

Board Membership Final Proposal

Washington State Law Enforcement
Officers' and Fire Fighters Plan 2
Retirement Board

May 24, 2006

Proposal Summary

- Retirees

- Law Enforcement and Fire Fighter vacancies after January 1, 2007
- Filled with retiree or active member

Proposal Summary

- Employers
 - Staggered terms
 - 4 year terms

Proposal Summary

- Legislators
 - Synchronized with Election Cycle
 - Two year terms instead of four year terms
 - Terms start in January instead of July
 - Bi-partisan representation

Modified Term Expiration Pattern

POS	TYPE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	LE							July						July						July
2	LE					July					July						July			
3	LE			July					July							July				
4	FF			July					July							July				
5	FF					July					July							July		
6	FF							July						July						July
7	ER							July				July				July				July
8	ER						July				July				July				July	
9	ER					July				July				July				July		
10	LG-R					Jan		Jan		Jan		Jan		Jan		Jan		Jan		Jan
11	LG-S					Jan		Jan		Jan		Jan		Jan		Jan		Jan		Jan

Terms start on the 1st of the indicated month

Board Membership

Questions?

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

Board Membership

Final Proposal

May 24, 2006

1. Issue

The Board member term expiration patterns and composition changes pose potential challenges for the Board. Several Board member terms expire in June 2007 followed by additional expirations in June 2009. The composition of the Board is also scheduled to change in July 2007 replacing two active member representatives with two retiree representatives.

2. Proposal Summary

The selection and terms of office of certain positions of the eleven member board of trustees are amended in four ways (Options 2, 3, 4 & 5):

- Beginning with the first vacancies on or after January 1, 2007, one fire fighter board member and one law enforcement board member will be either an active participant in the plan or a retiree of the plan.
- The employer representative terms are staggered and four years in length.
- The Legislator terms are two years in length and begin in January of odd-numbered years.
- Legislative appointments are required to be bi-partisan.

3. Staff

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4. Members Impacted

All members and retirees of LEOFF Plan 2 are impacted. As reported in *The Office of the State Actuary's 2004 LEOFF 2 Actuarial Valuation Report*, there were 14,754 active members and 432 retirees as of September 30, 2004.

5. Current Situation

The composition of the LEOFF Plan 2 Retirement Board is governed by statute. RCW 41.26.715 creates the eleven-member board including the following:

- Three active law enforcement officers who are participants in the plan
- Three active fire fighters who are participants in the plan
- Three employer representatives
- Two legislators (one State Representative and one State Senator)

The initial terms of board members began to expire in June 2005 and will be followed by expirations in June 2007 and June 2009. By law, retiree representatives will be added to the Board in 2007.

6. Background Information

Board Member Nomination and Appointment

All eleven board positions are appointed by the Governor:

- The law enforcement officer board members are appointed by the Governor from a list provided by a recognized statewide council whose membership consists exclusively of guilds, associations, and unions representing state and local government police officers, deputies, and sheriffs and excludes federal law enforcement officers.
- The fire fighter board members are appointed by the Governor from a list provided by a recognized statewide council, affiliated with an international association representing the interests of fire fighters.
- The employer board members must be representatives of employers and appointed by the Governor.
- The board member from the House of Representatives is appointed by the Governor based on the recommendation of the Speaker of the House of Representatives.
- The board member from the Senate is appointed by the Governor based on the recommendation of the Senate Majority Leader.

Board Member Terms of Office

All of the initial LEOFF Plan 2 Retirement Board members were appointed on July 1, 2003. A list of the current board member appointments, position numbers, and terms of office can be found in *Appendix A: LEOFF Plan 2 Retirement Board Members and Terms*.

As defined in statute, the law enforcement and fire fighter board members initially serve terms of six, four, and two years. After the initial terms expire, the law enforcement and fire fighter board members serve six year terms.

The legislative and employer board members initially serve terms of four years. After the initial terms expire, the legislative and employer board members serve four year terms.

See Appendix B: RCW 41.26.715.

Retiree Board Members

Retiree representatives are scheduled to be added to the board in 2007. Beginning with the first vacancies on or after January 1, 2007 a retiree fire fighter board member will replace one of the three active fire fighter board members and a retiree law enforcement board member will replace one of the three active law enforcement officer board members. The first vacancies after January 1, 2007 are expected to occur on June 30, 2007 when the terms for Position 2 (law enforcement) and Position 5 (fire fighter) expire.

Once added to the board, retiree representatives will hold one-third of the law enforcement and fire fighter representation on the board. Based on *The Office of the State Actuary's 2004 LEOFF 2 Actuarial Valuation Report*, the current percentage of retirees compared to active membership is approximately 3%.

In 1999, the Office of the State Actuary projected that retirees would equal one-third of the membership around 2015-2016. This projection was revised following the 1995-2000 experience study. More recent projections estimate that retirees will equal one-third of membership around 2016 – 2017.

In comparison, the twenty-member Select Committee on Pension Policy (SCPP) has two retiree representatives and has governance over five retirement systems with eleven plans. Based on the combined participant data from these system/plans as reported in the Office of the State Actuary's *2004 Report of the Combined Actuarial Valuation*, the percentage of retired members to active members in the systems as of September 20, 2004 was approximately 40%. Although retirees compose just under half of the represented population, the retiree representatives fill one-third of the labor positions on the SCPP.

The SCPP Executive Committee recently changed to include retiree representation. The 2005 Legislature passed a bill which added a retiree representative as a sixth member of the SCPP Executive Committee. Previously, the SCPP Executive Committee had five members, none of which were retiree representatives.

Expiration of Board Member Terms of Office

The initial board member terms expire in the following order:

- June 30, 2005: Two board member terms expired (Positions #3 (law enforcement) and #4 (fire fighter)). The persons appointed to fill these positions are now serving six year terms which began July 1, 2005 and end June 30, 2011.
- June 30, 2007: Seven of the eleven board member terms will expire. The expiring terms will be board members who are serving four year terms including:

- Position #2 (law enforcement)
- Position #5 (fire fighter)
- Positions #7 through #9 (all three employer positions), and
- Positions #10 and #11 (both Legislative positions).

The persons appointed to fill the law enforcement and fire fighter positions will serve six year terms beginning July 1, 2007 until June 30, 2013. The persons appointed to fill the employer and legislative positions will serve four year terms beginning July 1, 2007 and will end June 30, 2011.

- June 30, 2009: Two board member terms will expire. The expiring terms will be board members who are serving six year terms including:
 - Position #1 (law enforcement)
 - Position #6 (fire fighter)

The persons appointed to fill these positions will serve six year terms beginning July 1, 2009 and will end June 30, 2015.

Board members may be reappointed to succeeding terms without limitation. If a board member is not reappointed to a succeeding term, statute provides that the board member will serve in their position until their successor is appointed and seated. In the event a vacancy occurs on the board, the vacancy is filled in the same manner as prescribed for a regular board member appointment. Table 1 below displays the pattern of all eleven board member positions from 2003 through 2021. Examination of the pattern of board member term expiration reveals some potential issues.

Table 1: Board Member Term Expiration

POS	TYPE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
1	LE																				
2	LE																				
3	LE																				
4	FF																				
5	FF																				
6	FF																				
7	ER																				
8	ER																				
9	ER																				
10	LG-R																				
11	LG-S																				

Terms Expire June 30 of the highlighted year.

The law enforcement and fire fighter terms are all staggered such that in every other year, only one law enforcement and one fire fighter term expires at the same time. In contrast, the employer positions and the legislative positions are not staggered. This pattern shows that every four years, starting in 2007, there are seven board member terms that expire at the

same time. This could pose a risk to continuity on the board. Further, the legislative positions already have a potential for change due to the political landscape. It is possible that legislative members could serve only two of their four-year terms because of elected terms of office expiring or due to changes in Senate and House leadership.

7. Policy Options

Retiree Representation

- **Option 1: Move back the date retirees join the Board**

This option moves back the date of when retirees are added to the board to the first vacancies after January 1, 2016. This is when the retiree population is projected to equal the one-third representation that retiree representatives would have on the board. This option requires a statutory change.

- **Option 2: Allow either retiree or active member to be appointed**

This option allows either a retiree or an active member to be appointed to the Board beginning with the first vacancies after January 1, 2007. This provides the represented labor organizations and the Governor's Office with the discretion of when to appoint retiree representatives to the Board. This option requires a statutory change.

Expiration of Board Member Terms

- **Option 3: Stagger current employer 4 year terms of office**

This option changes the initial employer terms from four years to four, five, and six years, with all subsequent terms being four years. This pattern reduces by two the number of board member terms expiring in June every four years. This pattern also staggers the expiration of employer terms such that only one employer representative term expires in a year instead of all three, providing greater continuity on the board. This option requires a statutory change. See Appendix C for graphical representation.

- **Option 4: Synchronize legislator terms with legislative election cycles**

This option reduces the legislator terms of office from four years to two years and would move the date on which terms expire from June 30 to December 31. This pattern would begin in January 2007 and reduces the number of board member terms expiring in June every four years. This pattern also helps avoid potential appointment gaps that could occur between legislative terms beginning in January and board appointments in June. Synchronizing the legislator appointments with the legislative cycle also helps account for the unpredictability that could occur due to the political landscape under the current four year terms. This option would require a statutory change. See Appendix C for graphical representation.

Option 5: Make legislative appointments bipartisan

This option requires that one of the legislative Board members be a Democrat and one be a Republican. This option ensures bipartisan legislative representation on the Board. However, this may require the Speaker of the House of Representatives or the Majority Leader of the Senate to appoint a member from the opposite party and may require coordination of appointments. This option would require a statutory change.

8. Supporting Information

- **Appendix A: LEOFF Plan 2 Retirement Board Members and Terms**
- **Appendix B: RCW 41.26.715**
- **Appendix C: Options for Term Expiration Pattern**

Appendix A:

LEOFF Plan 2 Retirement Board Member Positions and Terms of Office

Law Enforcement Representatives	Fire Fighter Representatives
<p>Position #1 Six-year term: 7/1/2003 – 6/30/2009</p> <p>Jack Simington, Vice Chair Appointed: 07/01/2003</p>	<p>Position #4 Six-year term: 07/01/2005 – 06/30/2011</p> <p>Mark Johnston Appointed: 07/01/05</p>
<p>Position #2 Four-year term: 07/01/2003 – 06/30/2007</p> <p>Michael Edwards Appointed: 07/01/2003</p>	<p>Position #5 Four-year term: 7/01/2003 – 06/30/2007</p> <p>Kelly Fox, Chair Appointed: 07/01/2003</p>
<p>Position #3 Six-year term: 7/01/2005 – 06/30/2011</p> <p>Jeff Holy Appointed: 07/01/2005</p>	<p>Position #6 Six-year term: 07/01/2003 – 06/30/2009</p> <p>Pat Hepler Appointed: 07/01/2003</p>

Employer Representatives	Legislative Representatives
<p>Position #7 Four-year term: 07/01/2003 – 06/30/2007</p> <p>Greg Cuoio Appointed: 04/05/2006</p>	<p>Position #10 Four-year term: 07/01/2003 – 06/30/2007</p> <p>Representative Geoff Simpson Appointed: 07/01/2003</p>
<p>Position #8 Four-year term: 07/01/2003 – 06/30/2007</p> <p>Maureen Morris Appointed: 07/01/2003</p>	<p>Position #11 Four-year term: 07/01/2003 – 06/30/2007</p> <p>Senator Linda Evans Parlette Appointed: 07/01/2003</p>
<p>Position #9 Four-year term: 07/01/2003 – 06/30/2007</p> <p>Clint Olson Appointed: 04/05/2006</p>	

Appendix B:

RCW 41.26.715 Board of trustees-Created-Selection of trustees-Terms of office-Vacancies

(1) An eleven member board of trustees is hereby created.

(a) Three of the board members shall be active law enforcement officers who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be a retired law enforcement officer who is a member of the plan. The law enforcement officer board members shall be appointed by the governor from a list provided by a recognized statewide council whose membership consists exclusively of guilds, associations, and unions representing state and local government police officers, deputies, and sheriffs and excludes federal law enforcement officers.

(b) Three of the board members shall be active fire fighters who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be a retired fire fighter who is a member of the plan. The fire fighter board member shall be appointed by the governor from a list provided by a recognized statewide council, affiliated with an international association representing the interests of fire fighters.

(c) Three of the board members shall be representatives of employers and shall be appointed by the governor.

(d) One board member shall be a member of the house of representatives who is appointed by the governor based on the recommendation of the speaker of the house of representatives.

(e) One board member shall be a member of the senate who is appointed by the governor based on the recommendation of the majority leader of the senate.

(2) The initial law enforcement officer and fire fighter board members shall serve terms of six, four, and two years, respectively. Thereafter, law enforcement officer and fire fighter board members serve terms of six years. The remaining board members serve terms of four years. Board members may be reappointed to succeeding terms without limitation. Board members shall serve until their successors are appointed and seated.

(3) In the event of a vacancy on the board, the vacancy shall be filled in the same manner as prescribed for an initial appointment.

[2003 c 2 § 4 (Initiative Measure No. 790, approved November 5, 2002).]

Appendix C: Options for term expiration pattern

Option 3: Stagger Employers on 4 year terms																				
Option 4: Synchronize legislator terms to legislative election cycle																				
POS	TYPE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	LE							July						July						July
2	LE					July						July						July		
3	LE			July					July						July					
4	FF			July					July						July					
5	FF					July						July						July		
6	FF							July						July						July
7	ER							July				July				July				July
8	ER						July				July				July				July	
9	ER					July				July				July				July		
10	LG-R					Jan		Jan		Jan		Jan		Jan		Jan		Jan		Jan
11	LG-S					Jan		Jan		Jan		Jan		Jan		Jan		Jan		Jan
Terms start on the 1st of the indicated month																				

Board Membership Bill Draft
May 24, 2006

RCW 41.26.715 Board of trustees-Created-Selection of trustees-Terms of office-Vacancies

(1) An eleven member board of trustees is hereby created.

(a) Three of the board members shall be active law enforcement officers who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be either an active law or a retired law enforcement officer who is a ((member)) participant of the plan. The law enforcement officer board members shall be appointed by the governor from a list provided by a recognized statewide council whose membership consists exclusively of guilds, associations, and unions representing state and local government police officers, deputies, and sheriffs and excludes federal law enforcement officers.

(b) Three of the board members shall be active fire fighters who are participants in the plan. Beginning with the first vacancy on or after January 1, 2007, one board member shall be either an active or a retired fire fighter who is a ((member)) participant of the plan. The fire fighter board member shall be appointed by the governor from a list provided by a recognized statewide council, affiliated with an international association representing the interests of fire fighters.

(c) Three of the board members shall be representatives of employers and shall be appointed by the governor.

(d) One board member shall be a member of the house of representatives who is appointed by the governor based on the recommendation of the speaker of the house of representatives.

(e) One board member shall be a member of the senate who is appointed by the governor based on the recommendation of the majority leader of the senate.

(f) The board members appointed under subsections (d) and (e) of this section must include one member from the two largest political parties. The speaker of the house of representatives

shall request a recommendation from the minority leader of the house of representatives if a member from the opposite party must be recommended for appointment. The majority leader of the senate shall request a recommendation from the minority leader of the senate if a member from the opposite party must be recommended for appointment.

(2) The initial law enforcement officer and fire fighter board members shall serve terms of six, four, and two years, respectively. Thereafter, law enforcement officer and fire fighter board members serve terms of six years. ~~((The remaining board members serve terms of four years.))~~
The initial employer representative board members shall serve terms of four, five, and six years, respectively. Thereafter, employer representative board members serve terms of four years. The initial legislative board members shall serve terms of four years and six months. Thereafter, legislative board members serve terms of two years which begin on January 1 of odd-numbered years. Board members may be reappointed to succeeding terms without limitation. Board members shall serve until their successors are appointed and seated.

(3) In the event of a vacancy on the board, the vacancy shall be filled in the same manner as prescribed for an initial appointment.

[2003 c 2 § 4 (Initiative Measure No. 790, approved November 5, 2002).]