permitted to transfer their PERS Plan 2/3 service as Enforcement Officers to LEOFF Plan 2. This bill, developed jointly with the SCPP, provides Enforcement Officers at the State Department of Fish & Wildlife the opportunity to transfer past service as Enforcement Officers from PERS Plan 2/3 to LEOFF Plan 2. Transferring

## Tax Withholding Changes for Retirees Receiving a Monthly Benefit

members are required to pay the difference in contributions that the member made to PERS 2/3 and what the member would have contributed in LEOFF 2, plus interest, or the entire balance of the member's PERS 3 defined contribution account. Member, employer, and state contribution rates will increase to the extent necessary to fund the difference in the value of the service credit transferred between PERS and LEOFF Plan 2, and the member contributions transferred into LEOFF Plan 2. (See contribution rate notice below.)

### Bills That Did Not Pass

#### Catastrophic Disability

##### Medical Insurance (EHB 1679 - SB 5541)

Members who suffer catastrophic duty-related disabilities may not have access to health care insurance. This bill would have extended the option to purchase health care insurance from the State (PEBB) to members who are catastrophically disabled in the line of duty and their spouses and/or dependent children.

#### Survivor Labor & Industries Benefits/ Remarriage Prohibition (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 would have allowed surviving spouses of the LEOFF and Washington State Patrol Retirement Systems 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.

#### 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, developed jointly with the SCPP, would have increased the amount of the death benefit to \$175,000.

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

The federal stimulus package contained a provision that changed the federal tax withholding tables. At the direction of the Internal Revenue Service (IRS), the Department of Retirement Systems (DRS) began using the new tables in April to calculate the tax withheld from retirees' monthly benefits. But since the tax credit is intended for working individuals, this could mean that retirees have less withheld from their benefit but still owe the same amount of tax at the end of the year.

The IRS later issued new withholding tables that apply only to retirement benefits, but made it optional to use the updated tables. After a great deal of consideration, DRS decided to continue using the tax withholding tables that were in effect in April. The agency had already notified potentially affected retirees and many had submitted paperwork to change their withholding amounts. DRS did not want to require them to make yet another change.

If you have any questions, please talk with your tax advisor or the IRS—especially if you are employed while receiving a retirement benefit. If you don't want to make a change to your withholding, you do not need to do anything. If you would like to make a change to your withholding, you can complete and send DRS a new W-4P form. (See contact info for DRS on back page.)

### Washington State Employees Credit Union (WSECU) Eligibility and Benefits

Washington State Employees Credit Union knows public servants. In addition to its long history of working with state employees, WSECU also offers membership to all local government employees and their family members. The credit union offers a range of products and services, including mortgage loans, investment planning and access to many free financial education classes. Visit their Web site at [www.wsecu.org](http://www.wsecu.org) or call (800)562-0999 to learn more about what WSECU can do for you.

### Contribution Rate Decrease:

Effective July 1, 2009 LEOFF 2 contribution rates decreased.

	Before 7/1/09	Current 7/1/09	Future 9/1/09**
<b>Members</b>	8.83%	8.45%	8.46%
<b>Employers</b>	5.46%*	5.23%*	5.24%*
<b>State</b>	3.53%	3.38%	3.38%

\* Employer rate does include the DRS administrative rate of .16%.

\*\* Due to the passage of SHB 1835.

## United We Stand— Divided We Fall

by **Jeff Holy, Board Member**

John Dickinson first expressed this sentiment in *The Liberty Song* during the Revolutionary War. It's a rallying cry and the applicable message is every bit as valid today as it was then. A large number of people acting together with a common goal can accomplish great things.

The opposite application of this tactic includes *Divide and Conquer* as used by Caesar in dividing enemy nations into separate groups that could not work in unison, and therefore became vulnerable.

Watch for the phrase "Generational Equity" to appear in discussion of our attempts to provide benefit improvements for all LEOFF 2 members. As funding for LEOFF 1 was played off against properly funding the LEOFF 2 system so many years ago, the new attempt to divide LEOFF 2 members into separate competing groups will fall along generational lines. LEOFF 2 is over 30 years old and because of the shorter career path of public safety, contains multiple generations of officers. This fact has not gone unnoticed.

There is limited space in our newsletter so in order to provide more detail on the issue, the full article is available at [www.leoff.wa.gov](http://www.leoff.wa.gov) under **What's New**.

## Board Meetings

Board meetings are held monthly, and are open to the public from 9:30 am - 3:00 pm. They take place in the Boardroom of the Washington State Investment Board, located at 2100 Evergreen Park Drive S.W., Suite 100, in Olympia.

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

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## Contact Information

### LEOFF Plan 2 Retirement Board

P.O. Box 40918  
Olympia, WA 98504-0918  
**E-mail:** [reception@leoff.wa.gov](mailto:reception@leoff.wa.gov)  
**Web site:** [www.leoff.wa.gov](http://www.leoff.wa.gov)  
**Phone:** (360) 586-2320

### Department of Retirement Systems

P.O. Box 48380  
Olympia, WA 98504-8380  
**E-mail:** [recep@drs.wa.gov](mailto:recep@drs.wa.gov)  
**Web site:** [www.drs.wa.gov](http://www.drs.wa.gov)  
**Phone:** (360) 664-7000  
**Toll-free:** (800) 547-6657

## Board Members

### Law Enforcement Representatives

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

**Ryan Martin**  
Vancouver Police Department

**Jeff Holy - Retired**  
Spokane Police Department

### 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