



# 2019 Interim Planning

May 15, 2019

# Benefit Topics

1. Interruptive Military Service
2. Survivor Option Election
3. Benefit Improvement Account
4. Tribal Participation in LEOFF
5. Annuity Minimum
6. Month of Death
7. Career Change
8. Disabled members return to work
9. PEBB coverage for catastrophic retirees
10. Standby pay as basic salary

# Interruptive Military Service

- Board passed legislation in 2018 which added new campaigns that would qualify for free interruptive military service credit under the definition of veteran
- Board staff has since learned that some campaigns which previously did not qualify for free service credit have retroactively awarded medals which would now qualify
- Allowing members who are granted expeditionary medals to receive free service credit has been a popular issue during the last few legislative sessions
  - Board may want to look at potential costs to be able to better inform stakeholders

# Survivor Option Election

- A members election of a survivor benefit on their pension is irrevocable
- Some plan members have come to the Board with concerns that their monthly pension amount was not what they were expecting
  - With this new information, some plan members would like to adjust their survivor option
- Previous staff reports have looked at adding qualifying event windows for members to change their survivor option

# Benefit Improvement Account

- **HB 2144**
  - Made a one-time transfer of \$300 million from the LEOFF 2 retirement fund to the LEOFF 2 Benefit Improvement Account
  - Repealed any further state obligation to fund the LEOFF 2 Benefit Improvement Account
- **Where do we go from here?**
  - BIA check in's each Board meeting
  - Project plan – What are the goals?
  - Pricings – What can you afford?
  - Agreement – Any benefit improvement has to be approved by the legislature

# Tribal Participation in LEOFF

- 2019 Legislature appropriated \$50,000 to the LEOFF 2 Board to study the tax, legal, fiscal, policy, and administrative issues related to allowing tribal law enforcement officers to become members of LEOFF Plan 2
- Pension Protection Act of 2006 revised the definition of “governmental plan” to include certain functions of tribes
- Key Issues
  - Sovereign immunity
  - Social Security
  - Dual status as a governmental and non-governmental employee
  - Very few states allow tribal government employees into the State’s retirement system

# Annuity Minimum

- The current annuity purchase minimum for LEOFF 2 members is \$25,000
- SB 5350 – 2019 legislative session
  - Allows the purchase of an actuarially equivalent life annuity benefit for PERS, PSERS, and SERS members
  - Minimum purchase amount is \$5000
- The Board may wish to look into lowering the LEOFF 2 annuity minimum purchase from \$25,000 to \$5000

# Month of Death

- This issue focuses on allowing state retirement benefits to be paid until the end of the month in which the retiree or beneficiary dies
- **Current Policy**
  - If DRS is not notified of the members death before the cut-off time for processing the payment, the estate will receive a payment for the full month
  - In these cases, DRS sends an invoice to the estate for repayment of any benefits paid beyond the date of death
  - For example, if a retiree or survivor dies on day 25 of a 30-day month, DRS will seek repayment of the remaining five days



# Career Change

- **Multiple issues have surfaced related to employers' interest in hiring LEOFF retirees into LEOFF positions**
  - **Prior to the 2005 career change bill, returning to work in any DRS-covered position triggered a stoppage of the members LEOFF 2 pension**
  - **Members now have the option of entering into a non-LEOFF position while still receiving their pension payments**
- **The Board previously learned that some LEOFF 2 retirees used the 2005 career change law to work as law enforcement officers or fire fighters while drawing their pensions**
- **In 2014 the Board proposed curtailing retirees' ability to draw a LEOFF 2 pension and work in a historically LEOFF position (HB 2479)**
  - **The Legislative debate revealed tension between the Board's original career change policy goal and the goal of allowing smaller jurisdictions to compete for law enforcement officers and fire fighters they could not otherwise afford**

# Disabled Members Return to Work

- The disability benefits for members who recover from their disabilities are ambiguous if their previous employer refuses to hire them back
- Current disability statute for LEOFF Plan 2
  - When a member is determined to have recovered from a disability and no longer entitled to workers' compensation benefits, the members' previous employer is required to hire them back at their previous rank and/or pay
  - Once back in service, a member begins earning service credit again and becomes eligible for an active member benefit
- Issues arise when the employer disagrees with DRS' decision that the member has fully recovered from their disability
  - This leaves the member in an ambiguous circumstance pending the appeals decision
    - Disability payments have been stopped
    - They are not earning a salary, because their previous employer refuses to hire them back

# PEBB Coverage for Catastrophic Retirees

- LEOFF Plan 2 catastrophic disability retirees and their survivors have different medical insurance access than survivors of members killed in the line of duty
- Both survivors and catastrophic disability retirees are reimbursed for their health coverage premiums
  - Surviving spouses are eligible to purchase health care benefits from the PEBB
  - However, catastrophic retirees are only able to obtain health care coverage through COBRA (while its available), through retiree healthcare offered through their previous employer (not common), or through the private market
    - All more expensive options than coverage through PEBB
- Reimbursement amount is capped at the former employers current COBRA amount
  - Results in some catastrophic retirees still paying a portion of their premiums out of pocket

# Standby Pay as Basic Salary

- Standby pay is not part of basic salary (reportable compensation) used in computing LEOFF Plan 2 contributions and pensions
  - A majority of law enforcement officers and fire fighters do not receive standby pay
  - Instead, they are generally subject to call-up if an emergency requires more resources than available from on-duty staff
- However, some LEOFF Plan 2 members receive standby pay while off-duty in exchange for being prepared to report to work on short notice
  - This payment is not considered compensation for services rendered and is not reportable compensation for LEOFF Plan 2
- Standby pay is reportable compensation for pension purposes in two state retirement systems
  - PERS and PSERS

# Actuarial Topics

1. Supplemental Rate Adoption
2. Funding Method/Corridor
3. New Risk Measures (ASOP 51)
4. Economic Experience Study
5. Demographic Experience Study (DEXTER)
6. LEOFF 2 Actuarial Valuation (LAVR)
7. Administrative Factor Adoption
8. Fiscal Note Audit (BIA, Presumption)

# Actuarial Topic Calendar

MEETING	TOPIC/ISSUE	DELIVERABLE
JUNE	Supplemental Rate Adoption Preview	OSA Letter due 6/17 L2B Presentation OSA Available
	Funding Method?	OSA Presentation
JULY	Supplemental Rate Adoption Final	L2B Presentation
	New Risk Measures (ASOP 51)	OSA Presentation
	Funding Method?	OSA Presentation
SEPT	Economic Experience Study Results	OSA Presentation
	DEXTER Preview	OSA Presentation
	Funding Method Adoption	OSA Presentation
OCT	Funding Corridor Discussion	OSA Presentation
NOV	LAVR Results	OSA Presentation
	Admin Factor Adoption?	L2B Presentation OSA Available
	Economic Assumption Adoption	L2B Presentation OSA Available for questions
DEC	Funding Corridor Adoption	OSA Presentation
	Final Reports	L2B Presentation OSA Provides FN OSA available for questions

# Administrative Topics

1. 2019-2021 Board Operating Budget
2. Agency Move
3. Board Officer Elections (Sep 2019)
4. Trustee Education Policy
5. Trustee Attendance Policy
6. Meeting Delivery Alternatives
7. DRS Rulemaking
8. Financial Audit
9. DRS/SIB Presentations
10. October Offsite
11. Annual AG Training



**Thank You**

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