



Board Membership Preliminary Proposal

**WASHINGTON STATE
Law Enforcement Officers' and Fire Fighters'
Plan 2 Retirement Board**

May 25, 2005

Current Provisions

- Eleven Member Board
 - Three Active Law Enforcement
 - Two Active Fire Fighters
 - Three Employer Representatives
 - Two Legislators
- All positions Governor appointed
- Initial terms expire June 2005, 2007, 2009

Key Issues

- Retiree Representation
- Term Expiration Pattern – Continuity
- Board Officer Terms/Elections

Option 1 - Retirees

- Change date retirees join Board
 - First vacancies after January 2016
- Retiree population projected to equal one-third of membership
- Requires statutory change

Option 2 - Retirees

- Allow either retiree or active member to be appointed
- Provides flexibility of when retirees added
- Requires statutory change

Option 3 – Term Expiration

- Change employers to 3-year staggered terms
- Requires statutory change

Option 4 – Term Expiration

- Change employers to 4-year staggered terms
- Requires statutory change

Option 5 – Term Expiration

- Synchronize legislator terms to election cycle
- Two year terms - expire in December
- Requires statutory change

Current 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					July				July				July				July		
11	LG-S					July				July				July				July		

Option 3 & Option 5

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			July	
8	ER					July			July			July			July			July		
9	ER				July			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

Option 4 & Option 5

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

Option 6 – Board Officers

- Change board officer term expiration
- Move from July 31 to October 31
- Requires board motion

Questions?

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

Board Membership Preliminary Report

May 25, 2005

1. Issue

The initial board member terms begin to expire in June 2005. Additional terms will expire in June 2007 and then June 2009. The composition of the LEOFF Plan 2 Retirement Board will change in July 2007 replacing one-third of the active member representatives with retiree representatives. The pattern of term expirations and composition changes poses some potential challenges for the Board in the future.

2. Staff

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3. Members Impacted

All members and retirees of LEOFF Plan 2 are impacted. As reported in *The Office of the State Actuary's 2003 LEOFF 2 Actuarial Valuation Report*, there were 14,560 active members and 316 retirees as of September 30, 2003.

4. 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 employers representatives
- Two legislators (one State Representative and one State Senator)

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

5. Background Information and Policy Issues

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 LEOFF Plan 2 Retirement Board members were initially appointed on July 1, 2003. A list of the current board members, position numbers, and terms of office is attached. See 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 added to the board membership 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 2003 LEOFF 2 Actuarial Valuation Report*, the current percentage of retirees compared to active membership is 2%.

In 1999, LEOFF Plan 2 membership and retirement projections by the Office of the State Actuary projected that retirees would not equal one-third of membership until 2015-2016. This projection was revised downward following the 1995-2000 experience study. More recent projections done in 2003 projected that retirees will not equal one-third of membership until 2016 – 2017.

In comparison, the twenty-member Select Committee on Pension Policy (SCPP) has only 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 *2003 Report of the Combined Actuarial Valuation*, the percentage of retired members to active members in the systems as of September 20, 2003 was approximately 40%. Although retirees represent a large portion of the total membership population, retirees only hold 10% of the representation on the SCPP. They do however hold one-third of the membership representation.

The SCPP Executive Committee will be changing to include retiree representation. The SCPP has recommended a bill to the 2005 Legislature to add a retiree representative as a sixth member of the Executive Committee. This bill was signed by the Governor on April 12, 2005. Previously the SCPP executive Committee had five members, none of which were retiree representatives.

Board Officers

The board initially discussed the election of board officers at the August 29, 2003 board meeting. It was determined that temporary officers would be elected to allow board members to get to know each other better before electing permanent officers. As a result, the board passed a motion at this meeting to elect a temporary Chair and a temporary Vice Chair to authorize the signing of documents for administrative items necessary to the board's start-up. On the motion, the board appointed Kelly Fox as the temporary Chair and Jack Simington as the temporary Vice Chair.

The board re-opened the board officer discussion at the November 19, 2003 board meeting. During this meeting, the board determined that the positions of Chair and Vice Chair would be appointed for two-year terms and would serve concurrently. The board passed a motion to appoint Kelly Fox as the Chair through July 2005 and appoint Jack Simington as the Vice Chair through July 2005. The next board officer election would need to be conducted prior to the August 2005 board meeting in order to have a Chair in place for the August meeting.

Administrative Committee

The Administrative Committee was created in October 2003. The Administrative Committee was created to work with the Executive Director regarding the operating obligations of the board. At the October 17, 2003 meeting, the board elected Kelly Fox, Jack Simington, and Maureen Morris to be the Administrative Committee. The terms of service on the Administrative Committee were unspecified.

Expiration of Board Member Terms of Office

The initial board member terms expire in the following order.

- On June 30, 2005 two board member terms will expire. The expiring terms will be one law enforcement representative (Position #3) and one fire fighter position (Position #4). The persons appointed to fill these positions will serve six year terms beginning July 1, 2005 and lasting until June 30, 2011.
- On 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 one law enforcement position (Position #2), one fire fighter position (Position #5), all three employer positions (Positions #7-9), and both legislative positions (Positions #10 and #11). The persons appointed to fill the law enforcement and fire fighter positions will serve six year terms beginning July 1, 2007 and lasting until June 30, 2013. The persons appointed to fill the employer and legislative positions will serve four year terms beginning July 1, 2007 and lasting until June 30, 2011.
- On June 30, 2009 two board member terms will expire. The expiring terms will be the six year terms of one law enforcement representative (Position #1) and one fire fighter position (Position #6). The persons appointed to fill these positions will serve six year terms beginning July 1, 2009 and lasting until 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.

Further examination of the pattern of board member term expiration over time reveals some potential issues. Table 1 below displays the pattern of all eleven board member positions from 2003 through 2021.

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. What emerges from this pattern is 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.

The legislative positions already have a potential for change due to the political landscape. It is possible that legislative members could serve only two years of their four year terms because of elected terms of office expiring or due to changes in Senate and House leadership.

Since board member terms expire in the month of June, there will be board appointment and board officer election cycles where there could be several new board members attending their first meeting and being asked to vote on board officers. This timing does not provide the new board members an opportunity to get to know the other board members before being asked to vote on officers. As noted earlier in the report, this same issue occurred during the initial board officer elections and resulted in temporary officers being elected to allow the board members to get to know each other better before electing permanent officers.

Lastly, the board may not have a presiding Chair for a July meeting if the presiding Chair's board term expires in June. The board does have a line of succession for the Chair following Reed's Parliamentary Rules; however this could be problematic if it occurs during a year of high board member turnover.

6. Policy Options

Retiree Representation

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

The first policy option with respect to retiree representation on the board is to move back the date of when retirees replace active members on the board to the first vacancies after January 1, 2016. This is the point when the retiree population is projected to equal the one-third representation that retirees will have on the board. This option would require a statutory change.

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

This option would amend the statute allowing 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 Law Enforcement and Fire Fighter organizations and the Governor's office with the discretion of when to appoint retiree representatives to the Board. This option would require a statutory change.

Expiration of Board Member Terms

- **Option 3: Change employer terms to 3 year staggered terms**

This option changes the initial employer terms from four years to three, four, and five years with all subsequent terms being three years. This pattern creates a shorter commitment period for employer representatives and reduces the number of board members who have terms expiring every four years in June by two. This pattern staggers the expiration of employer terms such that only one employer representative's term expires each year instead of all three, which also allows for greater continuity on the board. This option would require a statutory change. See Table 1 in Appendix C.

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

This option changes the initial employer terms from four years to three, four, and five years with all subsequent terms being four years. This pattern reduces the number of board members who have terms expiring every four years in June by two. This pattern also staggers the expiration of employer terms such that only one employer representative's term expires each year instead of all three, which also allows for greater continuity on the board. This option would require a statutory change. See Table 2 in Appendix C.

- **Option 5: Synchronize legislator terms with legislative election cycles.**
This option would reduce the legislator terms of office from four years to two years and would move the date on which terms expire from June 30th to December 31. This pattern would begin in January 2007 and reduces the number of board members who have terms expiring in June by two. This pattern also helps avoid any potential appointment gaps that could occur between the 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.

Board Officers

- **Option 6: Change the expiration date of Board Officer Terms.**
This option moves the expiration of board officer terms from July 31 to October 31. Other than during the initial transition, board officer terms would remain two years in length. Moving the expiration of board officer terms avoids the potential problem of having board officer elections in a July meeting where it is several board member's first meeting. It also ensures that new board members would have the opportunity to attend at least three board meetings before being asked to vote for board officers. However, it also creates the possibility that the board could officers may change toward the end of the interim and just two months before the legislative session begins. This option would require a board motion.

7. Supporting Information

Attached:

- *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
Position #1 Jack Simington, Vice Chair Six-year term Appointed: 07/01/2003 Term expires: 06/30/2009	Position #4 Mark Johnston Two-year term Appointed: 07/01/03 Term expires: 06/30/2005
Position #2 Michael Edwards Four-year term Appointed: 07/01/2003 Term expires: 06/30/2007	Position #5 Kelly Fox, Chair Four-year term Appointed: 07/01/2003 Term expires: 06/30/2007
Position #3 Doug Pendergrass Two-year term Appointed: 05/28/2004 Term expires: 06/30/2005	Position #6 Pat Hepler Six-year term Appointed: 07/01/2003 Term Expires: 06/30/2009

Employer Representatives	Legislative Representatives
Position #7 David Moseley Four-year term Appointed: 07/01/2003 Term expires: 06/30/2007	Position #10 Representative Geoff Simpson Four-year term Appointed: 07/01/2003 Term expires: 06/30/2007
Position #8 Maureen Morris Four-year term: Appointed: 07/01/2003 Term expires: 06/30/2007	Position #11 Senator Linda Evans Parlette Four-year term Appointed: 07/01/2003 Term expires: 06/30/2007
Position #9 Doug Cochran Four-year term Appointed: 07/01/2003 Term expires: 06/30/2007	

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

Table 1:

Option 4: Stagger Employers on 3 year terms

Option 5: 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				July
8	ER					July			July			July			July			July		
9	ER				July			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

Table 2:

Option 4: Stagger Employers on 4 year terms

Option 5: 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