

BOARD MEETING AGENDA

MAY 15, 2019 • 9:30AM



LOCATION

STATE INVESTMENT BOARD
Large Conference Room, STE 100
2100 Evergreen Park Drive S.W.
Olympia, WA 98502

TRUSTEES

DENNIS LAWSON, CHAIR
Central Pierce Fire and Rescue

JASON GRANNEMAN, VICE CHAIR
Clark County Sheriff's Office

ADE' ARIWOOLA
City of Federal Way

MARK JOHNSTON
Vancouver Fire Department

AJ JOHNSON
Snohomish County Fire District #1

SENATOR JEFF HOLY
Spokane Police Department (Ret)

TARINA ROSE-WATSON
Spokane Int'l Airport Police Dept

PAT MCELLIGOTT
Pierce County Fire and Rescue

SENATOR JUDY WARNICK
WA State Senator

REPRESENTATIVE STEVE BERGQUIST
WA State Representative

STAFF

Steve Nelsen, Executive Director
Tim Valencia, Deputy Director
Jessie Jackson, Executive Assistant
Jessica Burkhart, Administrative Services Manager
Ryan Frost, Senior Research and Policy Manager
Jacob White, Senior Research and Policy Manager
Tammy Harman, Benefits Ombudsman
Tor Jernudd, Assistant Attorney General

**THEY KEEP US SAFE,
WE KEEP THEM SECURE.**

1. **Approval of Minutes** 9:30 AM
December 2018 – April 2019
2. **2019 Legislative Session Recap** 9:35 AM
Jacob White, Senior Research and Policy Manager
3. **2019 Interim Planning** 10:30 AM
Ryan Frost, Senior Research and Policy Manager
4. **Administrative Update** 12:30 PM
 - Outreach Activities
 - Agency Move
5. **Agenda Items for Future Meetings** 1:00 PM
Steve Nelsen, Executive Director

**Lunch is served as an integral part of the meeting.*

In accordance with RCW 42.30.110, the Board may call an Executive Session for the purpose of deliberating such matters as provided by law. Final actions contemplated by the Board in Executive Session will be taken in open session. The Board may elect to take action on any item appearing on this agenda.



May 15, 2019
2019 Legislative Session Recap

EDUCATIONAL BRIEFING

By Jacob White

Senior Research & Policy Manager

360-586-2327

jacob.white@leoff.wa.gov

2019 OPERATING BUDGET

Budget Provisions Affecting LEOFF Plan 2:

- Contribution Rates: The legislature funded the contribution rates adopted by the LEOFF Plan 2 Board:
 - Member: 8.59%
 - Employer: 5.15%
 - State: 3.44%
- Tribal Police Study: The 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 the LEOFF 2 plan. The report is due to the legislature by January 1, 2020.

BILLS AFFECTING LEOFF PLAN 2 - PASSED

SB 5355 - LEOFF/PERS Eligibility Gap (LEOFF 2 Board Endorsed)

- Allows law enforcement officers and fire fighters to receive a LEOFF 2 pension if they:
 - Were not eligible for LEOFF 1 due to not meeting minimum medical and health standards
 - Were enrolled into PERS after a 1994 law clarified membership eligibility
 - Separated from employment and withdrew from PERS membership prior to paying back their past contributions owed
 - There is no record of DRS giving the member an option to receive a pension with a reduction to pay back remaining contributions owed
- Qualifying individuals would be required to pay all member contributions owed, without interest, by taking an actuarial reduction to their ongoing benefit or by making a lump sum payment. The option to recover service credit would be available until July 1, 2020.
- Passed Senate – 49 to 0; Passed House 95 to 2, 1 excused.
- Cost Summary:

Impact on Contribution Rates (Effective 09/01/2019)				
FY 2019-2021 State Budget	PERS	SERS	PSERS	LEOFF
Employee (Plan 2)	0.00%	0.00%	0.00%	0.00%
Employer				
Current Annual Cost	0.00%	0.00%	0.00%	0.00%
Plan 1 Past Cost	0.00%	0.00%	0.00%	0.00%
Total Employer	0.00%	0.00%	0.00%	0.00%
Total State				0.00%

Budget Impacts			
(Dollars in Millions)	2019-2021	2021-2023	25-Year
General Fund-State	\$0.00	\$0.01	\$0.07
Local Government	\$0.00	\$0.02	\$0.11
Total Employer	\$0.00	\$0.03	\$0.19

HB 1408 – Spousal Consent (LEOFF 2 Board Endorsed)

- Requires written consent from a member's spouse where a member selects a survivor benefit of less than the 50 percent option or names someone other than their spouse as their beneficiary. Prior law required written consent for all survivor option other than the 50 percent option.
- Passed House 96 to 0, 2 excused; Passed Senate 45 to 1, 2 excused.
- No cost to LEOFF 2.

HB 1909 – Confidentiality of Industrial Insurance Claim Records

- Subjects an employer to a civil penalty of \$1,000 for each occurrence where the employer or employer's authorized representative reveals information in an injured worker's claim file regarding a mental health condition or treatment to any person other than an authorized representative.
- Passed House 97 to 0, 1 excused; Passed Senate 48 to 0, 1 excused.
- No cost to LEOFF 2.

HB 1913 – Presumptive Illnesses

- Makes the occupational disease presumptions for firefighters applicable to certain emergency medical technicians and public employee fire investigators.
- Adds additional cancers to the cancer occupational disease presumptions, including:
 - mesothelioma, stomach cancer, non-melanoma skin cancer, breast cancer in women, and cervical cancer.

- Creates an occupational disease presumption for heart problems and infectious diseases for law enforcement officers.
- Requires the director of the Department of Labor and Industries to create an advisory committee on occupational disease presumptions, made up of specified scientists.
- Passed House 98 to 5, 4 excused; Passed Senate 47 to 0, 2 excused.
- Cost Summary:

Impact on Contribution Rates (Effective 09/01/2019)	
FY 2019-2021 State Budget	LEOFF
Employee (Plan 2)	0.05%
Employer	0.03%
State	0.02%

Budget Impacts			
(Dollars in Millions)	2019-2021	2021-2023	25-Year
General Fund-State	\$0.8	\$0.8	\$15.9
Local Government	\$1.2	\$1.3	\$23.8
Total Employer	\$2.0	\$2.1	\$39.6

HB 2144 – Benefit Improvement Account

- Makes a one-time transfer of \$300 million from the LEOFF 2 retirement fund to the LEOFF 2 Benefit Improvement Account. Repeals any further state obligation to fund the LEOFF 2 Benefit Improvement Account.
- Passed House 92 to 5, 1 excused; Passed Senate 46 to 2, 1 excused.
- Cost Summary: No contribution rate impact because the normal cost doesn't change. However, it does impact the plan's funded ratio from 109% to 106%.

BILLS AFFECTING LEOFF PLAN 2 – NOT PASSED

HB 1414/SB 5335 – Month of Death Payment (LEOFF 2 Board Endorsed)

- Provides a retiree's beneficiary or estate a full month's benefit for the month a retiree or survivor passes away. Currently, in the month a retiree passes away the last month benefit payment is prorated based on the number of days the person was alive in the month.
- Both bills did not make it out of house of origin.

HB 2127 – Concerning Additional Contribution Rates

- If an employer is responsible for late pension payments that result in an unfunded liability that is expected to either exceed one hundred thousand dollars or cause an increase to employer or employee contribution rates, the employer may be assessed a separate employer contribution rate to compensate for the unfunded liability.
- Did not make it out of house of origin.

SCPP BILLS - PASSED

SB 5350 – Purchase of Additional Annuity for PERS, SERS, PSERS

- Allows members of all DRS-administered retirement systems to purchase a lifetime annuity benefit via the Washington State Investment Board. This annuity purchase option is currently available only to members of TRS, WSPRS and LEOFF.
- Passed Senate 48 to 0, 1 excused; Passed House 89 to 9.
- No cost to LEOFF 2.

SB 5360 – Plan 2 Default for PERS, TRS, SERS

- Establish Plan 2 of PERS, TRS and SERS as the default for new members who do not make a plan choice selection within 90 days of hire. The current default is Plan 3.
- Passed House 73 to 22, 3 excused; Passed Senate 36 to 13.
- No cost to LEOFF 2.



2019 Legislative Session Recap

May 15, 2019

2019 Operating Budget

- LEOFF 2 Board Contributions Rates Funded
- \$50,000 to LEOFF 2 Board for Tribal Police Study

Bills Affecting LEOFF Plan 2 - Passed

- **SB 5355 - LEOFF/PERS Eligibility Gap (LEOFF 2 Board Endorsed)**
- **HB 1408 – Spousal Consent (LEOFF 2 Board Endorsed)**
- **HB 1909 – Confidentiality of Industrial Insurance Claim Records**
- **HB 1913 – Presumptive Illnesses**
- **HB 2144 – Benefit Improvement Account**

Bills Affecting LEOFF Plan 2 – Not Passed

- HB 1414/SB 5335 – Month of Death Payment (LEOFF 2 Board Endorsed)
- HB 2127 – Concerning Additional Contribution Rates

SCPP Bills - Passed

- SB 5350 – Purchase of Additional Annuity for PERS, SERS, PSERS
- SB 5360 – Plan 2 Default for PERS, TRS, SERS



Thank You

Contact:

Jacob White
Senior Research and Policy Manager
(360) 586-2327
jacob.white@leoff.wa.gov



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

Ryan Frost

Senior Research and Policy Manager

(360) 586-2325

ryan.frost@leoff.wa.gov

2019 AGENDA ITEMS CALENDAR



MEETING DATE	AGENDA ITEMS
Jan 23	Legislative & Administrative Updates
Feb 27	Legislative & Administrative Updates
March 27	Legislative & Administrative Updates
April 24	Legislative & Administrative Updates
May 15	Approval of Minutes 2019 Legislative Session Recap 2019 Interim Planning
June 26	Approval of Minutes Supplemental Rate Preview Funding Method Discussion*
July 24	Approval of Minutes Supplemental Rate Adoption New Risk Measures – ASOP 51 Funding Method Discussion*
August 14	<i>Historically Cancelled</i>
Sept 25	Approval of Minutes Economic Experience Study Results Demographic Experience Study Preview Funding Method Adoption*
Oct 16	Strategic Planning Meeting 2020 Proposed Calendar Funding Corridor Discussion
Nov 20	Approval of Minutes 2020 Meeting Calendar Adoption LEOFF Actuarial Valuation (LAVR) Results Administrative Factor Adoption* Economic Assumption Adoption
Dec 18	Approval of Minutes Funding Corridor Adoption* WSIB Annual Update

*Tentative