

BOARD OF TRUSTEES

Fire Fighter Representatives

Kelly Fox, Chair
Olympia Fire Department

Mark Johnston
Vancouver Fire Department

Michael White
Valley Regional Fire Authority

Law Enforcement Representatives

Jason Granneman
Clark County Sheriff's Office

Rep. Jeff Holy
Spokane Police Department (Ret)

Wally Loucks
Spokane County Sheriff's Office

Employer Representatives

Paul Golnik
WA Fire Commissioners Association

David Cline
City of Tukwila

Dave Upthegrove
King County

Legislative Representatives

Sen. Judy Warnick
WA State Senator

Rep. Kevin Van De Wege
WA State Representative

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BOARD MEETINGS

Board meetings are open to the public and take place in the Washington State Investment Board's large conference room located at 2100 Evergreen Park Drive SW, Suite 100 in Olympia, WA. They are held on the fourth Wednesday of each month from 9:30 a.m. to 3:00 p.m. unless otherwise noted.

For up-to-date Board meeting information, visit www.leoff.wa.gov.



July 2016

DUAL RESPONSE

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

DUAL RESPONSE



P.O. Box 40918
Olympia, WA 98504-0918

MESSAGE FROM THE CHAIR



KELLY FOX

HOW LIVING LONGER IMPACTS OUR PENSION PLAN

Studies show that, on average, the US population has seen an increase of 2 years in life expectancy every decade since 1960. A population that is living longer has significant impacts on a pension plan, or more specifically, your pension plan.

Every 6 years, the Office of the State Actuary (OSA) completes a demographic experience study, which includes recommendations on assumption changes. One of those assumptions is life expectancy, which has been widely cited among all actuaries as the most significant change impacting the increased cost of pensions in the USA. A member living 2 years longer is receiving 24 extra pension payments than was originally accounted for. Extra payments out means that extra contributions will be required to come in.

One of the goals of the LEOFF Plan 2 Board is to be out in front of these types of changes to our pension plan, and not defer into the future the adoption of assumptions and their corresponding rate increases. We were the first plan in Washington to adopt the assumption and costs of the 7.5% rate of return assumption, and we will be the first plan to fully adopt and incorporate the increased cost of the new mortality assumptions.

Contribution rates have already been adopted for the upcoming 2017-2019 biennium which fully encompass the impact of these improvements to life expectancy. Member contribution rates as adopted will rise from their current level of 8.41% to a new rate of 8.85% beginning in 2017.

While other states are seeing benefit reductions in their plans, your plan continues to remain exceptionally healthy and thriving. The proactive steps taken by the LEOFF 2 Board have made your plan among the best funded plans in the country, while continuing to provide the level of benefits you were promised.

CONTACT INFORMATION

For questions or comments regarding possible benefit improvements, please contact your affiliated association or local labor representative.

The LEOFF Plan 2 Retirement Board

will gladly assist you in answering questions regarding 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
(360) 586-2320
www.leoff.wa.gov

The Department of Retirement Systems (DRS)

administers LEOFF Plan 2 and can assist with individual account information.

P.O. Box 48380
Olympia, WA 98504-8380
(360) 664-7000 or (800) 547-6657
www.drs.wa.gov

RETIREMENT SEMINARS

If you are within five years of retirement, consider attending one of these Retirement Seminars:

King County	Sat., September 24
Pasco	Sat., July 23
Spokane	Sat., September 17
Vancouver	Sat., August 27
Wenatchee	Sat., August 13

To register, visit www.drs.wa.gov and click on "Seminars" under popular links. LEOFF 2 Members are never denied access. If a class appears to be full online, please call 1-800-547-6657 to register.

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

- 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.

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2016 LEGISLATIVE SESSION ACTIVITIES

Two bills were requested by the Board and passed by the 2016 Legislature. Additionally, the state's Supplemental Operating Budget included actions involving the Local Public Safety Enhancement Account (aka: Benefit Improvement Account).



Disaster Response Coverage (SB 6263)

Provides LEOFF Plan 2 members who are called up into eligible federal service to respond to natural disasters (Oso, wildfires) or other federal emergencies (WTO riots) with similar benefit protections provided to members of the National Guard or Military Reserves who are called up during a time of war.

Eligible federal service means a member left the employ of an employer to enter the uniformed services of the United States or the federal emergency management agency or the national disaster medical system of the United States department of health and human services to perform service in response to a disaster, major emergency, special event, federal exercise or official training.

This bill accomplishes this by doing the following:

- Provides the survivor of a member who is killed while providing eligible federal service with service credit at no cost for the period of service up until the member's death.
- Provides a member who is disabled while providing eligible federal service with service credit at no cost for the period of service up until the member's separation from that service.
- Provides survivor retirement benefits which are not actuarially reduced for the survivor of a member who is killed while providing eligible federal service on or after March 22, 2014.
- Provides disability retirement benefits which are not actuarially reduced for a member who is killed while providing eligible federal on or after March 22, 2014.

Retiree Annuity Purchase (SSB 6264)

Persons already retired from LEOFF Plan 1, LEOFF Plan 2, and WSPRS when the original annuity purchase bill was passed in 2014 are given a window to roll over funds from certain tax-qualified plans to purchase a life annuity from their respective trust funds.

2016 Supplemental Operating Budget (2ESHB 2376)

The contribution rates set by the LEOFF Plan 2 Retirement Board were not changed. The budget as passed by the Legislature reinserted the following language in the statute governing the Local Public Safety Enhancement Account (aka: benefit improvement account):

"It is the intent of the Legislature to fund the portion of the distribution in 2017 dedicated to the local law enforcement officers' and firefighters' retirement system benefit improvement account through alternate means, which may include transfers from the law enforcement officers' and firefighters' plan 2 retirement fund."

The Governor vetoed this language when it first appeared in the 2015 budget. Upon its reappearance in 2016, the Governor again exercised his veto power.

MERGER STUDY

The Legislature directed the LEOFF Plan 2 Retirement Board and the Select Committee on Pension Policy (SCPP) to conduct a study of the tax, legal, fiscal, policy and administrative issues related to merging LEOFF Plan 1 with either LEOFF Plan 2 or TRS Plan 1 (2016 3rd sp.s. c4s 106).

The LEOFF Plan 2 Retirement Board will study the issues related to a LEOFF 1/LEOFF 2 merger and the SCPP will study the issues related to a LEOFF 1/TRS 1 merger.

Materials presented to the Board are available on our website at www.leoff.wa.gov. See Merger Study on the home page.

COST OF LIVING ADJUSTMENTS: SHOULD I RETIRE BEFORE OR AFTER JULY 1?

Does the timing of your retirement effect your post-retirement cost of living adjustment (COLA)? Yes, but the effect on your pension is usually small and should be a small part of your decision.

Eligibility for your first COLA depends upon the effective date or your retirement: the first of the month after your last day of work. To see how this effects COLA eligibility, let's look at two retirees: one who retired effective July 1, and one who retired effective August 1.

You get a COLA every July 1 as long as you've been retired for at least 1 year. Applying that rule to our example shows the relationship between retirement date and COLA eligibility.

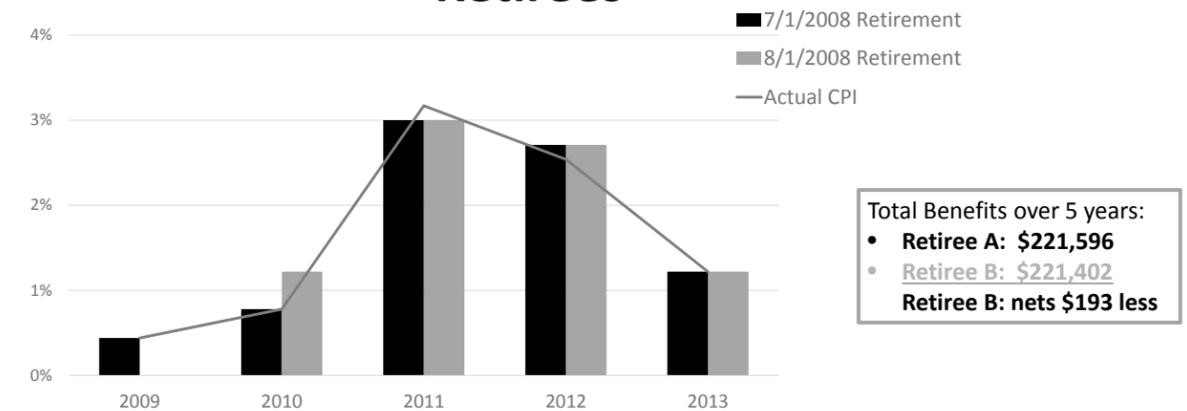
Although Retiree B doesn't get a COLA in Year 1, it is added back in the later - known as COLA banking.

	Retirement effective	COLA Year 1	COLA Year 2
Retiree A	July 1, Year 1	Yes	Yes
Retiree B	August 1, Year 1	No	Yes

Using actual inflation data from 2009 through 2013, you can see how Retiree B misses the Year 1 COLA, but catches up with a higher COLA in Year 2. In Year 3, both retirees have identical COLAs. The overall financial impact on the pension benefit is minimal.

Therefore, you should retire when it best fits their personal circumstances. Don't let COLA eligibility be the driver of your decision.

LEOFF Plan 2 COLAs for 2008 Retirees



UPDATE BENEFICIARIES ONLINE

The Department of Retirement Systems has released a new online tool to help you ensure your remaining benefit will quickly go to the right person(s) down the road. Now you can update your beneficiary choices, including mailing addresses and benefit percentages, within online account access.

When you log in to online account access at www.drs.wa.gov, select "My Account" on the left side of the page, then select "Beneficiary Designation" to update your beneficiary information.

This tool is available for active and inactive members of Washington state retirement plans as well as participants in the state Deferred Compensation Program (DCP). Retirees and current beneficiaries will need to submit a paper form for now. An online tool will be made available for you at a future date.

DIRECT DEPOSITS FOR RETIREES

Have you discovered the convenience and security of using direct deposit for your retirement benefit payments? If not, now is a great time to sign up. The Department of Retirement Systems (DRS) has created a direct deposit tool for you that's available in your online retirement account.

To sign up, first set up or log in to your secure online retirement account if you don't already have one. Then follow the "Direct Deposit" directions under "My Account" in the navigation menu at www.drs.wa.gov.