

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

## WSPRS Governance Preliminary Report

December 15, 2010

---

### 1. Issue

The State Patrol Troopers Association asked the LEOFF Plan 2 Retirement Board to study the governance of the Washington State Patrol Retirement System (WSPRS) and inclusion as part of the LEOFF Plan 2 Retirement Board.

### 2. Staff

Steve Nelsen, Executive Director  
(360) 586-2320  
Steve.Nelsen@leoff.wa.gov

### 3. Members Impacted

Washington State Patrol Retirement System (WSPRS) Plan 1 has 830 active members and 834 retirees. Washington State Patrol Retirement System (WSPRS) Plan 2 has 264 active members and 0 retirees.

### 4. Current Situation

Any employee of the Washington State Patrol (WSP), upon date of commissioning, is eligible to participate in the Washington State Patrol Retirement System (WSPRS) and starts contributing to the fund immediately. The Chief of the WSP is also a member of WSPRS. WSPRS Plan 1 includes members commissioned before January 1, 2003. WSPRS Plan 2 includes members commissioned on or after January 1, 2003.

The Select Committee on Pension Policy (SCPP) is currently responsible for governance of the Washington State Patrol Retirement System (WSPRS) Plans 1 and 2. The SCPP is also responsible for governance for the Public Employees Retirement System (PERS) Plans 1, 2 and 3, the Teachers Retirement System (TRS) Plans 1, 2 & 3, the School Employees Retirement System (SERS) Plans 2 & 3, the Public Safety Employees Retirement System (PSERS) Plan 2, the Law Enforcement Officers and Fire Fighters (LEOFF) Plan 1, the Judicial Retirement System (JRS) and the Judges Retirement System.

## 5. Background Information and Policy Issues

### Washington State Patrol Retirement System (WSPRS)

The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Any employee of the Washington State Patrol (WSP), upon date of commissioning, is eligible to participate in the Washington State Patrol Retirement System (WSPRS) and starts contributing to the fund immediately. The Chief of the WSP is also a member of WSPRS.

The WSPRS was created in 1947, and was the only state administered retirement system whose plan provisions was not altered or eliminated in the creation of plans 2 in other retirement systems (1977).

Several changes were made to the WSPRS during the 2001 legislative session. A second tier for new hires was created, and some changes were made to the benefit structure for current commissioned officers of the WSP. The changes for new members affected those commissioned officers hired on or after January 1, 2003. The new benefit tier is referred to as WSPRS Plan 2.

The Summary of Plan Provisions below shows some of the similarities and differences between the provisions of the WSPRS Plan 1, WSPRS Plan 2, and LEOFF Plan 2.

#### Summary of Plan Provisions<sup>1</sup>

BENEFIT	WSPRS 1	WSPRS 2	LEOFF 2
Normal Retirement (age/service)	Age 55 Any Age/ 25 YOS Mandatory at 65	Age 55 Any Age/ 25 YOS Mandatory at 65	Age 53/5 YOS
Early Retirement	n/a	n/a	Age 50/20 YOS, 3%/yr reduction
Vesting	5 years	5 years	5 years
Benefit Formula	2% x YOS x AFS; Maximum 75% AFS	2% x YOS x AFS; Maximum 75% AFS	2% x YOS x FAS;
AFS/FAS Computation	Highest consecutive two-year period of service	60 consecutive highest-paid service credit months.	60 consecutive highest-paid service credit months.

<sup>1</sup> This table is a summary of key benefit provisions. It is not a complete description of the law. The rules governing retirement benefits are contained in state retirement laws. Refer to RCW 41.26 and RCW 43.43. If there are any conflicts between what is in this summary and what is contained in the law, the current law will govern.

Salary Definition	Excludes any voluntary overtime, earned on or after July 1, 2001, fringe benefits, deferred annual sick leave	Excludes any voluntary overtime, lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, holiday pay, or any form of severance pay.	Excludes lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay
Benefit Options	<p><b>Option A Historic Option</b> Spouse receives either a monthly benefit equal to retirement benefit or a benefit equal to 50 percent of average final salary at the time of your retirement, whichever is less.</p> <p><b>Option B Actuarially Reduced Benefit Option</b> (Joint and 100 percent survivorship)</p>	<p><b>Actuarially Reduced Benefit Options</b></p> <ul style="list-style-type: none"> <li>• Standard Option</li> <li>• Joint and 100 percent survivorship</li> <li>• Joint and 50 percent survivorship</li> <li>• Joint and 66.67 percent survivorship</li> </ul>	<p><b>Actuarially Reduced Benefit Options</b></p> <ul style="list-style-type: none"> <li>• Standard Option</li> <li>• Joint and 100 percent survivorship</li> <li>• Joint and 50 percent survivorship</li> <li>• Joint and 66.67 percent survivorship</li> </ul>
Service Credit	One service credit month for each calendar month receiving salary for 70 or more hours.	One service credit month for each calendar month receiving salary for 70 or more hours.	<p>One service credit month for each calendar month receiving salary for 90 or more hours.</p> <p>One-half a service credit month for any month receiving salary for at least 70 hours but less than 90 hours.</p> <p>One-quarter service credit month for any month receiving salary for less than 70 hours.</p>
Military Service Credit	Interruptive (cost) Non-interruptive (no-cost)	Interruptive (no-cost)	Interruptive (no-cost)
Vested Benefits Upon Termination	Refund of employee contributions plus interest or deferred retirement allowance	Refund of employee contributions plus interest or deferred retirement allowance	Refund of employee contributions (x150% if 10 YOS) plus interest or deferred retirement allowance

Disability Retirement Benefits	50% comp with offsets, paid from WSPRS operational funds	50% comp with offsets, paid from WSPRS operational funds	<i>Non-Duty</i> : accrued benefit, actuarially reduced  <i>Occupational</i> : accrued benefit without actuarial reduction, min 10% of FAS  <i>Catastrophic</i> : 70% of FAS with offsets for SS and LNI, Max 100% of FAS.
COLA	Lesser of CPI or 3%	Lesser of CPI or 3%	Lesser of CPI or 3%
Portability	Yes	Yes	Yes
Contributions	Member 5.09% Employer 6.57%	Member 5.09% Employer 6.41%	Member 8.46% Employer 5.08% State 3.38%
Retiree Return Work	Same rules apply for WSPRS 1 and WSPRS 2	Benefits continue if: <ul style="list-style-type: none"> <li>Working for a private employer, or</li> <li>Working for a public employer not covered by any DRS-administered retirement systems, or</li> <li>Working for an employer covered by a DRS-administered retirement system other than WSPRS, or</li> <li>Performing work on a consulting basis for a DRS-covered employer, and your employment qualifies as a personal services contract.</li> </ul> Benefits suspended if: <ul style="list-style-type: none"> <li>Working in an eligible WSPRS commissioned position.</li> </ul>	Benefits continue if: <ul style="list-style-type: none"> <li>Working for a private employer, or</li> <li>Working for a public employer not covered by any DRS-administered retirement systems, or</li> <li>Working for an employer covered by PERS, PSERS, SERS or TRS, but your position is ineligible, or if the position is eligible not choosing membership in that system.</li> <li>Working as a fire fighter or law enforcement officer for a LEOFF employer, but position is not full-time or fully compensated.</li> </ul> Benefits suspended if: <ul style="list-style-type: none"> <li>Working in a full-time, fully compensated LEOFF position, or</li> <li>Working in a position that is eligible for (PERS), (PSERS), (SERS) or (TRS), and choosing to become a member of that system.</li> </ul>

Death Benefits	<ul style="list-style-type: none"> <li>• Survivor paid 50 percent of average final salary at the time of death.</li> <li>• \$214,000 lump-sum payment</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of 150 percent of the member's accumulated contributions, or</li> <li>• A full monthly lifetime benefit calculated on the members earned service</li> <li>• 10% minimum pension benefit</li> <li>• \$214,000 lump-sum payment</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of 150 percent of the member's accumulated contributions, or</li> <li>• A full monthly lifetime benefit calculated on the members earned service</li> <li>• 10% minimum pension benefit</li> <li>• \$214,000 lump-sum payment</li> <li>• Payment of survivors PEBB Health Care Insurance premiums</li> </ul>
----------------	--	---	---

### **Governance - Select Committee on Pension Policy**

The Select Committee on Pension Policy (SCPP) studies issues and policies affecting Washington State Retirement Systems. The SCPP meets during the legislative interim. Its specific areas of interest include benefits design, retirement eligibility requirements and pension funding methods. The SCPP makes recommendations to the Legislature regarding changes. The SCPP also receives the results of actuarial audits administered by the Pension Funding Council and reviews and makes recommendations to the Pension Funding Council regarding changes to retirement assumptions or contributions rates.

The Select Committee on Pension Policy (SCPP) is currently responsible for governance of the following system/plans.

- Washington State Patrol Retirement System (WSPRS) Plans 1 and 2
- Public Employees Retirement System (PERS) Plans 1, 2 and 3
- Teachers Retirement System (TRS) Plans 1, 2 & 3
- School Employees Retirement System (SERS) Plans 2 & 3
- Public Safety Employees Retirement System (PSERS) Plan 2
- Law Enforcement Officers and Fire Fighters (LEOFF) Plan 1,
- Judicial Retirement System (JRS)
- Judges Retirement System

### **SCPP Composition**

The SCPP is comprised of 20 members governing the 8 retirement systems/14 plans listed above.

- Four members of the Senate, appointed by the President of the Senate.
- Four members of the House of Representatives, appointed by the Speaker of the House.

- Four representatives of active members, appointed by the Governor.
- Two representatives of retired members, appointed by the Governor.
- Four employer representatives, appointed by the Governor.
- The Directors of the Department of Retirement Systems and the Office of Financial Management.

The WSP/WSPRS does not have any member, retiree, or employer representatives on the SCPP.