

BOARD MEETING AGENDA

July 22, 2015 - 9:30 AM



LOCATION

STATE INVESTMENT BOARD
Large Conference Room, STE 100
2100 Evergreen Park Drive S.W.
Olympia, WA 98502
Phone: 360.586.2320
Fax: 360.586.2329
recep@leoff.wa.gov

- | | |
|-------------------------------------------------------------------------------------------------------|----------|
| 1. Approval of Minutes | 9:30 AM |
| Steve Nelsen, Executive Director | |
| 2. Individual Health Savings Account | 9:35 AM |
| Ryan Frost, Research and Policy Manager
Senator Steve Hobbs, 44th Legislative District | |
| 3. PEBB Access | 10:00 AM |
| Mary Fliss, Deputy Division Director, PEBB | |
| 4. DRS Update and CEM Benchmarking | 10:30 AM |
| Mark Feldhausen, Budget & Performance Mgmt Director, DRS
Jan Hartford, Principal, CEM Benchmarking | |
| 5. Economic Experience Study Overview | 11:00 AM |
| Lisa Won, Deputy State Actuary, OSA | |
| 6. Administrative Factors | 11:30 AM |
| Lisa Won, Deputy State Actuary, OSA | |
| 7. Administrative Update | |
| • SCPP Update
Steve Nelsen, Executive Director | |
| • Outreach Activities | |
| 8. Pension Garnishment | 12:30 PM |
| Paul Neal, Senior Research and Policy Manager | |
| 9. Pension Forfeiture | 1:00 PM |
| Paul Neal, Senior Research and Policy Manager | |
| 10. Final Legislative Update | 1:30 PM |
| Ryan Frost, Research and Policy Manager | |
| 11. Agenda Items for Future Meetings | 2:00 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.



Individual Health Savings Account

Report Type:

Initial Consideration

Date Presented:

7/22/2015

Presenter Name and Title:

Ryan Frost, Research and Policy Manager
Senator Steve Hobbs, 44th Legislative District





Summary:

There is a gap in healthcare coverage for public safety employees from the time of retirement to when Medicare coverage begins.

Strategic Linkage:

This item supports the following Strategic Priority Goals:
Enhance the benefits for the members., Inform the stakeholders.

ATTACHMENTS:

Description	Type
 Individual Health Savings Account	Report
 Appendix A	Appendix
 Appendix B	Appendix
 Individual Health Savings Account	Presentation



July 22, 2015

Individual Health Savings Accounts

INITIAL CONSIDERATION

By Ryan Frost
Research and Policy Manager
360-586-2325
ryan.frost@leoff.wa.gov

ISSUE STATEMENT

There is a gap in healthcare coverage for public safety employees from the time of retirement to when Medicare coverage begins.

OVERVIEW

Health insurance premiums have increased rapidly over the recent past, growing a cumulative 138% between 1999 and 2010 and outpacing cumulative wage growth of 42% over the same period.¹ Therefore, it's important for members to begin saving for healthcare costs in retirement, now.

LEOFF Plan 2 members have the opportunity to take a normal retirement at age fifty-three, or take an early retirement at age fifty. Some members have access to the retiree medical plans sponsored by the public employees' benefits board, however many local employers do not participate in the medical program, and retiree medical coverage can be hard to find and expensive especially before reaching Medicare eligibility generally at age sixty-five.

SB 6071 (Appendix B) was introduced in the 2015 session to help ensure access to retiree medical coverage for LEOFF Plan 2 members through the use of appropriate tax-authorized spending accounts or voluntary employee benefit accounts. These accounts would allow employees to contribute income now to help pay for their future medical premiums. As allowed by the IRS, these accounts may also allow employer contributions if bargained for at the local level. This bill did not receive a hearing.

BACKGROUND & POLICY ISSUES

There are different accounts available to help pay for post-retirement healthcare costs. A few of those options are:

Voluntary Employees' Beneficiary Association (VEBA)

A tax-free post-retirement medical expense account used by retirees and their eligible dependents to pay for any eligible medical expenses. The plan is funded by the amount of

¹ Kaiser Family Foundation/Health Research and Educational Trust, Employer Health Benefits 2010 Annual Survey.

unused sick leave that an employee has at the time of retirement, which is contributed by the employer into the plan. The benefit of this plan is the amount of sick leave left at retirement is paid out in full to the plan and is not subject to tax, which would reduce the amount one would receive.

VEBA plans are considered welfare benefit plans under federal tax law and are tax-exempt under Section 501(c)(9) of the Internal Revenue Code. Contributions to a VEBA are therefore tax-deductible and the funds grow tax-deferred. There are no tax penalties for early distributions from the VEBA, and assets are protected from creditors.

The primary benefit of a VEBA is the tax savings on the initial deposit of funds into the account. Many individuals withdraw their VEBA funds very quickly to cover medical expenses. Others may wish to save the account for future use, and invest for long term growth.

If upon a members death there are unused funds in the VEBA, and the member is survived by their legal spouse or dependent children (or other dependents as defined by the IRS), they will be able to use the remaining funds in the account for their eligible health care expenses. If a member has no surviving spouse or dependent(s), any remaining funds will be forfeited and redistributed pro rata among the remaining participants.

Health Savings Account (HSA)

An HSA is a tax favored savings account that may be established for employees covered by a “high deductible health plan” (HDHP). An HSA may be funded by both employer and employee contributions, within IRS established limits, to finance health care costs. The contributions are invested over time and can be used to pay for qualified medical expenses, which include most medical care such as dental, vision and over-the-counter drugs. This was enacted as part of the Medicare Prescription Drug Improvement and Modernization Act of 2003 and the rules are found in Section 223 of the IRC. Contribution limits are relatively high, \$3,350 for an individual or \$6,650 for family coverage, but can be used at any time.

An HSA has three major tax savings: the money contributed into the account is tax deductible, it grows tax free, and certain withdrawals are tax free if they are for qualified medical expenses. To qualify for an HSA account, you must have coverage from a high-deductible health plan and you must not be enrolled in Medicare or be listed as a dependent on another person's tax return.

Internal Revenue Code - 401(h) Accounts

Federal law places a number of requirements on the payment of medical expenses out of a qualified public pension plan. Section 401(h) of the Internal Revenue Code (IRC) allows a pension or annuity plan to provide for payment of benefits for sickness, accident, hospitalization and medical expenses for retired employees (by definition this would include

survivors), their spouses and dependents.² The contributions to a 401(h) accumulate tax-free. In addition to tax-free accumulation, the medical benefits provided through a 401(h) account are also tax-free.

IRC 401(h) Requirements

A 401(h) is a qualified annuity plan set up under a defined benefit pension plan and can be used to pay various non-pension benefits, such as certain medical expenses. As a vehicle under the IRC that may be used for payment of tax-free medical expense benefits, there are several requirements that the 401(h) account must meet. A high-level description of the 401(h) requirements is provided below.

Benefits

A pension or annuity plan may provide retiree medical benefits, through a section 401(h) account, including payment of benefits for sickness, accident, hospitalization and medical expenses. The plan must specify the medical benefits described in section 401(h) which will be available and must contain provisions for determining the amount which will be paid.

Section 401(h); Treas. Regs. 1.401-1(b)(1)(i), 1.401-14(a) and (c)(1).

Coverage

The plan must provide that medical benefits are only provided for retired employees, their spouses and dependents. To be "retired" for purposes of eligibility to receive medical benefits described in section 401(h), an employee must be eligible to receive retirement benefits provided under the pension plan, or else be retired by an employer providing such medical benefits by reason of permanent disability. For purposes of the preceding sentence, an employee (even one who is past normal retirement age) is not considered to be "eligible to receive retirement benefits provided under the plan" if he is still employed by the employer and a separation from employment is a condition for receiving the retirement benefits. *Section 401 (h); Treas. Regs. 1.401-14(a), (b) (1) and 1.401(a)(4)-1(c)(14).*

Separate Accounts

When medical benefits described in section 401(h) are provided under a qualified pension or annuity plan, the plan must provide that a separate account must be established and maintained with respect to contributions to fund such benefits. The separation required by this section is for recordkeeping purposes only. Consequently, the funds in the medical benefits account need not be separately invested. *Section 401(h)(2) and Treas. Reg. 1.401-14(c)(2).*

Reasonable and Ascertainable Contributions

The contributions for medical benefits provided by the section 401(h) account must be reasonable and ascertainable, and the plan must contain provisions for determining the amount which will be paid. These requirements will not be satisfied unless the terms of the plan specify the amount of benefits and the time period with respect to which benefits will be paid. Where there are other potential sources of payment of medical benefits such as a welfare benefit fund or the general funds of the employer, the plan must be specific as to how the benefits payable from the section 401(h) account are coordinated with benefits payable from

² <http://www.irs.gov/pub/irs-tege/chap801.pdf>

other sources. The plan may not allow for employer discretion in the timing and amount of benefit payments. The employer must, at the time a contribution is made, designate that portion of such contribution allocable to the funding of medical benefits.

Section 401(h)(3) and Treas. Reg. 1.401-14(c) (1) and (3).

Non-Diversion

A plan may not permit funds in the retiree medical benefits account to be used for any retirement benefits. A plan allowing such a payment does not satisfy the requirements of section 401(h) and will not qualify under section 401(a). However, the payment of any necessary or appropriate expenses attributable to the administration of the medical benefits account does not affect the qualification of the plan. *Section 401(h)(4) and Treas. Reg. 1.401-14(c)(4).*

Reversion

The plan must expressly provide that any amounts that are contributed to fund medical benefits described in section 401(h) and that remain in the medical benefits account upon the satisfaction of all liabilities arising out of the operation of the medical benefits portion of the plan are to be returned to the employer. *Section 401(h)(5) and Treas. Reg. 1.401-14(c)(5).*

Forfeiture

The plan should provide that in the event an individual's interest in the medical benefits account is forfeited prior to termination of the plan an amount equal to the amount of the forfeiture must be applied as soon as possible to reduce employer contributions to fund the medical benefits. *Treas. Reg. 1.401-14(c)(6).*

Employer or Employee Contributions

Contributions to provide the medical benefits described in section 401(h) may be made either on a contributory or noncontributory basis, without regard to whether the contributions to fund the retirement benefits are made on a similar basis. Thus, for example, the contributions to fund the medical benefits may be provided for entirely out of employer contributions even though the retirement benefits under the plan are determined on the basis of both employer and employee contributions or vice versa. *Treas. Reg. 1.401-14(b)(3).*

Transfers

The plan must contain provisions that meet the requirements of section 401(h) in order for the plan to meet section 420 on the transfer of assets to retiree health accounts. Code section 420 permits a "qualified transfer" of pension assets of a defined benefit plan, subject to several requirements on when and how much may be transferred. *Section 420(e)(3).*³

IRC Section 115 Trust

A Section 115 trust is established by a state or local government plan to hold assets for paying employee benefits, and the earnings on the trust assets are excluded from federal income taxes.

³ <http://www.irs.gov/pub/irs-pdf/p11433.pdf>

Advantages

Establishing a 115 Trust is generally less expensive than a VEBA Trust because there are fewer IRS interpretations required (depending on the plan). The 115 Trust is established by a governmental unit, including a municipality, to set aside funds for paying employee benefits. The accumulation of funds is excluded from federal income taxes. A Section 115 Trust meets Government Accounting Standards Board (GASB) 45 requirements for pre-funding Other Post-employment Benefits (OPEB).

Disadvantages

Because the Trusts can be based on individual accounts, the balances are often depleted before a retiree's death. Individual employees have limited control over their accounts since Section 115 Trusts are established and maintained by the employer.

Section 115 Trusts can be structured to provide very different benefits

- Fixed contribution and fixed amount available for medical expenses per month for life.
- Fixed contribution and variable amount available for medical expenses per month for life (set annually).
- Actuarially determined contribution and fixed (or nonfixed) amount available for medical expenses for life.

SUPPORTING INFORMATION

Appendix A: Senator Hobbs' letter to the Board

Appendix B: SB 6071

Appendix A



Washington State Senate

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Senator Steve Hobbs
44th Legislative District

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March 12, 2015

LEOFF Plan 2 Retirement Board
P.O. Box 40918
Olympia, WA 98504-0918

Dear Washington State LEOFF Plan 2 Retirement Board Members,

This legislative session I introduced Senate Bill 6071, authorizing benefit funding accounts for members of the law enforcement officers' and firefighters' retirement system plan 2. While this bill was a good starting point, my hope is that it will lead to a discussion on how to best address this issue.

I am writing to request your thoughts and feedback on SB 6071, so that it may be improved before the 2016 legislative session. Any feedback or recommendations you have would be greatly appreciated. If you prefer to have a discussion in person, I would be happy to meet with you. This is the same bill that I dropped two years ago and that I have been discussing with public safety employees for several years now.

Thank you for your attention on this matter and please do not hesitate to contact me if I can answer any questions or if you would like further information. I am looking forward to working on this bill during the interim and hope for its passage next session.

Sincerely,

A handwritten signature in blue ink that reads "Steve R Hobbs".

Senator Steve Hobbs
44th Legislative District

Appendix B

S-1426.1

SENATE BILL 6071

State of Washington

64th Legislature

2015 Regular Session

By Senators Hobbs and Conway

Read first time 02/25/15. Referred to Committee on Ways & Means.

1 AN ACT Relating to authorizing benefit funding accounts for
2 members of the law enforcement officers' and firefighters' retirement
3 system plan 2; amending RCW 41.04.208 and 41.26.740; adding a new
4 section to chapter 41.26 RCW; and creating a new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) Public safety employees, such as
7 firefighters, police officers, and corrections officers, participate
8 in the law enforcement officers' and firefighters' retirement system
9 plan 2 and have the opportunity to retire at age fifty-three or take
10 an early retirement at age fifty. Many members of the law enforcement
11 officers' and firefighters' retirement system plan 2 have access to
12 the retiree medical plans sponsored by the public employees' benefits
13 board, however many local employers do not participate in the medical
14 program, and retiree medical coverage can be hard to find and
15 expensive especially before reaching medicare eligibility generally
16 at age sixty-five.

17 (2) It is the intent of the legislature to help ensure access to
18 retiree medical coverage for the public safety employees listed in
19 subsection (1) of this section, especially for the nonmedicare
20 retirees, and to assist employees in planning for their retirement
21 and future medical benefit needs through the use of appropriate tax-

Appendix B

authorized spending accounts that will allow employees to voluntarily contribute to their benefit accounts to help pay for their future medical premiums. As allowed by the internal revenue service, the accounts may also allow employer contributions as bargained locally.

Sec. 2. RCW 41.04.208 and 2004 c 173 s 1 are each amended to read as follows:

(1) Unless the context clearly requires otherwise, the definitions in this subsection apply throughout this section.

(a) "Disabled employee" means a person eligible to receive a disability retirement allowance from the Washington law enforcement officers' and firefighters' retirement system plan 2 and the public employees' retirement system.

(b) "Health plan" means a contract, policy, fund, trust, or other program established jointly or individually by a county, municipality, or other political subdivision of the state that provides for all or a part of hospitalization or medical aid for its employees and their dependents under RCW 41.04.180.

(c) "Retired employee" means a public employee meeting the retirement eligibility, years of service requirements, and other criteria of the Washington law enforcement officers' and firefighters' retirement system plan 2 and the public employees' retirement system.

(2) A county, municipality, or other political subdivision that provides a health plan for its employees shall permit retired and disabled employees and their dependents to continue participation in a plan subject to the exceptions, limitations, and conditions set forth in this section. However, this section does not apply to a county, municipality, or other political subdivision participating in an insurance program administered under chapter 41.05 RCW if retired and disabled employees and their dependents of the participating county, municipality, or other political subdivision are covered under an insurance program administered under chapter 41.05 RCW. Nothing in this subsection or chapter 319, Laws of 2002 precludes the local government employer from offering retired or disabled employees a health plan with a benefit structure, copayment, deductible, coinsurance, lifetime benefit maximum, and other plan features which differ from those offered through a health plan provided to active employees. Further, nothing in this subsection precludes a local government employer from joining with other public agency employers,

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1 including interjurisdictional benefit pools and multi-employer
2 associations or consortiums, to fulfill its obligations under chapter
3 319, Laws of 2002.

4 (3) A county, municipality, or other political subdivision has
5 full authority to require a person who requests continued
6 participation in a health plan under subsection (2) of this section
7 to pay the full cost of such participation, including any amounts
8 necessary for administration. However, this subsection does not
9 require an employer who is currently paying for all or part of a
10 health plan for its retired and disabled employees to discontinue
11 those payments.

12 (4) Payments for continued participation in a former employer's
13 health plan may be assigned to the underwriter of the health plan
14 from public pension benefits or may be paid to the former employer,
15 as determined by the former employer, so that an underwriter of the
16 health plan that is an insurance company, health care service
17 contractor, or health maintenance organization is not required to
18 accept individual payments from persons continuing participation in
19 the employer's health plan.

20 (5) After an initial open enrollment period of ninety days after
21 January 1, 2003, an employer may not be required to permit a person
22 to continue participation in the health plan if the person is
23 responsible for a lapse in coverage under the plan. In addition, an
24 employer may not be required to permit a person to continue
25 participation in the employer's health plan if the employer offered
26 continued participation in a health plan that meets the requirements
27 of chapter 319, Laws of 2002.

28 (6) If a person continuing participation in the former employer's
29 health plan has medical coverage available through another employer,
30 the medical coverage of the other employer is the primary coverage
31 for purposes of coordination of benefits as provided for in the
32 former employer's health plan.

33 (7) If a person's continued participation in a health plan was
34 permitted because of the person's relationship to a retired or
35 disabled employee of the employer providing the health plan and the
36 retired or disabled employee dies, then that person is permitted to
37 continue participation in the health plan for a period of not more
38 than six months after the death of the retired or disabled employee.
39 However, the employer providing the health plan may permit continued
40 participation beyond that time period.

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(8) An employer may offer one or more health plans different from that provided for active employees and designed to meet the needs of persons requesting continued participation in the employer's health plan. An employer, in designing or offering continued participation in a health plan, may utilize terms or conditions necessary to administer the plan to the extent the terms and conditions do not conflict with this section.

(9) If an employer changes the underwriter of a health plan, the replaced underwriter has no further responsibility or obligation to persons who continued participation in a health plan of the replaced underwriter. However, the employer shall permit those persons to participate in any new health plan.

(10) The benefits granted under this section are not considered a matter of contractual right. Should the legislature, a county, municipality, or other political subdivision of the state revoke or change any benefits granted under this section, an affected person is not entitled to receive the benefits as a matter of contractual right.

(11) This section does not affect any health plan contained in a collective bargaining agreement in existence as of January 1, 2003. However, any plan contained in future collective bargaining agreements shall conform to this section. In addition, this section does not affect any health plan contract or policy in existence as of January 1, 2003. However, any renewal of the contract or policy shall conform to this section.

(12) Counties, municipalities, and other political subdivisions that make a documented good faith effort to comply with the provisions of subsections (2) through (11) of this section and are unable to provide access to a fully insured group health benefit plan are discharged from any obligations under subsections (2) through (11) of this section but shall assist disabled employees and retired employees in applying for health insurance. Assistance may include developing and distributing standardized information on the availability and cost of individual health benefit plans, application packages, and health benefit fairs.

(13) The office of the insurance commissioner shall make available to counties, municipalities, and other political subdivisions information regarding individual health benefit plans, including a list of carriers offering individual coverage, the rates charged, and how to apply for coverage.

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(14) Counties, municipalities, and other political subdivisions that employ public safety employees participating in the law enforcement officers' and firefighters' system plan 2 must set up tax appropriate flexible spending accounts or voluntary employee benefit accounts that allow employees to contribute and accrue savings for retiree medical premiums. The tax accounts must be consistent with existing state law, the internal revenue code, and the regulations adopted by the internal revenue service. To the extent allowed by the internal revenue code, accounts may be authorized to accept contributions from employers.

NEW SECTION. Sec. 3. A new section is added to chapter 41.26 RCW to read as follows:

(1) The department, in consultation with the law enforcement officers' and firefighters' retirement system plan 2 board, shall assist employers of law enforcement officers and firefighters in the formulation and adoption of a plan, policies, and procedures designed to guide, direct, and administer the voluntary employee benefit account established in RCW 41.04.208 for public safety employees. The program and plan documents must be developed in consultation with the employers of law enforcement officers and firefighters.

(2) A plan document describing the requirements shall be adopted and administered by the department and be available as a template for local employers. The department shall represent the state in all matters concerning the administration of the plan. The state may engage the services of a professional consultant or administrator on a contractual basis to serve as an agent to assist or perform the administrative functions necessary in carrying out the purposes necessary to establish the voluntary employee benefit account or alternative internal revenue service authorized spending account.

Sec. 4. RCW 41.26.740 and 2003 c 92 s 7 are each amended to read as follows:

(1) All expenses of the department and the office of the state actuary related to the implementation of chapter 2, Laws of 2003 shall be reimbursed from the law enforcement officers' and firefighters' retirement system expense fund under RCW 39.34.130.

(2) All expenses of the department and the office of the state actuary related to the implementation of the accounts required in sections 2 and 3 of this act shall be reimbursed from the law

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1 enforcement officers' and firefighters' retirement system expense
2 fund under RCW 39.34.130.

--- END ---



Individual Health Savings Accounts

Initial Consideration
July 22, 2015

Issue

There is a gap in healthcare coverage for public safety employees from the time of retirement to when Medicare coverage begins.

Overview

Health insurance premiums have increased rapidly over the recent past

- Growing a cumulative 138% between 1999 and 2010
- Outpacing cumulative wage growth of 42% over the same period.

It's important for members to begin saving for retiree health costs

Overview

SB 6071

- Introduced in the 2015 session to help ensure access to retiree medical coverage for LEOFF Plan 2 members through the use of appropriate tax-authorized spending accounts or voluntary employee benefit accounts
- These accounts would allow employees to contribute income now to help pay for their future medical premiums

Background

There are different accounts currently available to help pay for post-retirement healthcare costs.

- Voluntary Employees' Beneficiary Association (VEBA)
- Health Savings Account (HSA)
- IRC 401(h) Account
- IRC Section 115 Trust

VEBA

- A VEBA is funded by the amount of unused sick leave that an employee has at the time of retirement
- The amount of sick leave left at retirement is paid out in full to the plan and is not subject to tax
- Upon a members death, if there are unused funds in the VEBA, and the member is survived by their legal spouse or dependent children, they will be able to use the remaining funds in the account for their eligible health care expenses
- If a member has no surviving spouse or dependent(s), any remaining funds will be forfeited and redistributed pro rata among the remaining participants

HSA

- An HSA is a tax favored savings account that may be established for employees covered by a “high deductible health plan”
- An HSA may be funded by both employer and employee contributions
- The contributions are invested over time and can be used to pay for qualified medical expenses
- This type of account was enacted as part of the Medicare Prescription Drug Improvement and Modernization Act of 2003
- Contribution limits are relatively high, \$3350 for an individual or \$6650 for family coverage, but can be used at any time

IRC 401(h) Account

- A 401(h) is a qualified annuity plan set up under a defined benefit pension plan, and can be used to pay various non-pension benefits, such as certain medical expenses
- The plan must provide that medical benefits are only provided for retired employees, their spouses and dependents
- The plan must provide that a separate account must be established and maintained with respect to contributions to fund such benefits

IRC Section 115 Trust

- A Section 115 trust is established by a state or local government plan to hold assets for paying employee benefits
- Earnings on the trust assets are excluded from federal income taxes
- A section 115 Trust meets GASB 45 requirements for pre-funding other post-employment benefits (OPEB)
- Because the Trusts can be based on individual accounts, the balances are often depleted before a retiree's death
- Individual employees have limited control over their accounts since Section 115 Trusts are established and maintained by the employer

Questions?

Contact:

Ryan Frost

Research and Policy Manager

(360) 586-2325

ryan.frost@leoff.wa.gov



PEBB Access

Report Type:

Educational Briefing

Date Presented:

7/22/2015

Presenter Name and Title:

Mary Fliss, Deputy Division Director, PEBB

Strategic Linkage:

This item supports the following Strategic Priority Goals:

Provide the stakeholders with a voice in plan governance., Inform the stakeholders.

ATTACHMENTS:

Description	Type
 PEBB Employer Group Participation	Report



LEOFF Plan 2 Board Presentation
PEBB Employer Group Participation
June 21, 2015

Mary Fliss
PEB Division

Purpose

- PEBB Business Structure
- Employer Group Requirements
- Employer Group Eligibility Criteria

PEBB's Business Structure

- Provide coverage to about 350,000 eligible employees, self-pay subscribers and state and K12s retirees and their dependents.
- HCA's vision is a healthier Washington:
 - Focus on reimbursement for high-quality outcomes, rather than payment for each service provided
 - Multi-payers and purchasers needed to accelerate transformation
- PEBB is creating new products in 2016 with:
 - a commitment to contain cost inflation
 - care transformation, health outcomes and member experience
 - coordinated service delivery leading to higher quality outcomes

Employer Group Requirements

1. Groups that may participate include:
 - Local governments
 - Entire Group or any distinct “unit”
2. Contracting Process:
 - Group submits application
 - PEBB conducts actuarial test
 - Group chooses Medical only or full-package
 - Contract developed

Current Enrollment and Rates

- Number of PEBB Participating Groups:
 - 229 employer groups
 - 27,871 total employer group members
- 2015 Rates
 - Groups are charged the rates of the plan and tier selected by each member plus admin and the retiree subsidy.
 - Single tier UMP rate is \$718

Employer Group Coverage Specifics

1. Groups can choose to purchase medical only or medical/dental/life/LTD.
2. Use a dependent verification process
3. Group's can set their own employee/employer premium share
4. Tobacco use and spousal coverage surcharges apply and are outside the premium share
5. Due to IRS regulation, Groups can not access PEBB's Flexible Medical Spending Account contract.
6. Groups must do their own Play or Pay reporting to the IRS
7. Smarthealth Wellness platform available

Employer Group Eligibility Criteria

1. Eligibility for employees and dependents same as State's
2. Current Group Retirees:
 - Coverage for 3 previous years;
 - Immediate enrollment upon retirement; and
 - Continuous enrollment.
3. Employees Who Retiree
 - DRS age and years of service;
 - Immediately receive a pension unless a Plan 3 member; and
 - Continuous enrollment

Questions?

Mary Fliss, PEB Division

Mary.Fliss@HCA.WA.GOV

Tel: 360-725-0822



Economic Experience Study Overview

Report Type:

Educational Briefing

Date Presented:

7/22/2015

Presenter Name and Title:

Lisa Won, Deputy State Actuary, OSA

Summary:


Overview of most recent State Actuary experience study.

Strategic Linkage:

This item supports the following Strategic Priority Goals:

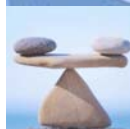
Maintain the financial integrity of the plan., Inform the stakeholders.

ATTACHMENTS:

Description	Type
 Economic Experience Study Overview	Report

Economic Experience Study Preview

*Lisa Won, ASA, FCA, MAAA
Deputy State Actuary*



Office of the State Actuary
"Securing tomorrow's pensions today."

July 22, 2015

Today's Presentation

- What is an economic experience study?
- What assumptions are reviewed?
- Why are experience studies done?
- How do we perform the study?
- What's the outcome?
- Next steps
- No action required today - informational only



OSA Performs Economic And Demographic Experience Studies

- Review and update assumptions to ensure they remain reasonable
- Economic Experience Studies are performed every two years
 - Includes some plan-specific data as well as national and regional economic data
- Demographic Experience Studies are performed at least every six years
 - More focus is placed on historical experience at a plan-specific level
 - Covers assumptions such as termination, mortality, retirement, disability, etc.
 - Most recent study was completed in 2014 for the 2007-2012 period

Economic Assumptions

- Include
 - Rate of inflation
 - Rate of general salary increases
 - Rate of investment return
 - Growth in system membership
- Help us estimate
 - Future benefits payable from the plans
 - Today's value of future benefits and salary
 - Funding requirements (contribution rates) needed to secure those benefits



Rate Of Inflation

- Regional CPI (Seattle, Tacoma, Bremerton) is the basis for post-retirement Cost of Living Adjustments (COLAs) in LEOFF 2
- Inflation assumption used in our valuation model to estimate the amount of COLAs provided under the plan
- Includes:
 - National inflation
 - Adjustments for regional inflation

Rate Of General Salary Increases

- Represents a portion of the rate of change in an individual's salary
- Future salary levels impact an individual's benefit and contributions to the plan
- Includes
 - Inflation
 - Productivity growth
- Excludes promotions or merit/step increases that are included in plan-specific demographic assumptions



Rate Of Investment Return

- Reflects anticipated returns on plan's current and future assets
- Assumption used to determine today's value of future benefit payments and salaries
- Key assumption for determining contribution requirements
- Components include
 - National inflation
 - Real rate of return

Growth In System Membership

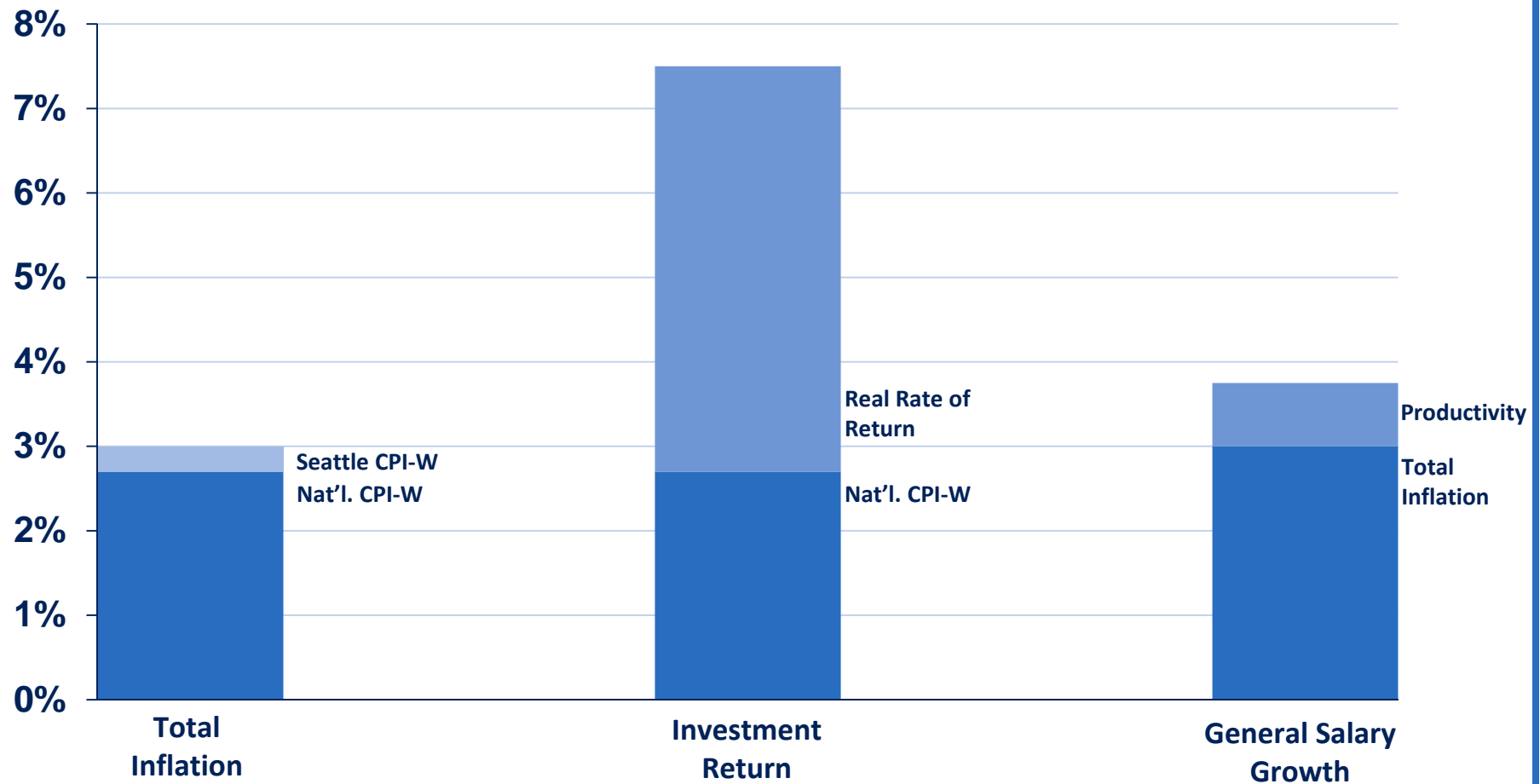
- Represents rate of change in number of active members covered under the plan
- Used in the calculation of amortization payments for the Plans 1 Unfunded Actuarial Accrued Liability (UAAL)
 - Not an assumption impacting LEOFF 2 since no UAAL payments are required for LEOFF 1 while the plan is fully funded



How The Assumptions Interact

- Entire set of economic assumptions should be consistent
- Developed using the building block method
 - One of the recommended approaches under Actuarial Standards of Practice (ASOP) 27
 - Component of inflation is the base for salary growth and investment return assumptions

Building Block Example



Economic Experience Study Performed Every Two Years

- Required in statute 41.45.030 for reporting to the PFC
 - All plans except LEOFF 2
 - LEOFF 2 Board typically follows the PFC timeline
- Actuarial services must satisfy applicable ASOPs
- Things change
 - Policy or benefit structures
 - Economic conditions, future expectations
- Reasonable assumptions contribute to reasonable funding
- Appropriate funding levels help manage risks
 - Pensions are promises to pay lifetime benefits
 - Insufficient accumulation of assets increases risk of additional funding requirements — intergenerational 'inequity'

Managing Risk

- Assumptions used to project future outcomes
 - Involve uncertainty/risk
- When assumptions are wrong
 - Plan may be underfunded
 - Want to be on the “right side” of risk (reasonable conservatism)
- Risk isn't symmetrical
 - Best estimate assumption may not fall in the mean (50th percentile)
- Balance risk management with other stakeholder needs
 - State and local budgets
 - Member take-home pay
 - Benefit/plan security



Experience Studies Consider Past And Future Experience

- Analyze historical data and experience
 - Plan or system experience
 - National or regional experience
- Review projections for future expectations
 - Collaborate with other state agencies
- Analyze conditions that created certain experience
 - Are they outliers — highly unlikely to occur again?
 - May remove or limit reliance on those data points
 - Are they within range of expected outcomes?
 - Keep the data points and comment on the conditions and likelihood they occur again
 - Did they occur because of policy or plan changes?
 - Data points may require adjustment

Data Sources By Assumption

	Inflation	Investment Return	General Salary Growth	System Growth
DRS			X	X
WSIB	X	X		
OFM				X
Social Security Administration	X			
Congressional Budget Office	X			
Economic and Revenue Forecast Council	X			
Global Insight	X			
Bureau of Economic Analysis	X			

Past And Future Experience Is Blended Together

- Develop single point best estimate assumption
- Actuaries follow guidance in ASOPs
 - ASOPs no longer support a 'best estimate range'
- Requires professional judgment
 - Past is not always the best predictor of the future
 - Part of actuary's training and development
- Mix of art and science

Recommended Assumptions Presented For Adoption

- Entire set of economic assumptions should be consistent
- If no changes are recommended
 - Actuary's best estimate matches current assumptions
- If changes are recommended for one or all assumptions
 - Actuary's best estimate is materially different from the current assumptions to support a change
 - Fiscal impact will likely result
 - Important to maintain appropriate funding levels and manage risks
 - Actuary will comment on whether current assumptions remain reasonable
- Adoption of new assumptions incorporated in the next rate-setting valuation

What's Next For The Board?

- OSA finalizes analysis and recommendations
- Recommendations presented to the Board in September
 - Supporting analysis provided with the recommendations
- Board action to adopt any changes, if needed



Questions?





Administrative Factors

Report Type:

Initial Consideration

Date Presented:

7/22/2015

Presenter Name and Title:

Lisa Won, Deputy State Actuary, OSA

Summary:

State Actuary Proposal on new administrative factors based incorporating last year's Board changes to mortality assumptions. Factors not intended to be brought up for adoption in this meeting. Tentatively scheduled for vote in September.

Strategic Linkage:

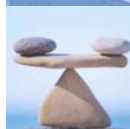
This item supports the following Strategic Priority Goals:
Maintain the financial integrity of the plan., Inform the stakeholders.

ATTACHMENTS:

Description	Type
📎 Administrative Factors	Report

Administrative Factors Preview

Lisa Won, ASA, FCA, MAAA
Deputy State Actuary



Office of the State Actuary
"Securing tomorrow's pensions today."

July 22, 2015

Today's Presentation

- Purpose of administrative factors
- Board's role
- Overview of factors to update
- Next steps
- No Board action required today

Administrative Factors Adjust Benefits For Optional Payments

- Basic form of pension is payable at normal retirement for the life of the member
- Optional payments are available with adjustments for “actuarial equivalence”
 - Provides alternative benefits for members
 - Creates no expected costs to the system
 - Stream of benefits payable under basic form of pension is equal to stream of benefits payable under optional form of pension
- Actuarial equivalence means equal on an actuarial basis
 - Considers the time value of money
 - Includes future expectations such as life spans



Why Is This Before You?

- Board has authority to adopt factors
- Factors should be reviewed/updated when assumptions change
- Demographic assumptions updated as part of the 2007-2012 Demographic Experience Study
 - New assumptions were adopted by the Board in 2014
 - Key impact will be longer expected life spans
- New 'unlimited' annuity purchase added in 2014 Session
 - May adopt different assumptions

LEOFF 2 Has Four Factors To Update

- Joint and Survivor (J&S) option factors
- Early Retirement Factors (ERFs)
- Annuity purchase factors (Monthly Benefit per \$1 of Accumulation)
- Service credit restoration factors



Optional Retirement Benefits For Members

- Joint and survivor pension
 - Pension payable for the life of the member and continuing in specified amount to the survivor on the member's death
 - Three options available - J&S 50 percent, J&S 66⅔ percent, J&S 100 percent
 - Includes pop-up provision (to original pension amount) if survivor dies before the member
- Early retirement
 - Retiring prior to normal retirement age

Adjustments Are Made So The Expected Costs Are Equal

- Basic pension amount is reduced for J&S or early retirement options
- Pension payable for the lifetime of two people is more expensive than a pension payable for the lifetime of one person
- Pension payments that start before normal retirement are more expensive
 - Less time for investment returns to accumulate
 - More payments are made when the payment stream starts sooner



Additional Pension Benefits Members Can Purchase

- Annuity purchase - made at retirement
 - “Airtime” - up to five years of additional service added to the basic pension calculation
 - Unlimited annuity purchase - funds from eligible retirement plan, minimum \$25,000
- Service credit restoration - made prior to retirement
 - Restore prior service if the member misses the window to pay only past contributions
- Additional purchase requires an administrative factor to convert the stream of additional benefits into a lump sum payment amount

Sample Of Preliminary Estimates For Updated Factors

Administrative Factors - Updated *			
Early Retirement Factors (ERFs)			
Age	Current	Updated	Percentage Change
50	0.765	0.773	1.1%
Joint and Survivor Option 2 - 100% to Survivor			
Age Difference	Current	Updated	Percentage Change
+3	0.859	0.868	1.1%
-1	0.881	0.888	0.8%
Monthly Benefit Per \$1.00 of Accumulation Factor			
Age	Current	Updated	Percentage Change
53	0.00518	0.00486	(6.3%)

**Updated for new demographic assumptions only.*

Next Steps

- OSA will calculate new factors based on updated assumptions
- Results shared with LEOFF 2 Board in September
- Board adopts factors and provides them to DRS by October 2015
- DRS begins communication and implementation for October 2016 effective date



Questions?





SCPP Update

Presenter Name and Title:

Steve Nelsen, Executive Director

Strategic Linkage:

This item supports the following Strategic Priority Goals:
Inform the stakeholders.

ATTACHMENTS:

Description	Type
 July 21 meeting agenda	Report

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
state.actuary@leg.wa.gov

Regular Committee Meeting

July 21, 2015
10:00 a.m. – 12:30 p.m.*
Senate Hearing Room 4
Olympia

AGENDA

- | | |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10:00 a.m. | 1. Election Of Officers – Aaron Gutierrez, Senior Policy Analyst |
| 10:15 a.m. | 2. Break |
| 10:25 a.m. | 3. Approval Of Minutes |
| 10:30 a.m. | 4. Open Public Meetings Act Refresher – Mark Lyon, Assistant Attorney General, Office of the Attorney General |
| 11:00 a.m. | 5. OSA Update – Matt Smith, State Actuary |
| 11:30 a.m. | 6. Staff Introductions – Aaron Gutierrez |
| 11:40 a.m. | 7. 2015 Legislative Session Highlights – Lauren Rafanelli, Associate Policy Analyst |
| 12:00 p.m. | 8. DRS CEM Benchmarking Update – Mark Feldhausen, Budget and Benchmarking Director, Department of Retirement Systems, and Jan Hartford, Principal, CEM Benchmarking |
| 12:30 p.m. | 9. Adjourn |

**These times are estimates and are subject to change depending on the needs of the Committee.*

***Senator Barbara Bailey,**
Chair

***John Boesenberg**
PERS/Higher Ed Employer

Patricia Bosmans
PERS Employers

Representative Bruce Chandler

Senator Steve Conway

Annette Creeksaun
PERS Employers

Randy Davis
TRS Actives

Beverly Freeman
PERS Employers

***Marcie Frost,** Director
Department of Retirement Systems

Bev Hermanson
PERS Retirees

Senator Steve Hobbs

Robert Keller
PERS Actives

Representative Matt Manweller

***Representative Timm Ormsby,** Vice Chair

Senator Mark Schoesler

David Schumacher, Director
Office of Financial Management

Representative Pat Sullivan

***J. Pat Thompson**
PERS Actives

Robert Thurston
WSPRS Retirees

David Westberg
SERS Actives

**Executive Committee*



Pension Garnishment

Report Type:

Initial Consideration

Date Presented:

7/22/2015

Presenter Name and Title:

Paul Neal, Senior Research and Policy Manager



Summary:

Review of legal restrictions on pension garnishment and discussion of policies for and against

Strategic Linkage:

This item supports the following Strategic Priority Goals:
Inform the stakeholders.

ATTACHMENTS:

Description	Type
 Pension Garnishment initial report	Report
 Pension Garnishment initial presentation	Report



July 22, 2015

Pension Garnishment

INITIAL CONSIDERATION

By Paul Neal
Senior Research & Policy Manager
360-586-2327
paul.neal@leoff.wa.gov

ISSUE STATEMENT

Should additional exceptions be made to LEOFF Plan 2's general prohibition against garnishment?

OVERVIEW

LEOFF Plan 2 pensions are exempt from garnishment or "...any process of law whatsoever" as stated in RCW 41.26.053. Specific exceptions to this general prohibition allow garnishment for child support, property division, and federal orders such as tax liens. Washington's criminal statutes allows pension garnishment for restitution for the cost of incarceration or injury to victims.¹

The 2015 Legislature considered adding further exemptions to the garnishment prohibition in SB 6076. This bill would have amended the pension statutes to allow pension garnishment of an incarcerated retiree to off-set the cost of his or her incarceration. The Senate did not bring the bill to a vote, in part to give the Select Committee on Pension Policy and the LEOFF Plan 2 Board an opportunity to consider the issue.

This report will discuss:

- Current Washington law governing garnishment of LEOFF Plan 2 pensions
- Seek direction from the Board on further action, if any

BACKGROUND

Statutory History

LEOFF Plan 2 pensions are generally exempt from garnishment

LEOFF Plan 2, like all of Washington's public pension plans, includes an anti-alienation section protecting LEOFF Plan 2 pensions from "garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law whatsoever" (see Appendix A).

¹ RCW 9.94A.750

The underlying policy against alienation of pension benefits is also a condition for federal tax qualification under tax law, 26 U.S.C. §401(a)(13) as well as being required for private pension plans under ERISA, 29 U.S.C. §1056(d)(1). The policy of these requirement is to “ensure that the benefits actually reach the beneficiary.” *Hisquierdo v. Hisquierdo*, 439 U.S. 572, 583, 584 99 S.Ct. 802, 59 L.Ed.2d 1(1979). The Legislature codified this same policy in LEOFF:

The purpose of this chapter is to provide for an actuarial reserve system for the payment of death, disability, and retirement benefits to law enforcement officers and firefighters, and to beneficiaries of such employees, thereby enabling such employees to provide for themselves and their dependents in case of disability or death, and effecting a system of retirement from active duty².

The Supreme Court eroded the Legislature’s policy against garnishment in *Anthis v. Copland*, 173 Wn.2d 752 (2012). The Court described the horrific facts of the case, brought by a widow to enforce a judgment for the wrongful death of her husband:

Sometimes lives are altered, even destroyed, so suddenly and unexpectedly as to defy explanation. Copland, a retired police officer from the city of Tacoma, spent the day with a friend, John Stevens, in Kennewick, Washington. They spent some time at the Burbank Tavern in nearby Walla Walla County and then returned to Stevens' house in Kennewick. In re Copland, No. 09-47782, 2010 WL 4809327, at *1 (Bankr.W.D.Wash. Sept. 23, 2010) (unpublished).

On the way, Copland stopped to buy whiskey and vodka. At Stevens' house Stevens' longtime friend Anthis joined the pair. The three passed the afternoon on Stevens' outdoor deck drinking and eating and enjoying conversation about upcoming fishing trips. That evening, in events described as "stunning both in their rapidity and unexpectedness," Copland said to Anthis, " ' I could shoot and kill you,' " and Anthis responded, " ' bring it on.' " Id. Copland produced a .22 derringer and placed it up to Anthis' right temple. No argument preceded the exchange, and Anthis did not move. Stevens saw the flash, heard the shot, and saw Anthis fall off his chair to the floor. Copland then returned to his seat, put the gun in his back pocket, placed his head in his hands and said, " ' Oh, my God, I've killed Al.' " In a flash, two lives were destroyed. [*Anthis* at 754, 756].

Swayed in part by these facts, the Court recognized LEOFF benefits could not be garnished prior to disbursement, but ruled that they could be reached once they were on deposit in the retiree’s bank account.

Within months of the *Anthis decision*, the Legislature reversed it, amending RCW 41.25.053 to clarify that LEOFF pensions could not be garnished “whether the same be in actual possession of the person or be deposited or loaned”³.

² RCW 41.26.020

³ See laws of 2012 c 159 § 21

Exceptions Allowing Garnishment

The general prohibition against garnishing LEOFF Plan 2 pensions has been amended over time to specifically allow garnishment for:

- Child support orders under chapter 26.18 RCW, 74.20A RCW, and RCW 26.23.060
- Property division orders for ex-spouses
- Federal court orders, such as tax liens

The exceptions are consistent with the Legislature's stated goal in RCW 41.26.020 of enabling members to "provide for themselves and their dependents."

In addition to the exceptions enumerated in the LEOFF statutes, the Legislature provided for garnishment of pensions to compensate crime victims, RCW 9.94A.750 – 775. If a person is convicted in superior court, the court may include, as part of the sentencing, an assessment of a "legal financial obligation." That obligation may include⁴:

- Costs of incarceration
- Restitution for bodily injury
- Restitution for loss of property
- Support of the victim of child rape if the victim becomes pregnant
- Any case where the victim is entitled to compensation under the crime victim's compensation act, chapter 7.68 RCW

Earnings subject to garnishment "specifically includes periodic payments pursuant to pension or retirement programs"⁵.

The Legislature enacted the criminal statutes allowing garnishment of pensions without amending the LEOFF statute prohibiting it. RCW 9.94A.7601 allows garnishment of pensions: "notwithstanding any other provision of law making such payments exempt from garnishment." However, the Legislature's exemption from garnishment protects LEOFF benefits from "any other process of law whatsoever"⁶. It is uncertain which provision takes precedence over the other.

Recent Legislative Action

Governor Gregoire signed SHB 1552 reversing the *Anthiis* decision in 2012. The Governor then requested the Select Committee on Pension Policy (SCPP) to study whether more pension garnishment exceptions, such as the wrongful death judgement, should be considered. The SCPP's study included advice detailing federal tax law limitations on garnishment of public pensions. The memorandum, which was drafted for dissemination, is included as Appendix B and stated in part:

⁴ RCW 9.94A.753

⁵ RCW 9.94A.7601

⁶ RCW 41.26.053(1)

In interpreting IRC Section 401(a)(13), the IRS issued PLR 200426027 to specifically approve payment of a fine or criminal restitution to the United States government when ordered to do so pursuant to an order of garnishment obtained pursuant to 18 U.S.C. Section 3613, the Federal Debt Collection Procedures Act of 1990, 28 U.S.C. Sections 3001-3008 ("FDCPA") and the Mandatory Victims Restitution Act, 18 U.S.C. Section 3613(c). The PLR primarily addressed the treatment of court orders for U.S. fines and criminal restitution for the U.S. government, private parties and non-federal governments (i.e., states, municipalities, counties, etc.) The IRS specifically stated that, if the garnishment occurred due to a federal court order based on the FDCPA, then it did not matter who was the ultimate recipient of the benefit dollars. The ruling of the PLR covered IRC Section 401(a)(2) as well as IRC Section 401(a)(13) because the IRS reasoned that the payment satisfies a participant's debt.

Although the PLR is only directly applicable to the entity who requested the ruling, it provides us insight as to how the IRS would react to a plan provision which included restitution-type exceptions to the anti-alienation provision of a retirement plan. Although the PLR dealt with a non-governmental plan, we believe that it is reasonable for a governmental plan to follow the approach that was approved.

The Select Committee did not propose any legislation extending garnishment.

The issue was raised again during the 2015 Legislative session by the introduction of SB 6076 (see Appendix C). The bill was heard in the Senate but not brought up for a vote. It proposed authorizing garnishment to reimburse the state for costs of incarceration for retirees convicted of a felony on or after July 1, 2015.

The bills were apparently in response to a February 23, 2015 story by King 5: *State Spends Millions on Convicted Teacher Retirements* (see Appendix D). The Freedom Foundation, which initially approached King 5 about the story, testified in favor of the bill. Crime victim advocates testified with concerns that forfeiting or otherwise alienating the convicted person's pension would take away a source of recompense from crime victims as well as support for innocent family members.

POSSIBLE FUTURE ACTION

If the Board wished to pursue this issue further it could direct staff to present options for:

1. Clarifying the interaction of current garnishment laws in Chapter 9.94A RCW and the LEOFF act;
2. Possible further exceptions to anti-garnishment provisions in the LEOFF act.

SUPPORTING INFORMATION

Appendix A: RCW 41.25.053, Exemption from judicial process, taxes — Exceptions — Deduction for insurance upon request. (LEOFF anti-attachment statute)

Appendix B: Ice Miller memorandum

Appendix C: Senate Bill 6076 - AN ACT Relating to the forfeiture of the pension of a public employee convicted of a felony for misconduct associated with such person's service as a public employee

Appendix D: *State Spends Millions on Convicted Teacher Retirements* Danielle Leigh, King 5 news, February 23, 2015

APPENDIX A
LEOFF ANTI-ALIENATION STATUTE

RCW 41.26.053

Exemption from judicial process, taxes — Exceptions —
Deduction for insurance upon request.

(1) Subject to subsections (2) and (3) of this section, the right of a person to a retirement allowance, disability allowance, or death benefit, to the return of accumulated contributions, the retirement, disability or death allowance itself, any optional benefit, any other right accrued or accruing to any person under the provisions of this chapter, and the moneys in the fund created under this chapter, are hereby exempt from any state, county, municipal, or other local tax and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law whatsoever, whether the same be in actual possession of the person or be deposited or loaned and shall be unassignable.

(2) On the written request of any person eligible to receive benefits under this section, the department may deduct from such payments the premiums for life, health, or other insurance. The request on behalf of any child or children shall be made by the legal guardian of such child or children. The department may provide for such persons one or more plans of group insurance, through contracts with regularly constituted insurance carriers or health care service contractors.

(3) Subsection (1) of this section shall not prohibit the department from complying with (a) a wage assignment order for child support issued pursuant to chapter [26.18](#) RCW, (b) an order to withhold and deliver issued pursuant to chapter [74.20A](#) RCW, (c) a notice of payroll deduction issued pursuant to RCW [26.23.060](#), (d) a mandatory benefits assignment order issued by the department, (e) a court order directing the department of retirement systems to pay benefits directly to an obligee under a dissolution order as defined in RCW [41.50.500](#)(3) which fully complies with RCW [41.50.670](#) and [41.50.700](#), or (f) any administrative or court order expressly authorized by federal law.

APPENDIX B

FEDERAL LIMITATIONS ON GARNISHMENT

PENSION GARNISHMENT – FEDERAL LAW CONSIDERATIONS

By Mary Beth Braitman and Terry A.M. Mumford, Ice Miller LLP

QUESTIONS ADDRESSED BY THIS ANALYSIS

This analysis has been prepared to be included in a report by the Office of the State Actuary ("OSA") to the Washington Select Committee on Pension Policy ("Select Committee"). The Select Committee was asked by Governor Gregoire to review and make recommendations to the legislature as to whether additional exceptions to the general exemption of pensions would be appropriate. OSA has asked Ice Miller LLP to address the following scenarios and specific questions.

Under state law, pensions are exempt from garnishment and attachment, subject to certain exceptions. General exceptions include divorce, child support, or as needed to enforce a federal court order. If the state were to add one or more new exceptions:

1. *Are there general ground rules in tax code, ERISA, or case law, for garnishing public pensions?*

2. *Are there tax and legal implications at the federal level for expanding garnishment provisions? Specifically, would there be implications if the state were to garnish pensions when the retiree has caused serious bodily injury or death?*

a. *Is there guidance in federal law regarding the reasons pensions can be garnished?*

b. *Are there red flags or other options lawmakers should consider?*

c. *Are there potential impacts to plan qualification?*

In responding to these questions, OSA is only concerned with pension garnishment at the point where the Department of Retirement Systems is issuing a monthly check. The issue the Washington Supreme Court looked at – whether one can garnish after the retiree receives the money -- is not an issue at this time.

GENERAL GROUND RULES

Federal Status of Washington State Pension Plans

The Washington State defined benefit plans have been established and maintained as qualified governmental plans under Internal Revenue Code ("IRC") Sections 401(a) and 414(d). The benefits of qualified status flow directly to the members, retirees, and beneficiaries of those plans. Therefore, it is important that the qualified status of those plans be maintained.

September 7, 2012

1/2932141.1

Page 1

Exclusive Benefit Rule (IRC Section 401(a)(2))

The IRC requires that qualified plans, such as the Washington State pension plans, must be established for the exclusive benefit of members and their beneficiaries. See IRC Section 401(a)(2). This would generally mean that a qualified plan cannot make payments except to members and their beneficiaries.

However, the Internal Revenue Service ("IRS") ruled in Private Letter Ruling ("PLR") 8426124 that payments made from a governmental plan, discharging a debt owed (in the bankruptcy context) by a member, satisfied the exclusive benefit rule. See GCM 39267. In this PLR, the IRS noted that the participants had voluntarily entered into debt repayment plans under Chapter 13 and that the payments were supervised by a bankruptcy court trustee. The IRS further stated the following:

For a plan to fail to qualify under section 401(a) of the Code, the diversion of funds of the trust must be for other than the exclusive benefit of the participants. If the funds of the trust are used for the exclusive benefit of the employees or their beneficiaries, there is no prohibited diversion. The repayment of debts for an employee is for the economic benefit of an employee since it relieves him of a liability. In such a case, the benefit to the creditor is incidental. Therefore, the payment by the Systems [governmental plans] to the Chapter 13 trustees is not a violation of the exclusive benefit rule of section 401(a)(2).

In summary, the key elements of the PLR were that the plans involved were governmental plans, the debt repayment plans were voluntary, the member had a liability that was being satisfied, and there was a judicial process and supervision for the payments.

By its terms a PLR only binds the IRS with respect to the recipient of the ruling. The IRS can "change its mind" when presented with a subsequent ruling request. However, it is reasonable to review PLRs to determine how the IRS might analyze a similar situation.

Assignment and Alienation of Benefits (IRC Section 401(a)(13) and Treas. Reg. Section 1.401(a)-13)

With respect to non-governmental plans, the IRC also provides that benefits under a qualified plan cannot be assigned or alienated, except in limited circumstances. See IRC Section 401(a)(13). Even though IRC Section 401(a)(13) does not apply to governmental plans, we believe that it is reasonable for governmental plans, such as the Washington State plans, to allow for assignment and alienation under the provisions of IRC Section 401(a)(13).

Assignment and alienation of benefits from a qualified plan are specifically allowed by IRC Section 401(a)(13) in the following circumstances:

1. Voluntary and revocable assignments by the benefit recipient not to exceed 10% of the benefit payment.
2. Plan loan repayments.

3. Qualified domestic relations orders (discussed below)
4. A benefit offset payable to the plan if the offset is the result of a conviction of a crime involving the plan.
5. A benefit offset payable to the plan if the offset is the result of civil judgment for certain violations of ERISA.

Treasury Regulation Section 1.401(a)-13 provides additional exceptions for:

1. The enforcement of a Federal tax levy under IRC Section 6331.
2. The collection by the United States on a judgment resulting from an unpaid tax assessment.
3. Any arrangement for the withholding of Federal, State or local tax from plan benefits.
4. Any arrangement for the recovery by the plan of overpayments of benefits previously made to a participant.
5. Any arrangement for the transfer of benefit rights from the plan to another plan.
6. Any arrangement for the direct deposit of benefit payments to an account in a bank, savings and loan association or credit union, provided such arrangement is not part of an arrangement constituting an assignment or alienation.
7. Voluntary arrangements where the third party recipient files an acknowledgement that the party has no enforceable right to the funds.

In interpreting IRC Section 401(a)(13), the IRS issued PLR 200426027 to specifically approve payment of a fine or criminal restitution to the United States government when ordered to do so pursuant to an order of garnishment obtained pursuant to 18 U.S.C. Section 3613, the Federal Debt Collection Procedures Act of 1990, 28 U.S.C. Sections 3001-3008 ("FDCPA") and the Mandatory Victims Restitution Act, 18 U.S.C. Section 3613(c). The PLR primarily addressed the treatment of court orders for U.S. fines and criminal restitution for the U.S. government, private parties and non-federal governments (*i.e.*, states, municipalities, counties, *etc.*) The IRS specifically stated that, if the garnishment occurred due to a federal court order based on the FDCPA, then it did not matter who was the ultimate recipient of the benefit dollars. The ruling of the PLR covered IRC Section 401(a)(2) as well as IRC Section 401(a)(13) because the IRS reasoned that the payment satisfies a participant's debt.

Although the PLR is only directly applicable to the entity who requested the ruling, it provides us insight as to how the IRS would react to a plan provision which included restitution-type exceptions to the anti-alienation provision of a retirement plan. Although the PLR dealt with a non-governmental plan, we believe that it is reasonable for a governmental plan to follow the approach that was approved.

September 7, 2012

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Timing of the Garnishment

With regard to a garnishment pursuant to a federal tax levy or criminal restitution, the IRS takes the position that the IRS (or government agency) "steps into the shoes" of the "taxpayer" (in this case the member). This means that the garnishment will not apply until the participant has a right to a distribution under the terms of the plan.

Domestic Relations Orders (IRC Section 414(p))

The IRS recognizes that the payment of qualified domestic relations orders ("QDROs") is a valid exception to the prohibition against assignments and the exclusive benefit rule for a qualified plans. Under IRC Section 414(p)(11), if a governmental plan recognizes domestic relations orders, those are treated as QDROs for these purposes.

Forfeiture

In addition, for purposes of completeness, we note that the IRS has long approved plans that provide for forfeiture of pensions by employees who commit certain crimes, so called "bad-boy" provisions. Rev. Rul. 82. In these situations, the participant forfeits their benefit and nobody else (beneficiary, victim, U.S. government, *etc.*) has any right to any benefit.

Plan Provision

Plan fiduciaries must administer their plan in accordance with its terms. Therefore, even if a garnishment would be permissible as a matter of federal law, the plan must allow the garnishment in order for it to be allowed. In addition, any expansion of garnishment should be evaluated under state law and constitutional provisions. For purposes of this report, we have assumed that the analysis of state law and constitutional provisions will be handled by the Washington Office of the Attorney General.

TAX AND LEGAL IMPLICATIONS FOR EXPANDING GARNISHMENT PROVISIONS

Expansion of Garnishment Provisions Generally

If Washington State garnishment provisions were expanded to include any item listed above, which has been previously approved by the IRS and/or is specifically listed in IRC Section 401(a)(13) or the related Treasury Regulations, that should not adversely affect plan qualification.

Expansion of Garnishment Provisions Specifically When Retiree Has Caused Serious Bodily Injury or Death

This expansion would raise issues under the exclusive benefit rule (IRC Section 401(a)(2)) unless the garnishment were consistent with PLR 842614 – it was voluntary, it was in payment of a retiree's liability, and it was determined in accordance with a judicial-type procedure and was supervised.

September 7, 2012

1/2932141.1

Page 4

However, if the garnishment were the result of a federal action and if it fell within the parameters of PLR 200426027, then we would also believe that the garnishment would not affect plan qualification.

IRS Approval of Garnishment

In the case of a proposed garnishment that did not fit within the IRC, Treasury Regulations, or the PLRs described above, the implementation of the garnishment change should be made contingent on receipt of IRS approval.

IMPLEMENTATION OF A GARNISHMENT

Timing and Prerequisites

As noted above, the IRS takes the position that a garnishment can only be applied when the participant is eligible for a distribution. This means that the garnishment cannot effectuate a distribution election on behalf to the participant but is subject to the terms of the plan, *e.g.*, pertaining to spousal consent, to the same extent as the participant.

Taxation

IRC Section 72(t) imposes a 10% premature distribution penalty on certain distributions that occur before a participant is 59 ½. That penalty will not apply to a periodic payment (after a separation from service), to a lump sum distribution if the member separated during the calendar year in which he/she turns 55 (age 50 for public safety), to a QDRO, or to a tax levy, criminal restitution, or a fine.

If the garnishment were made against a distribution that would otherwise be an eligible rollover distribution, the 20% mandatory withholding under IRC Section 3405(c)(1) applies. This would include a garnishment of a lump sum. A garnishment of a periodic payment would not be subject to mandatory withholding.

Circular 230 Disclosure: Except to the extent that this advice concerns the qualification of any qualified plan, to ensure compliance with recently-enacted U.S. Treasury Department Regulations, we are now required to advise you that, unless otherwise expressly indicated, any federal tax advice contained in this communication, including any attachments, is not intended or written by us to be used, and cannot be used, by anyone for the purpose of avoiding federal tax penalties that may be imposed by the federal government or for promoting, marketing, or recommending to another party any tax-related matters addressed herein.

APPENDIX C – SENATE GARNISHMENT BILL – SB 6076

S-2245.1

SENATE BILL 6076

State of Washington 64th Legislature 2015 Regular Session

By Senators Bailey, Litzow, Benton, Baumgartner, Sheldon, Becker, Schoesler, Angel, Miloscia, Honeyford, Braun, and Fain

Read first time 03/04/15. Referred to Committee on Ways & Means.

1 AN ACT Relating to garnishing public pensions to pay for the
2 costs of incarceration of a public employee convicted of a felony for
3 misconduct associated with such person's service as a public
4 employee; amending RCW 41.26.053, 41.32.052, 41.34.080, 41.35.100,
5 41.37.090, 41.40.052, and 43.43.310; prescribing penalties; providing
6 an effective date; and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 41.26.053 and 2012 c 159 s 21 are each amended to
9 read as follows:

10 (1) Subject to subsections (2) and (3) of this section, the right
11 of a person to a retirement allowance, disability allowance, or death
12 benefit, to the return of accumulated contributions, the retirement,
13 disability or death allowance itself, any optional benefit, any other
14 right accrued or accruing to any person under the provisions of this
15 chapter, and the moneys in the fund created under this chapter, are
16 hereby exempt from any state, county, municipal, or other local tax
17 and shall not be subject to execution, garnishment, attachment, the
18 operation of bankruptcy or insolvency laws, or any other process of
19 law whatsoever, whether the same be in actual possession of the
20 person or be deposited or loaned and shall be unassignable.

1 (2) On the written request of any person eligible to receive
2 benefits under this section, the department may deduct from such
3 payments the premiums for life, health, or other insurance. The
4 request on behalf of any child or children shall be made by the legal
5 guardian of such child or children. The department may provide for
6 such persons one or more plans of group insurance, through contracts
7 with regularly constituted insurance carriers or health care service
8 contractors.

9 (3) Subsection (1) of this section shall not prohibit the
10 department from complying with (a) a wage assignment order for child
11 support issued pursuant to chapter 26.18 RCW, (b) an order to
12 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
13 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
14 mandatory benefits assignment order issued by the department, (e) a
15 court order directing the department of retirement systems to pay
16 benefits directly to an obligee under a dissolution order as defined
17 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
18 41.50.700, ~~((e))~~ (f) any administrative or court order expressly
19 authorized by federal law, or (g) an order to garnish up to fifty
20 percent of the gross monthly benefit for costs of incarceration,
21 probation, parole, or restitution imposed on such member, former
22 member, or retiree as a result of a conviction of or a plea of guilty
23 or nolo contendere to the commission of a felony for misconduct
24 associated with such person's service as a public employee for which
25 credit in the plan was earned or accrued, for felonies committed on
26 or after July 1, 2015.

27 **Sec. 2.** RCW 41.32.052 and 2012 c 159 s 20 are each amended to
28 read as follows:

29 (1) Subject to subsections (2) and (3) of this section, the right
30 of a person to a pension, an annuity, a retirement allowance, or
31 disability allowance, to the return of contributions, any optional
32 benefit or death benefit, any other right accrued or accruing to any
33 person under the provisions of this chapter and the moneys in the
34 various funds created by this chapter shall be unassignable, and are
35 hereby exempt from any state, county, municipal or other local tax,
36 and shall not be subject to execution, garnishment, attachment, the
37 operation of bankruptcy or insolvency laws, or other process of law
38 whatsoever whether the same be in actual possession of the person or
39 be deposited or loaned.

1 (2) This section shall not be deemed to prohibit a beneficiary of
2 a retirement allowance who is eligible:

3 (a) Under RCW 41.05.080 from authorizing monthly deductions
4 therefrom for payment of premiums due on any group insurance policy
5 or plan issued for the benefit of a group comprised of public
6 employees of the state of Washington or its political subdivisions;

7 (b) Under a group health care benefit plan approved pursuant to
8 RCW 28A.400.350 or 41.05.065 from authorizing monthly deductions
9 therefrom, of the amount or amounts of subscription payments,
10 premiums, or contributions to any person, firm, or corporation
11 furnishing or providing medical, surgical, and hospital care or other
12 health care insurance; or

13 (c) Under this system from authorizing monthly deductions
14 therefrom for payment of dues and other membership fees to any
15 retirement association composed of retired teachers and/or public
16 employees pursuant to a written agreement between the director and
17 the retirement association.

18 Deductions under (a) and (b) of this subsection shall be made in
19 accordance with rules that may be adopted by the director.

20 (3) Subsection (1) of this section shall not prohibit the
21 department from complying with (a) a wage assignment order for child
22 support issued pursuant to chapter 26.18 RCW, (b) an order to
23 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
24 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
25 mandatory benefits assignment order issued by the department, (e) a
26 court order directing the department of retirement systems to pay
27 benefits directly to an obligee under a dissolution order as defined
28 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
29 41.50.700, ~~((or))~~ (f) any administrative or court order expressly
30 authorized by federal law, or (g) an order to garnish up to fifty
31 percent of the gross monthly benefit for costs of incarceration,
32 probation, parole, or restitution imposed on such member, former
33 member, or retiree as a result of a conviction of or a plea of guilty
34 or nolo contendere to the commission of a felony for misconduct
35 associated with such person's service as a public employee for which
36 credit in the plan was earned or accrued, for felonies committed on
37 or after July 1, 2015.

38 **Sec. 3.** RCW 41.34.080 and 2012 c 159 s 23 are each amended to
39 read as follows:

1 (1) Subject to subsections (2) and (3) of this section, the right
2 of a person to a pension, an annuity, a retirement allowance, any
3 optional benefit, any other right accrued or accruing to any person
4 under the provisions of this chapter, and the various funds created
5 by chapter 239, Laws of 1995; chapter 341, Laws of 1998; and chapter
6 247, Laws of 2000 and all moneys and investments and income thereof,
7 is hereby exempt from any state, county, municipal, or other local
8 tax, and shall not be subject to execution, garnishment, attachment,
9 the operation of bankruptcy or insolvency laws, or other process of
10 law whatsoever, whether the same be in actual possession of the
11 person or be deposited or loaned and shall be unassignable.

12 (2) This section shall not be deemed to prohibit a beneficiary of
13 a retirement allowance from authorizing deductions therefrom for
14 payment of premiums due on any group insurance policy or plan issued
15 for the benefit of a group comprised of public employees of the state
16 of Washington or its political subdivisions and that has been
17 approved for deduction in accordance with rules that may be adopted
18 by the state health care authority and/or the department. This
19 section shall not be deemed to prohibit a beneficiary of a retirement
20 allowance from authorizing deductions therefrom for payment of dues
21 and other membership fees to any retirement association or
22 organization the membership of which is composed of retired public
23 employees, if a total of three hundred or more of such retired
24 employees have authorized such deduction for payment to the same
25 retirement association or organization.

26 (3) Subsection (1) of this section shall not prohibit the
27 department from complying with (a) a wage assignment order for child
28 support issued pursuant to chapter 26.18 RCW, (b) an order to
29 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
30 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
31 mandatory benefits assignment order issued by the department, (e) a
32 court order directing the department to pay benefits directly to an
33 obligee under a dissolution order as defined in RCW 41.50.500(3)
34 which fully complies with RCW 41.50.670 and 41.50.700, ~~((or))~~ (f) any
35 administrative or court order expressly authorized by federal law, or
36 (g) an order to garnish up to fifty percent of the gross payment for
37 costs of incarceration, probation, parole, or restitution imposed on
38 such member, former member, or retiree as a result of a conviction of
39 or a plea of guilty or nolo contendere to the commission of a felony
40 for misconduct associated with such person's service as a public

1 employee for which credit in the plan was earned or accrued, for
2 felonies committed on or after July 1, 2015.

3 **Sec. 4.** RCW 41.35.100 and 2012 c 159 s 24 are each amended to
4 read as follows:

5 (1) Subject to subsections (2) and (3) of this section, the right
6 of a person to a pension, an annuity, or retirement allowance, any
7 optional benefit, any other right accrued or accruing to any person
8 under the provisions of this chapter, the various funds created by
9 this chapter, and all moneys and investments and income thereof, are
10 hereby exempt from any state, county, municipal, or other local tax,
11 and shall not be subject to execution, garnishment, attachment, the
12 operation of bankruptcy or insolvency laws, or other process of law
13 whatsoever, whether the same be in actual possession of the person or
14 be deposited or loaned and shall be unassignable.

15 (2) This section does not prohibit a beneficiary of a retirement
16 allowance from authorizing deductions therefrom for payment of
17 premiums due on any group insurance policy or plan issued for the
18 benefit of a group comprised of public employees of the state of
19 Washington or its political subdivisions and which has been approved
20 for deduction in accordance with rules that may be adopted by the
21 state health care authority and/or the department. This section also
22 does not prohibit a beneficiary of a retirement allowance from
23 authorizing deductions therefrom for payment of dues and other
24 membership fees to any retirement association or organization the
25 membership of which is composed of retired public employees, if a
26 total of three hundred or more of such retired employees have
27 authorized such deduction for payment to the same retirement
28 association or organization.

29 (3) Subsection (1) of this section does not prohibit the
30 department from complying with (a) a wage assignment order for child
31 support issued pursuant to chapter 26.18 RCW, (b) an order to
32 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
33 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
34 mandatory benefits assignment order issued by the department, (e) a
35 court order directing the department of retirement systems to pay
36 benefits directly to an obligee under a dissolution order as defined
37 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
38 41.50.700, ~~((or))~~ (f) any administrative or court order expressly
39 authorized by federal law, or (g) an order to garnish up to fifty

1 percent of the gross monthly benefit for costs of incarceration,
2 probation, parole, or restitution imposed on such member, former
3 member, or retiree as a result of a conviction of or a plea of guilty
4 or nolo contendere to the commission of a felony for misconduct
5 associated with such person's service as a public employee for which
6 credit in the plan was earned or accrued, for felonies committed on
7 or after July 1, 2015.

8 **Sec. 5.** RCW 41.37.090 and 2012 c 159 s 25 are each amended to
9 read as follows:

10 (1) Subject to subsections (2) and (3) of this section, the right
11 of a person to a pension, an annuity, or retirement allowance, any
12 optional benefit, any other right accrued or accruing to any person
13 under this chapter, the various funds created by this chapter, and
14 all moneys and investments and income thereof, are hereby exempt from
15 any state, county, municipal, or other local tax, and shall not be
16 subject to execution, garnishment, attachment, the operation of
17 bankruptcy or insolvency laws, or other process of law whatsoever,
18 whether the same be in actual possession of the person or be
19 deposited or loaned and shall be unassignable.

20 (2) This section does not prohibit a beneficiary of a retirement
21 allowance from authorizing deductions therefrom for payment of
22 premiums due on any group insurance policy or plan issued for the
23 benefit of a group comprised of public employees of the state of
24 Washington or its political subdivisions and which has been approved
25 for deduction in accordance with rules that may be adopted by the
26 state health care authority and/or the department. This section also
27 does not prohibit a beneficiary of a retirement allowance from
28 authorizing deductions therefrom for payment of dues and other
29 membership fees to any retirement association or organization the
30 membership of which is composed of retired public employees, if a
31 total of three hundred or more retired employees have authorized the
32 deduction for payment to the same retirement association or
33 organization.

34 (3) Subsection (1) of this section does not prohibit the
35 department from complying with (a) a wage assignment order for child
36 support issued pursuant to chapter 26.18 RCW, (b) an order to
37 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
38 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
39 mandatory benefits assignment order issued by the department, (e) a

1 court order directing the department to pay benefits directly to an
2 obligee under a dissolution order as defined in RCW 41.50.500(3)
3 which fully complies with RCW 41.50.670 and 41.50.700, ~~((e+))~~ (f) any
4 administrative or court order expressly authorized by federal law, or
5 (g) an order to garnish up to fifty percent of the gross monthly
6 benefit for costs of incarceration, probation, parole, or restitution
7 imposed on such member, former member, or retiree as a result of a
8 conviction of or a plea of guilty or nolo contendere to the
9 commission of a felony for misconduct associated with such person's
10 service as a public employee for which credit in the plan was earned
11 or accrued, for felonies committed on or after July 1, 2015.

12 **Sec. 6.** RCW 41.40.052 and 2012 c 159 s 26 are each amended to
13 read as follows:

14 (1) Subject to subsections (2) and (3) of this section, the right
15 of a person to a pension, an annuity, or retirement allowance, any
16 optional benefit, any other right accrued or accruing to any person
17 under the provisions of this chapter, the various funds created by
18 this chapter, and all moneys and investments and income thereof, are
19 hereby exempt from any state, county, municipal, or other local tax,
20 and shall not be subject to execution, garnishment, attachment, the
21 operation of bankruptcy or insolvency laws, or other process of law
22 whatsoever, whether the same be in actual possession of the person or
23 be deposited or loaned and shall be unassignable.

24 (2)(a) This section shall not be deemed to prohibit a beneficiary
25 of a retirement allowance from authorizing deductions therefrom for
26 payment of premiums due on any group insurance policy or plan issued
27 for the benefit of a group comprised of public employees of the state
28 of Washington or its political subdivisions and which has been
29 approved for deduction in accordance with rules that may be adopted
30 by the state health care authority and/or the department, and this
31 section shall not be deemed to prohibit a beneficiary of a retirement
32 allowance from authorizing deductions therefrom for payment of dues
33 and other membership fees to any retirement association or
34 organization the membership of which is composed of retired public
35 employees, if a total of three hundred or more of such retired
36 employees have authorized such deduction for payment to the same
37 retirement association or organization.

38 (b) This section does not prohibit a beneficiary of a retirement
39 allowance from authorizing deductions from that allowance for

1 charitable purposes on the same terms as employees and public
2 officers under RCW 41.04.035 and 41.04.036.

3 (3) Subsection (1) of this section shall not prohibit the
4 department from complying with (a) a wage assignment order for child
5 support issued pursuant to chapter 26.18 RCW, (b) an order to
6 withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a
7 notice of payroll deduction issued pursuant to RCW 26.23.060, (d) a
8 mandatory benefits assignment order issued by the department, (e) a
9 court order directing the department of retirement systems to pay
10 benefits directly to an obligee under a dissolution order as defined
11 in RCW 41.50.500(3) which fully complies with RCW 41.50.670 and
12 41.50.700, ~~((or))~~ (f) any administrative or court order expressly
13 authorized by federal law, or (g) an order to garnish up to fifty
14 percent of the gross monthly benefit for costs of incarceration,
15 probation, parole, or restitution imposed on such member, former
16 member, or retiree as a result of a conviction of or a plea of guilty
17 or nolo contendere to the commission of a felony for misconduct
18 associated with such person's service as a public employee for which
19 credit in the plan was earned or accrued, for felonies committed on
20 or after July 1, 2015.

21 **Sec. 7.** RCW 43.43.310 and 2012 c 159 s 28 are each amended to
22 read as follows:

23 (1) Except as provided in subsections (2) and (3) of this
24 section, the right of any person to a retirement allowance or
25 optional retirement allowance under the provisions hereof and all
26 moneys and investments and income thereof are exempt from any state,
27 county, municipal, or other local tax and shall not be subject to
28 execution, garnishment, attachment, the operation of bankruptcy or
29 the insolvency laws, or other processes of law whatsoever, whether
30 the same be in actual possession of the person or be deposited or
31 loaned and shall be unassignable except as herein specifically
32 provided.

33 (2) Subsection (1) of this section shall not prohibit the
34 department of retirement systems from complying with (a) a wage
35 assignment order for child support issued pursuant to chapter 26.18
36 RCW, (b) an order to withhold and deliver issued pursuant to chapter
37 74.20A RCW, (c) a notice of payroll deduction issued pursuant to RCW
38 26.23.060, (d) a mandatory benefits assignment order issued pursuant
39 to chapter 41.50 RCW, (e) a court order directing the department of

1 retirement systems to pay benefits directly to an obligee under a
2 dissolution order as defined in RCW 41.50.500(3) which fully complies
3 with RCW 41.50.670 and 41.50.700, ~~((e+))~~ (f) any administrative or
4 court order expressly authorized by federal law, or (g) an order to
5 garnish up to fifty percent of the gross monthly benefit for costs of
6 incarceration, probation, parole, or restitution imposed on such
7 member, former member, or retiree as a result of a conviction of or a
8 plea of guilty or nolo contendere to the commission of a felony for
9 misconduct associated with such person's service as a public employee
10 for which credit in the plan was earned or accrued, for felonies
11 committed on or after July 1, 2015.

12 (3) Subsection (1) of this section shall not be deemed to
13 prohibit a beneficiary of a retirement allowance from authorizing
14 deductions therefrom for payment of premiums due on any group
15 insurance policy or plan issued for the benefit of a group comprised
16 of members of the Washington state patrol or other public employees
17 of the state of Washington, or for contributions to the Washington
18 state patrol memorial foundation.

19 NEW SECTION. **Sec. 8.** This act is necessary for the immediate
20 preservation of the public peace, health, or safety, or support of
21 the state government and its existing public institutions, and takes
22 effect July 1, 2015.

--- END ---

State spends millions on convicted teachers retirements

They were supposed to teach our kids, but instead many of these teachers victimized them. Now they're retired and getting monthly checks with the help of your tax dollars. Danielle Leigh reports.

Danielle Leigh, KING 5 News 7:49 p.m. PST February 23, 2015

In Washington, public employees who commit a crime don't lose their taxpayer guaranteed retirements, and teachers can earn the right to a lifetime retirement after working for as little as five years.



In Washington, public employees who commit a crime don't lose their taxpayer guaranteed retirements, and teachers can earn the right to a lifetime retirement after working for as little as five years.

KING 5 asked the state for a list of all the teachers who have had their Washington teaching license revoked and compared that list to a list of all the public employees receiving a pension.

The state has multiple retirement plans for teachers. Two of them would be considered a traditional pension plan, the third includes a private component. KING 5 only focused on the first two.

That led to a list of 22 teachers, most who had been convicted of crimes against children, who together have received about \$5.1 million above their own retirement contributions, interest included as of the end of 2014.

Convicted Teachers Receiving Pension Benefits

Name	Monthly	Contributions & Interest	Received	Difference
Malone, Jeanell M	\$1,242.30	\$74,991.63	\$108,274.37	\$33,282.74
Figley, Craig	\$3,111.99	\$177,693.84	\$214,577.72	\$36,883.88
Bone, William A	\$387.19	\$5,488.59	\$81,329.69	\$75,841.10
Maib, Kevin	\$2,175.69	\$112,193.11	\$218,772.58	\$106,579.47
Ball, John T	\$1,372.66	\$129,285.24	\$256,863.06	\$127,577.82
Castillo, Alfredo	\$577.80	\$20,288.71	\$156,429.79	\$136,141.08
Stiltner, Kirk Forrest	\$3,083.80	\$141,670.92	\$284,632.16	\$142,961.24
Carrera, Ruben	\$3,244.83	\$144,284.19	\$301,313.46	\$157,029.27
Gordon, Douglas E	\$1,760.16	\$92,599.20	\$262,471.94	\$169,872.74
Loftus, Christopher	\$1,765.69	\$93,634.56	\$281,168.82	\$187,534.26
McDonald, Alan D	\$2,782.30	\$192,853.05	\$393,178.65	\$200,325.60
Hill, Laurence E "Shayne"	\$2,629.35	\$125,902.87	\$334,471.03	\$208,568.16
Deming, James Randolph	\$2,936.99	\$115,356.85	\$347,391.46	\$232,034.61
Stritmatter, Ande R	\$2,056.35	\$108,626.86	\$431,804.48	\$323,177.62
Anderson, David Lloyd	\$2,042.05	\$97,249.05	\$449,280.15	\$352,031.10
Mainger, Roy W	\$1,979.23	\$96,885.18	\$451,924.68	\$355,039.50
Altheide, Jerome B	\$1,913.59	\$105,952.83	\$462,685.73	\$356,732.90
Pierson, Larry	\$3,539.41	\$130,627.14	\$488,438.58	\$357,811.44
Norman Standley	\$2,042.29	\$85,055.36	\$455,932.72	\$370,877.36
Ellwanger, Charles	\$1,532.25	\$24,213.10	\$426,010.78	\$401,797.68
Stacy, Kenneth	\$2,164.95	\$104,560.02	\$508,168.12	\$403,608.10
Pickerel, William B	\$3,086.60	\$114,971.38	\$571,878.63	\$456,907.25

That's about \$236,027.95 on average per person.

The list includes people like Norman Standley, David Lloyd Anderson, William Pickerel, Ruben Carrera, Alfredo Castillo and Ande Stritmatter, who were all found guilty of child molestation, Larry Pierson who was found guilty of assault with sexual motivation, Craig Figley who is serving a life sentence for molesting children and Christopher Loftus who was convicted of child rape.

In one specific example, KING 5 looked at the records for Laurence "Shayne" Hill. Hill was convicted on multiple counts of child molestation in King County in 2005 after he admitted to molesting his 10-year-old and 11-year-old students.

By the end of last year, Hill had received about \$334,471.03 from the state retirement system; just over \$208,568.16 was money above and beyond what Hill contributed into his own retirement, interest included.

"What! It's that gut reaction of, 'Oh, my gosh!' This person is in prison for this and they are receiving several thousand dollars a month? What?!" exclaimed Anne Marie Gurney, a researcher with the Freedom Foundation, a conservative policy group in Washington state.

Gurney contacted KING 5 with concerns about the state's pension laws.

"To a certain degree, we need to protect our taxpayers," Gurney said.

At least 25 states, including Alaska, California, and Arizona, have pension forfeiture laws, in other words public employees and/or elected officials convicted of a crime lose at least some aspect of their taxpayer funded retirements.

Washington does not have a pension forfeiture law.

"I really think that probably it has never really come to the surface," said State Senator Barbara Bailey, R-Oak Harbor.

Bailey is the chair of the Select Committee on Pension Policy.

"I would agree, you know some things are so egregious you really can't understand how these things can happen," Bailey said regarding teachers who have committed crimes against children and are still receiving a pension.

Bailey said she'd consider whether public employees who commit a crime should be required to forfeit a portion of their pension, for instance to help pay for incarceration costs.

"I think that is only fair, and I think taxpayers would agree," Bailey said.

Rep. Timm Ormsby, D-Spokane, said he would be open to considering some kind of pension forfeiture law for future hires, but he would want to make sure whatever penalty was imposed only negatively impacted the person who committed the crime and not his or her dependents.

"I would fight it," said Kit Raney, President of the Washington Teacher's Association-Retired. She represents the interests of retired teachers.

"So, this is just pure noise and a non-issue as far as I'm concerned," Raney said.

Raney said she doesn't believe teachers should lose their pensions under any circumstance.

"If a worker commits a crime, it is handled by the legal system. The trial, the conviction is part of the legal system. It is totally separate from the pension system, which they contributed to and earned throughout their career. It's apples and oranges," Raney said.

Raney accused the Freedom Foundation of being anti-teacher and anti-pension.

Gurney said the issue is not teachers or their pensions, but creating the legal room for taxpayers to have a choice.

"I think taxpayers should have a choice if they are going to fund the pension of hardened criminals," Gurney said.

Any new legislation would be met with by lot of resistance.

For now, Senator Bailey said she's studying her options and the earliest she would propose a bill would be next year.



Pension Garnishment

Initial Consideration
July 22, 2015

Overview

- Interest in garnishing or forfeiting public pensions of convicted public employees arises periodically
- Most recent interest
 - Evergreen Freedom Foundation Press Release
 - King 5 story [[Video](#)]

Issue

- Should additional exceptions be made to the general prohibition against pension garnishment?

Policy Against Garnishment

- LEOFF Plan 2 pensions are generally exempt from garnishment or “...any process of law whatsoever.”
 - All Washington public plans have similar provision
 - IRS requirement
 - ERISA requirement
- Consistent with policy: “...ensure benefits actually reach the beneficiary.”
 - Purpose in LEOFF is to “provide for employees and their dependents.”

Recent Court and Legislative Action

- Anthis v. Copland (2012):
 - Horrific facts
 - Washington Supreme Court allowed garnishing bank account
 - Legislature reversed decision

Exceptions

- Anti-alienation statute allows partial garnishment for:
 - Child support
 - Division of community property
 - Federal Court orders, i.e. tax liens
- Consistent with policy to use LEOFF pension to provide for dependents

Garnishment for Restitution

- Criminal code allows pension garnishment for:
 - Costs of incarceration
 - Restitution for bodily injury
 - Restitution for loss of property;
 - Support of the victim of child rape if the victim becomes pregnant
 - Any case where the victim is entitled to compensation under the crime victim's compensation act, chapter 7.68 RCW

Garnishment for Restitution

- Possible ambiguity in interaction of criminal statute (RCW 9.94A.753) with LEOFF anti-alienation statute (RCW 41.26.053) – neither cross-references the other

Recent Legislative Action

- Following Anthis, the Governor asked SCPP to study other options allowing garnishment
- SCPP studied issue
- Tax Counsel advice:
 - IRS authorizes garnishing pensions to pay federally ordered fines or restitution
 - Tax counsel advised IRS would probably not object to similar garnishment provisions in state law

Recent Legislative Action

- **SB 6076**
 - Allows garnishment of up to 50% of pension for convicted retiree
 - Limited to restitution for costs of incarceration
 - Limited to convictions on or after July 1, 2015
 - Public hearing, but no vote

Options

- Clarify interaction of Chapter 9.94A and the LEOFF Act
- Consider amending LEOFF anti-alienation statute to include more exceptions
- Take no action at this time

Questions?

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Pension Forfeiture

Report Type:

Initial Consideration

Date Presented:

7/22/2015

Presenter Name and Title:

Paul Neal, Senior Research and Policy Manager

Summary:

Review of policies for and against pension forfeiture following criminal conviction, including review of forfeiture provisions from other states.

Strategic Linkage:

This item supports the following Strategic Priority Goals:
Inform the stakeholders.

ATTACHMENTS:

Description	Type
 Forfeiture initial report	Report
 Forfeiture initial presentation	Report



July 22, 2015

Pension Forfeiture

INITIAL CONSIDERATION

By Paul Neal
Senior Research & Policy Manager
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ISSUE STATEMENT

Should LEOFF Plan 2 members convicted of a crime related to their public duties forfeit their pensions?

OVERVIEW

Twenty-six states allow forfeiture of public pensions upon conviction of a crime related to public duties. Previous forfeiture bills introduced in Washington have not passed. Most recently, the Senate held a hearing on SB 6077, which would require pension forfeiture for members convicted of a felony committed related to his or her public employment. The committee did not bring the bill to a vote, in part, to give the Select Committee on Pension Policy and the LEOFF Plan 2 Board an opportunity to consider the issue.

Washington's Constitution, the Federal Constitution, and state statutes all include strong policies against forfeiture. However, concerns are raised when public employees convicted of crimes committed in the course of their duties receive public pension benefits. A recent King 5 report identified 22 teachers convicted of crimes including sexual abuse of students who continue drawing a pension.

This report will:

- Identify and compare policies for and against forfeiture
- Examine other state's approaches to public pension forfeiture
- Seek direction from the Board on further action, if any

BACKGROUND & POLICY ISSUES

Policies Favoring Forfeiture

Washington has a long standing policy that "...a criminal acquires no property rights in the fruits of his crime." An example is "slayer statutes" prohibiting a murderer from inheriting property

from the deceased. “It follows, therefore, as a general rule in such cases that, since no property is lawfully acquired by the crime, there is nothing to be forfeited on conviction for it.”¹

Based on this rule, slayers or abusers cannot receive public pension survivor benefits accrued by their victim.² A similar rationale supports laws in other states allowing forfeiture of public pensions for persons convicted of a crime.

Governing magazine reviewed public pension forfeiture laws in all 50 states (see Appendix A). It found 26 states with pension forfeiture laws which were often enacted after conviction of a public official or employee, such as the recent child sex abuse conviction of former Penn State assistant coach Jerry Sandusky. Ron Snell, senior fellow at the National Conference of State Legislatures (NCSL), stated in Governing:

“If there's a high-profile case, and it looks like somebody who's committed a dastardly crime is now going to be supported in his or her old age at the expense of the taxpayer, people take a look at that. In the years that I've been looking at this, I can't spot any trend other than that.”

It was such a case which led to the introduction of SB 6077 (see Appendix B) and the subsequent public hearing. King 5 ran a story in February 2015, *State Spends Millions on Convicted Teacher Retirements* (See Appendix C), about teachers convicted of sex offenses against students who were still receiving pensions.

The King 5 story included a table, reproduced in part below, dividing total pensions received by convicted teachers between the amount of their contributions plus interest and the amount coming from other sources, identified as the “difference.” The implication is that difference is paid by taxpayers.

Name	Monthly Pension	Contributions & Interest	Received	Difference
Malone, Jeanell M	\$1,242.30	\$74,991.63	\$108,274.37	\$33,282.74
Figley, Craig	\$3,111.99	\$177,693.84	\$214,577.72	\$36,883.88
Bone, William A	\$387.19	\$5,488.59	\$81,329.69	\$75,841.10
Maib, Kevin	\$2,175.69	\$112,193.11	\$218,772.58	\$106,579.47
Ball, John T	\$1,372.66	\$129,285.24	\$256,863.06	\$127,577.82
Castillo, Alfredo	\$577.80	\$20,288.71	\$156,429.79	\$136,141.08

¹ " Leonard v. Seattle 81 Wn.2d 479, 488 (1972)

² RCW 41.04.273

Policies Against Forfeiture

Constitutional Forfeiture Prohibition

Both the Federal and State Constitutions prohibit forfeiture. In the Federal Constitution, the prohibition was a rejection of centuries of English law punishing a person found guilty of treason or other felony by forfeiting all their property to the Crown (forfeiture) and denying their heirs any inheritance (corruption of blood). This law originally flowed from the feudal concept that all title was held by the nobility, and anything owned by others was by a grant from the Lord, in exchange for continued service or fealty. Persons committing treason or some other felony broke that bargain justifying forfeiture of property and reversion back to the Noble.

By the time of the American Revolution, this law was sometimes used in Great Britain to destroy political enemies, convicting them on trumped up charges and ruining them and their heirs. The Constitution's authors saw this an example of the English tyranny they had rebelled against, and included the following clause in the Constitution:

The Congress shall have Power to declare the Punishment of Treason, but no Attainder of Treason shall work Corruption of Blood, or Forfeiture except during the Life of the Person attainted.³

A similar, though broader, prohibition was included in the Washington State Constitution, Article. 1, § 15:

No conviction shall work corruption of blood, nor forfeiture of estate.

Past Washington forfeiture statutes have been invalidated. The pre-LEOFF municipal police fire system (chapter 41.20 RCW) includes this forfeiture provision⁴:

Whenever any person who shall have received any benefit from said fund shall be convicted of any felony, or shall become an habitual drunkard, ...such pension or allowance that may have been granted to such person shall immediately cease, and such person shall receive no further pension or allowance or benefit under this chapter...

The Court struck down this statute in *Leonard v. Seattle*, 81 Wn.2d 479 (1972).

In *Leonard*, a former Seattle police officer was convicted of unlawful possession of an unregistered machine gun four years after retiring. The pension Board forfeited his pension and he sued claiming a constitutional violation. The Court agreed, ruling the statute violated the forfeiture clause. It came to the conclusion in part because the offense had been committed

³ U.S. Const. art. 3, § 3, clause 2.

⁴ RCW 41.20.110.

after retirement, having no connection with Leonard's actions as a police officer. The opinion suggested a member committing a crime in the course of his or her employment arguably does not lawfully acquire title to a pension, and it could potentially be forfeited without violating the Constitution.

Statutory Forfeiture Provisions

All of Washington's public pension systems, including LEOFF, prohibit forfeiture of pension benefits, see for example RCW 41.26.053. The protection of pensions from forfeiture embody the bedrock pension policy of anti-alienation.

Possibly based on the *Leonard* decision's discussion that a benefit might be withheld if the criminal act were committed while on duty, the law does allow forfeiture of the right to a disability benefit "if the disability is the result of criminal conduct by the member."⁵

Policy Considerations

Governing magazine discussed forfeiture policy with Keith Brainard, research director for the National Association of State Retirement Administrators (NASRA). He concludes that there is also a policy question at play with pension forfeitures:

Are pensions gifts from the states, which can be rightly revoked for criminal behavior? Or are they earned elements of an employee's compensation, which are not subject to be annulled for any reason? After all, most convicted criminals don't typically lose their property as part of their sentence, Brainard said. Should the families of those convicted "be punished... because of something they had no control over?" Snell asked rhetorically. "Normally, an employer wouldn't and probably couldn't go claim back wages that were paid," Brainard explained, "and pension benefits are part of compensation just as much as wages."

Further arguments against forfeiture were raised during the hearing on SB 6077 and a second bill proposing pension garnishment, SB 6076. Crime victim advocates expressed concerns that forfeiting or otherwise alienating the convicted person's pension would take away a source of recompense from crime victims as well as support for innocent family members.

⁵ See RCW 41.26.061 (LEOFF); RCW 41.32.054 (TRS); and RCW 41.40.054 (PERS).

Forfeiture Provisions

Laws of Other States

Twenty-six of the 50 states have public pension forfeiture laws. These laws take different approaches to pension forfeiture, as outlined below. For a summary of these provisions by State see Appendix A.

- **To Whom the Statutes Apply.** Most pension statutes apply to all members of the retirement system. Some, however, limit their coverage to specific classes of employees such as judges or police officers.
- **Offenses Triggering Pension Forfeiture.** Different statutes provide for forfeiture for:
 - Any felony conviction
 - Conviction for a felony “related to” the employee’s official duties
 - Conviction of certain enumerated offenses
 - Conviction of crime violating the public trust
 - Refusal to testify on matters relating to public duties
- **Full vs. Partial Forfeiture.** States differ on the extent of forfeiture:
 - Full forfeiture
 - Refund of employee contributions, either with or without interest, with forfeiture of any other benefit
 - Forfeiture limited to restitution to state for losses incurred by employee’s criminal behavior
 - Garnishment to pay fines resulting from criminal act
- **Mandatory vs. Discretionary Forfeiture.** Some states require mandatory forfeiture upon conviction, while others allow some or all of pension to be preserved. Still others give decision makers discretion to continue the pension, at least partially, to allow for:
 - Support of dependents
 - Consideration of mitigating factors such as:
 - Employee’s length of service
 - Extent of vesting
 - Nature and gravity of offense, such as ongoing pattern of corruption vs. fixing one ticket
 - Availability and adequacy of other penal sanctions

Senate Proposal in SB 6077

SB 6077, as proposed and heard by the Senate, proposed the following forfeiture provisions:

- Applies to all members of a public retirement system
- Triggered if crime committed in the course of, or related to, public employment
- Employee entitled to refund of contributions without interest, less any benefits received
- All or part of forfeited pension could be awarded to spouse, former spouse, or a dependent. SB 6077 includes a list of factors for the Court to consider in deciding whether to make such an award

- Mandatory forfeiture upon conviction of a felony, including conviction pursuant to nolo contendere (non-contested) plea
- Bill would apply to felonies committed after effective date of the bill

Possible Future Action

In deciding whether to move forward on this issue, it may be helpful for the Board to consider the threshold issue of whether it believes pension forfeiture in Washington is good policy. If so the Board could direct staff to bring back options for implementing pension forfeiture.

SUPPORTING INFORMATION

Appendix A: *Scandals Spur Action on Pension Forfeitures* by Dylan Scott in Governing, February 29, 2015

Appendix B: Senate Bill 6077 - AN ACT Relating to the forfeiture of the pension of a public employee convicted of a felony for misconduct associated with such person's service as a public employee

Appendix C: *State Spends Millions on Convicted Teacher Retirements* Danielle Leigh, King 5 news, February 23, 2015

APPENDIX A: GOVERNING REPORT ON FORFEITURE.

Scandals Spur Action on Pension Forfeitures

BY: [Dylan Scott](#) | February 29, 2012

Jerry Sandusky, the former Penn State assistant football coach who has been accused of molesting young boys, some while he was employed by the university, received nearly \$150,000 when he retired in 1999 and continues to receive monthly payments adding up to a \$58,898 annual pension, according to the (Harrisburg, Pa.) [Patriot-News](#). Gary Schultz, former Penn State interim senior vice president of finance and business who has been accused of not reporting child sexual abuse as well as perjury, has received nearly \$331,000 annually since retiring in 2009 and collected a lump sum of more than \$420,000 upon his retirement, according to the *Patriot-News*.

But, in a strange twist, it is more certain that Schultz will lose his public pension than Sandusky if both are convicted of what they are accused of. Pennsylvania law stipulates particular crimes for which a public employee can lose his or her pension, which are [listed](#) by the Pennsylvania State Employees' Retirement System. Perjury is one of them. The various crimes related to sexual abuse of which Sandusky is accused, more than 50, are not. Heather Tyler, a spokesperson for the retirement system, told *Governing* each case is reviewed after its completion to determine whether an employee's pension should be revoked, noting that the pension board has "no discretion in applying the law."

In the wake of the Sandusky scandal and amid the general push toward pension reform, *Governing* decided to take a look at pension forfeiture laws across the country. According to research by *Governing* staff, 25 states have some kind of pension forfeiture provision related to committed crimes, while 25 states plus the District of Columbia do not.

Some might find the idea repulsive: A public official alleged of committing or convicted of a crime could collect a [pension](#) check at the expense of taxpayers. California Gov. Jerry Brown is among them: as part of his pension reform package introduced this month, he has proposed revoking the pensions of public employees who are convicted of a felony related to their public duties, according to the [Los Angeles Times](#), in part because of his anger over the Bell, Calif. corruption case. California already has a law addressing the pensions of elected public officials if they commit a felony.

The laws vary widely from state to state. Some require forfeiture for felonies; others open it to misdemeanors as well. In some, like Pennsylvania, specific crimes are listed for which a public employee can lose his or her pension. But in others, the state law stipulates more generally that pensions can be revoked for any crimes related to official duties. Most have statutes in the state code. South Dakota has administrative rules in place for its pension board.

Policies in some states, such as Idaho, Indiana and Colorado, allow only for public pensions to be used to pay for restitution in a criminal case, rather than outright revoked. For *Governing's* purposes, those laws were not considered full pension forfeiture policies, as an employee would continue to receive their pension outside what they are required to reimburse. Laws in a few states, including Texas and New Mexico, that cover only judicial officers were not counted, as they exclude the vast majority of public employees and officials. Statutes that revoke a pension only if a beneficiary causes the death or disability of a pension plan member, such as in Minnesota and Montana, were also not included.

'Headline Risk'

Despite the scrutiny that public pensions are under, neither Keith Brainard, research director for the National Association of State Retirement Administrators (NASRA), nor Ron Snell, senior fellow at the National Conference of State Legislatures (NCSL), believes pension forfeitures would typically be part of broader pension reform. Instead, state policies are usually developed as reactions to high-profile scandals, such as the cases at Penn State and in California. The absence of a policy is largely a "headline risk," as Brainard calls it, rather than a "fiscal or actuary risk."

In Pennsylvania, state lawmakers are aiming to pass legislation that would add sex crimes against children to the list of crimes for which a pension can be revoked, the [Philadelphia Daily News](#) reported last November. Bills had been introduced this summer, the result of a [Daily News report in July](#) that former Philadelphia police officers convicted of child sexual abuse were still collecting city pensions, but gained renewed relevance after Sandusky's indictment on Nov. 4.

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No bill has come to a vote, though. State Rep. Brendan Boyle, who introduced [one of the bills](#), told *Governing* that he sent a letter to state Rep. Daryl Metcalfe, chairman of the House State Government Committee, asking for a hearing on his legislation, but nothing has been scheduled as of Feb. 29. Boyle admits "there is a certain amount of inertia" for any bill. "Other things are competing for time on the agenda," Boyle said. With other issues such as redistricting occupying the legislature's time, he acknowledged that it has been difficult to galvanize interest and support for his bill.

As in Pennsylvania, other historical examples show that pension forfeiture legislation is often proposed in response to a headline-attracting controversy. Tennessee's pension forfeiture policy has undergone an evolution when state lawmakers encountered new circumstances that weren't covered in previous incarnations of the law. The first law, effective in 1982, was adopted in response to a scandal involving former Gov. Ray Blanton, who was convicted of selling liquor licenses, according to a 2006 article in *The Tennessean*. It revoked pensions for state officials who were convicted of a felony in a state court. A second law was passed in 1993 after former county circuit judge David Lanier was convicted of federal sexual harassment charges, *The Tennessean* reported, adding federal crimes to the list of reasons for which a pension could be revoked.

After Operation Tennessee Waltz in 2005, in which seven state legislators, some longstanding politicians who took office before the 1982 law was instituted, were convicted on corruption charges, legislators approved yet another forfeiture law. It established that elected public officials, elected or re-elected in 2006 and after, consent to the state's pension forfeiture policies each time they are re-elected -- regardless of their original entry date into office.

One of the most high-profile corruption stings at the time -- Operation Boptrout -- led to the Kentucky Legislature to update its pension forfeiture laws, which had covered only hired employees since 1956. As the result of a federal investigation that concluded in 1993, 15 state legislators, along with lobbyists and public officials, were convicted of crimes such as bribery, extortion, fraud and racketeering, according to the *New York Times*. The state statute, effective in 1993, demanded forfeiture of pension benefits if a legislator or former legislator is convicted of a felony related to their official duties.

Connecticut lawmakers scrambled to find a way to prevent former Gov. John Rowland, convicted in 2004 of selling access to his office for personal gain, from receiving the \$50,000 annual pension to which he was entitled when he turned 55, the *Hartford Courant* reported in April 2008. A new law was adopted in October 2008, requiring the state attorney general to request a court order to have the pension rescinded. However, it was too late to revoke Rowland's pension; Constitutional law is routinely interpreted to prohibit laws being applied retroactively, NCSL's Snell said.

But in the case of former Illinois Gov. Rod Blagojevich, convicted on 18 counts of corruption last year, a statute was already in place to ensure he wouldn't receive any of the \$65,000 annual pension he had earned as governor, the *Associated Press* reported. Tim Blair, executive secretary for the state retirement system, told *Governing* that Illinois's pension forfeiture policy went into effect on July 9, 1955, making it one of the oldest on record in a state that had endured several corruption scandals prior to the 1950's. But Blagojevich would be entitled, under state law, to the \$129,000 that he paid into the state retirement system.

"If there's a high-profile case, and it looks like somebody who's committed a dastardly crime is now going to be supported in his or her old age at the expense of the taxpayer, people take a look at that," Snell said. "In the years that I've been looking at this, I can't spot any trend other than that."

'It's Not A Burning Issue'

Why do some states not have pension forfeiture laws? The reasons are difficult to pinpoint, and no conclusive research has been conducted. But situations in New York and Washington might provide some insight. Following a string of corruption scandals, the *Seattle Times* floated the possibility of a state pension forfeiture law in an [extensive article](#) on Washington's lack of a policy published in 1993. When asked about his organization's stance on the theoretical legislation, Mike Patrick, then-executive director of the Washington State Council of Police Officers, told the *Times* that his organization would fight such a policy. Legislation was proposed later in 1993, according to the *Times*, but didn't pass. As of 2012, Washington state still has no pension forfeiture policy.

In New York, pension forfeiture legislation was introduced annually from 1988 to 1992, *Newsday* reported in 1994, but never moved past the committee stage. "It's not a burning issue up here," an aide to then-state

Sen. Caesar Trunzo, who repeatedly sponsored the proposals, told the newspaper. Police unions voiced firm opposition to the bills and lobbied against them, according to *Newsday*. "If I spend 18 or 19 years serving the public and commit one indiscretion, I shouldn't be penalized for a life's work," Kenneth Long, chairman for the legislative committee of the Metropolitan Police Conference of New York State, told the newspaper.

Current New York Gov. Andrew Cuomo successfully passed a pension forfeiture law as part of an ethics reform package last year. It will target select public officials who commit felonies, but only new plan members will be affected by the law.

Generally speaking, public employee unions don't fret over pension forfeiture policies, Steven Kreisberg, director of collective bargaining at the American Federation of State, County and Municipal Employees (AFSCME), told *Governing*. Firstly, instances of pension forfeiture are exceedingly rare, Kreisberg said, and it hasn't been a focal point of reform. AFSCME does favor certain policies, though, Kreisberg added, particularly those that give the judicial system the discretion to decide whether or not a pension should be revoked -- as opposed to a policy with "blanket application." Arizona, for instance, gives courts leeway in how much of a pension is rescinded. Connecticut requires the state attorney general to request a court order that a pension be revoked following a conviction, leaving the decision ultimately to a judge.

'The Public's Right to Conscientious Service'

NASRA's Brainard told *Governing* that there is also an interesting philosophical question at play with pension forfeitures. Are pensions gifts from the states, which can be rightly revoked for criminal behavior? Or are they earned elements of an employee's compensation, which are not subject to be annulled for any reason? After all, most convicted criminals don't typically lose their property as part of their sentence, Brainard said. Should the families of those convicted "be punished... because of something they had no control over?" Snell asked rhetorically.

"Normally, an employer wouldn't and probably couldn't go claim back wages that were paid," Brainard explained, "and pension benefits are part of compensation just as much as wages."

The Illinois Supreme Court provided an answer of sorts in a ruling concerning the state's pension forfeiture law. In declaring that the state pension board had a right to revoke former Gov. Otto Kerner's pension after his conviction of several federal felonies that took place while he was in office, Justice Robert Underwood wrote in 1978 that the pension forfeiture statute was designed for the purpose of ensuring "the public's right to conscientious service from those in governmental positions."

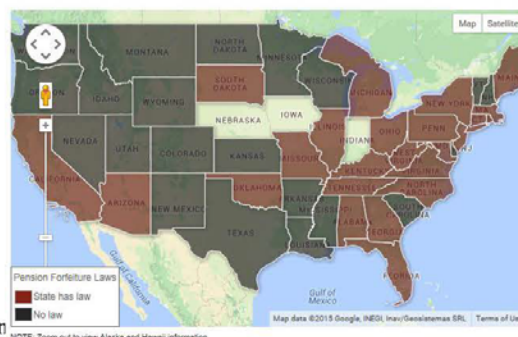
As Pennsylvania continues to confront the same issue more than 30 years later, Rep. Boyle expressed a similar sentiment.

"In light of all the attention that public pensions have received and the tight financial situation that we're facing, it's incumbent on us to ensure that the most egregious offenders don't receive public pensions," he said.

UPDATE: Maine Gov. Paul LePage signed a pension forfeiture bill into law on April 9, 2012. Alabama Gov. Robert Bentley signed a pension forfeiture bill into law on May 15, 2012. Story and map have been updated to reflect change.

Caroline Cournoyer, Kathy Gambrell, Derek Quizon and Tina Trenkner assisted in researching this story. Map by Mike Maciag.

State Pension Forfeiture Laws



<http://www.governing.com>

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Pension Forfeiture Laws	
<input type="checkbox"/>	State has law
<input type="checkbox"/>	No law

NOTE: Zoom out to view Alaska and Hawaii information

State	Code	Description
Alabama	SB 213	Pensions of public employees and officials can be revoked for conviction of felony related to public duties.
Alaska	AS 37.10.310	Pensions of public officers, legislators and legislative directors can be revoked if convicted of any crime in connection with official duties; may award forfeited pension to a spouse, dependent, or former spouse.
Arizona	13-713	Pensions of public employees and officials can be revoked for conviction of any felony related to official duties.
California	AB 1044, Chapter 322, Statutes of 2005	Pensions of elected public officials can be revoked for conviction of any felony relating to official duties.
Connecticut	Chapter 11a Sec. 1-110	Pensions of public officials and employees can be revoked for conviction of any crime relating to official duties.
Florida	FRS 112.3173.	Pensions of public officials and employees can be revoked for conviction of any felony involving a "breach of public trust."
Georgia	47-1-21	Pensions can be revoked for public employees and officials convicted of any crime related to official duties.
Illinois	ILCS 40 5/2-156	Pensions of public employees and officials can be revoked for conviction of any felony related to official duties. Trustees of individual pension fund make final decision after conviction.
Kentucky	KS161.470	Pensions of public employees and officials can be revoked for conviction of any felony related to official duties.
Maine	Sec. 12 MRSA 17062	Pension of public employees and officials can be revoked for conviction of crime related to official duties.
Maryland	Joint Resolution 4 of 2010	Pensions of state legislators can be revoked for conviction of any felony committed while in office or a misdemeanor related to a member's official duties and responsibilities.
Massachusetts	Title IV, Chapter 32, Section 15	Pensions of plan members can be revoked for conviction of any criminal offense related to official duties.
Michigan	MCL 800.401; MCL 38.2701	Pensions can be withheld to pay for cost of incarceration. Court may withhold pensions of employees convicted of any felony arising from official duties.
Missouri	104.1084.8	

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		Pensions of state legislators or statewide elected officials can be revoked for conviction of any felony related to official duties.
New Jersey	43:1-3.1	Pensions of public officials and employees can be revoked for conviction of any crime related to their public service.
New York	Article 3-B of Retirement and Social Security Law	Pensions of certain public officials and employees can be revoked for conviction of certain felonies related to public service.
North Carolina	135-18.10	Pensions of public employees and officials can be revoked for conviction of specific list of felonies.
Ohio	2929.192	Pensions of public officials and employees can be revoked for conviction of specific list of felonies during time of public service.
Oklahoma	51-24.1	Pensions of public officials and employees can be revoked for conviction of any felony during time of public service.
Pennsylvania	Act 140	Pensions for public officials and employees can be revoked for conviction of specific list of crimes.
Rhode Island	36-10.1-3	Pensions of public officials or employees can be revoked for conviction of any crime related to official duties.
South Dakota	20:16:15:28	Administrative rule dictates pension must be forfeited if member is convicted of any crime involving embezzlement for pension commission funds or property.
Tennessee	8-35-124	Pensions of public employees can be revoked if convicted of any crime related to official duties in either state or federal court.
Virginia	51.1-124.13	Pensions of public officials can be revoked for conviction of any felony in association with the performance of public duties.
West Virginia	5-10-A-1	Pensions of public officials or employees can be revoked if service is deemed "less than honorable."

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APPENDIX B – SENATE FORFEITURE PROPOSAL SB 6077

SENATE BILL 6077

State of Washington 64th Legislature 2015 Regular Session

By Senators Bailey, Litzow, Benton, Baumgartner, Sheldon, Becker,
Angel, Schoesler, Hewitt, Miloscia, Braun, and Fain

Read first time 03/04/15. Referred to Committee on Ways & Means.

1 AN ACT Relating to the forfeiture of the pension of a public
2 employee convicted of a felony for misconduct associated with such
3 person's service as a public employee; adding a new section to
4 chapter 41.04 RCW; and prescribing penalties.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04
7 RCW to read as follows:

8 (1) Notwithstanding any other law, if a member of a state
9 retirement system or plan listed in RCW 41.50.030 is convicted of or
10 pleads guilty or nolo contendere to an offense that is a class 1, 2,
11 3, 4, or 5 felony that was committed in the course of, or was related
12 to, the member's employment, as a public official or public employee,
13 the court shall order the person's membership terminated and the
14 person shall forfeit all rights and benefits earned under the state
15 retirement system or plan. A member who forfeits all rights and
16 benefits earned pursuant to this section is entitled to receive, in a
17 lump sum amount, the member's contribution to the state retirement
18 system or plan without interest, less any benefits already received.

19 (2) An order forfeiting a member's benefits on conviction of an
20 offense listed in subsection (1) of this section shall not be stayed
21 on the filing of any appeal of the conviction. While an appeal of the

1 conviction is being adjudicated and until a final judgment is issued,
2 the department of retirement systems shall suspend payments to the
3 member and hold the assets in trust. If the conviction is reversed on
4 final judgment, no rights or benefits shall be forfeited.

5 (3) Notwithstanding subsection (1) of this section, the court may
6 award to a spouse, dependent, or former spouse of a member who is
7 subject to subsection (1) of this section some or all of the amount
8 that was forfeited under subsection (1) of this section. The award
9 under this subsection shall not require the department of retirement
10 systems to provide any type, form, or time of payment of survivor or
11 retirement benefits or any survivor or retirement benefit option that
12 is not provided by the laws governing the state retirement system or
13 plan from which the award is being made.

14 (4) In determining whether to make an award under subsection (3)
15 of this section, the judge shall consider the totality of
16 circumstances, including:

17 (a) The role, if any, of the person's spouse, dependent, or
18 former spouse in connection with the illegal conduct for which the
19 person was convicted;

20 (b) The degree of knowledge, if any, possessed by the person's
21 spouse, dependent, or former spouse in connection with the illegal
22 conduct for which the person was convicted;

23 (c) The community property nature of the benefits involved; and
24 (d) The extent to which the person's spouse, dependent, or former
25 spouse was relying on the forfeited benefits.

26 (5) The court shall provide a copy of the order of forfeiture to
27 the department of retirement systems.

28 (6) This section applies only to members who commit a felony
29 after the effective date of this section.

--- END ---

State spends millions on convicted teachers retirements

They were supposed to teach our kids, but instead many of these teachers victimized them. Now they're retired and getting monthly checks with the help of your tax dollars. Danielle Leigh reports.

Danielle Leigh, KING 5 News 7:49 p.m. PST February 23, 2015

In Washington, public employees who commit a crime don't lose their taxpayer guaranteed retirements, and teachers can earn the right to a lifetime retirement after working for as little as five years.



In Washington, public employees who commit a crime don't lose their taxpayer guaranteed retirements, and teachers can earn the right to a lifetime retirement after working for as little as five years.

KING 5 asked the state for a list of all the teachers who have had their Washington teaching license revoked and compared that list to a list of all the public employees receiving a pension.

The state has multiple retirement plans for teachers. Two of them would be considered a traditional pension plan, the third includes a private component. KING 5 only focused on the first two.

That led to a list of 22 teachers, most who had been convicted of crimes against children, who together have received about \$5.1 million above their own retirement contributions, interest included as of the end of 2014.

Convicted Teachers Receiving Pension Benefits

Name	Monthly	Contributions & Interest	Received	Difference
Malone, Jeanell M	\$1,242.30	\$74,991.63	\$108,274.37	\$33,282.74
Figley, Craig	\$3,111.99	\$177,693.84	\$214,577.72	\$36,883.88
Bone, William A	\$387.19	\$5,488.59	\$81,329.69	\$75,841.10
Maib, Kevin	\$2,175.69	\$112,193.11	\$218,772.58	\$106,579.47
Ball, John T	\$1,372.66	\$129,285.24	\$256,863.06	\$127,577.82
Castillo, Alfredo	\$577.80	\$20,288.71	\$156,429.79	\$136,141.08
Stiltner, Kirk Forrest	\$3,083.80	\$141,670.92	\$284,632.16	\$142,961.24
Carrera, Ruben	\$3,244.83	\$144,284.19	\$301,313.46	\$157,029.27
Gordon, Douglas E	\$1,760.16	\$92,599.20	\$262,471.94	\$169,872.74
Loftus, Christopher	\$1,765.69	\$93,634.56	\$281,168.82	\$187,534.26
McDonald, Alan D	\$2,782.30	\$192,853.05	\$393,178.65	\$200,325.60
Hill, Laurence E "Shayne"	\$2,629.35	\$125,902.87	\$334,471.03	\$208,568.16
Deming, James Randolph	\$2,936.99	\$115,356.85	\$347,391.46	\$232,034.61
Stritmatter, Ande R	\$2,056.35	\$108,626.86	\$431,804.48	\$323,177.62
Anderson, David Lloyd	\$2,042.05	\$97,249.05	\$449,280.15	\$352,031.10
Mainger, Roy W	\$1,979.23	\$96,885.18	\$451,924.68	\$355,039.50
Altheide, Jerome B	\$1,913.59	\$105,952.83	\$462,685.73	\$356,732.90
Pierson, Larry	\$3,539.41	\$130,627.14	\$488,438.58	\$357,811.44
Norman Standley	\$2,042.29	\$85,055.36	\$455,932.72	\$370,877.36
Ellwanger, Charles	\$1,532.25	\$24,213.10	\$426,010.78	\$401,797.68
Stacy, Kenneth	\$2,164.95	\$104,560.02	\$508,168.12	\$403,608.10
Pickerel, William B	\$3,086.60	\$114,971.38	\$571,878.63	\$456,907.25

That's about \$236,027.95 on average per person.

The list includes people like Norman Standley, David Lloyd Anderson, William Pickerel, Ruben Carrera, Alfredo Castillo and Ande Stritmatter, who were all found guilty of child molestation, Larry Pierson who was found guilty of assault with sexual motivation, Craig Figley who is

serving a life sentence for molesting children and Christopher Loftus who was convicted of child rape.

In one specific example, KING 5 looked at the records for Laurence "Shayne" Hill. Hill was convicted on multiple counts of child molestation in King County in 2005 after he admitted to molesting his 10-year-old and 11-year-old students.

By the end of last year, Hill had received about \$334,471.03 from the state retirement system; just over \$208,568.16 was money above and beyond what Hill contributed into his own retirement, interest included.

"What! It's that gut reaction of, 'Oh, my gosh!' This person is in prison for this and they are receiving several thousand dollars a month? What?!" exclaimed Anne Marie Gurney, a researcher with the Freedom Foundation, a conservative policy group in Washington state.

Gurney contacted KING 5 with concerns about the state's pension laws.

"To a certain degree, we need to protect our taxpayers," Gurney said.

At least 25 states, including Alaska, California, and Arizona, have pension forfeiture laws, in other words public employees and/or elected officials convicted of a crime lose at least some aspect of their taxpayer funded retirements.

Washington does not have a pension forfeiture law.

"I really think that probably it has never really come to the surface," said State Senator Barbara Bailey, R-Oak Harbor.

Bailey is the chair of the Select Committee on Pension Policy.

"I would agree, you know some things are so egregious you really can't understand how these things can happen," Bailey said regarding teachers who have committed crimes against children and are still receiving a pension.

Bailey said she'd consider whether public employees who commit a crime should be required to forfeit a portion of their pension, for instance to help pay for incarceration costs.

"I think that is only fair, and I think taxpayers would agree," Bailey said.

Rep. Timm Ormsby, D-Spokane, said he would be open to considering some kind of pension forfeiture law for future hires, but he would want to make sure whatever penalty was imposed only negatively impacted the person who committed the crime and not his or her dependents.

"I would fight it," said Kit Raney, President of the Washington Teacher's Association-Retired. She represents the interests of retired teachers.

"So, this is just pure noise and a non-issue as far as I'm concerned," Raney said.

Raney said she doesn't believe teachers should lose their pensions under any circumstance.

"If a worker commits a crime, it is handled by the legal system. The trial, the conviction is part of the legal system. It is totally separate from the pension system, which they contributed to and earned throughout their career. It's apples and oranges," Raney said.

Raney accused the Freedom Foundation of being anti-teacher and anti-pension.

Gurney said the issue is not teachers or their pensions, but creating the legal room for taxpayers to have a choice.

"I think taxpayers should have a choice if they are going to fund the pension of hardened criminals," Gurney said.

Any new legislation would be met with by lot of resistance.

For now, Senator Bailey said she's studying her options and the earliest she would propose a bill would be next year.



Pension Forfeiture

Initial Consideration

Issue

- **Should LEOFF Plan 2 members convicted of a crime related to their public duties forfeit their pensions?**

Background

- **SB 6077 proposed forfeiture of public employee pensions if the member is convicted of a felony related to their public duties**
- **26 states provide for forfeiture, 24 do not**
- **Issue raised in Washington by King 5 report in February 2015**

Policies Favoring Forfeiture

- **“(A) criminal acquires no property rights in the fruits of his crime” *Leonard v. Seattle* 81 Wn.2d 479 (1972)**
- **Slayer statute – RCW 41.04.273**
- **Response to high profile cases - King 5 article: *State Spends Millions on Convicted Teachers’ Retirements***

Policies Against Forfeiture

- **Constitutional and Statutory Provisions on Forfeiture:**
 - Federal Constitution prohibits forfeiture to punish treason
 - Washington Constitution prohibits forfeiture on account of any criminal conviction
 - *Leonard v. Seattle*, 81 Wn.2d 479 (1972)
 - RCW 41.25.053 prohibits forfeiture and most forms of garnishment

Policies Against Forfeiture

- **Pensions are protected to provide for retirees during their declining years - allowing forfeiture unravels that policy**
- **Taking away a pension deprives a person of benefits earned prior to the crime**
- **Forfeiting a pension can:**
 - Deprive crime victims of a source of restitution
 - Deprive innocent family members of support

Forfeiture Provisions Nationwide

- **Usually apply to all members, but some limit coverage to specific classes of employees such as judges or police officers**
- **Offenses Triggering Pension Forfeiture Differ by State**
 - Any felony conviction
 - Conviction for a felony “related to” the employee’s official duties
 - Conviction of certain enumerated offenses
 - Conviction of crime violating the public trust
 - Refusal to testify on matters relating to public duties

Forfeiture Provisions Nationwide

- **States differ on the extent of forfeiture:**
 - Full forfeiture
 - Refund of employee contributions, either with or without interest, with forfeiture of any other benefit
 - Forfeiture limited to restitution to state for losses incurred by employee's criminal behavior
 - Garnishment to pay fines resulting from criminal act
- **Some give discretion to continue the pension to allow, at least partially, for:**
 - Support of dependents
 - Consideration of mitigating factors

Senate Proposal SB 6077

- **SB 6077 proposed the following forfeiture provisions:**
 - Applies to all public retirement systems
 - Triggered if crime is related to their public duty
 - Refunds employee contributions without interest, less any benefits received
 - All or part of forfeited pension could be awarded to spouse, former spouse, or a dependent

Senate Proposal SB 6077 - Continued

- **SB 6077 proposed the following forfeiture provisions:**
 - Mandatory forfeiture upon conviction of a felony,
 - Bill would apply to felonies committed after effective date of the bill

Next Steps

- **Direct staff to provide further information and options**
- **Take no further action**

Questions?

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Final Legislative Update

Report Type:

Educational Briefing

Date Presented:

7/22/2015

Presenter Name and Title:

Ryan Frost, Research and Policy Manager

Summary:

Final update for 2015 legislative session

Strategic Linkage:

This item supports the following Strategic Priority Goals:
Inform the stakeholders.

ATTACHMENTS:

Description	Type
 Final Legislative Update	Presentation



2015 Legislative Update

July 22, 2015

Overview

Two items from the last update were pending:

- **Contribution Rates**
- **Benefit Improvement Account**

Final Legislative Action

- **Contribution rates were fully funded in the Legislature's final budget**
- **A \$15,776,000 payment was made into the Benefit Improvement Account from the LEOFF Plan 2 Trust**

Questions?

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Agenda Items for Future Meetings

Report Type:

Educational Briefing

Date Presented:

7/22/2015

Presenter Name and Title:

Steve Nelsen, Executive Director

Summary:

Agenda items for 2015

Strategic Linkage:

This item supports the following Strategic Priority Goals:
Inform the stakeholders.

ATTACHMENTS:

Description

Type

 [2015 Agenda Items Calendar](#)

Report



2015 AGENDA ITEMS CALENDAR

MEETING DATE	AGENDA ITEMS
January 28, 2015	2015 Legislative Update
February 25, 2015	2015 Legislative Update
March 25, 2015	2015 Legislative Update
April 22, 2015	2015 Legislative Update
May 27, 2015	2015 Legislative Review 2015 Interim Planning Supplemental Rate Adoption
June 24, 2015	Supplemental Rate Adoption Experience Study Timing – Lisa Won, OSA Retiree Purchase of Annuity Income Leveling Option Increasing Retirement Age Disaster Response Coverage Final Legislative Update
July 22, 2015	PEBB Access - Mary Fliss, HCA DRS Update, CEM Benchmarking – Mark Feldhausen, DRS & Jan Hartford, CEM Economic Experience Study Overview – Lisa Won, OSA Administrative Factors – Lisa Won, OSA Pension Garnishment Pension Forfeiture Individual Health Savings Accounts Final Legislative Update
August 26, 2015	
September 23, 2015	
October 28, 2015	
November 18, 2015	
December 16, 2015	