BOARD MEETING AGENDA
December 18, 2013 - 9:30 AM

LEOFF
Plan 2 Retirement Board

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 November 20, 2013 Minutes	9:30 AM
2. NCPERS Life Insurance Presentation Bill Robinson, Area Senior Vice President	9:35 AM
3. Career Change - Final Proposal Paul Neal, Senior Legal Counsel	10:15 AM
4. Promoting Individual Savings for Retirement - Final Proposal Paul Neal, Senior Legal Counsel	10:45 AM
5. Meetings During Legislative Session Ryan Frost, Reseach Analyst	11:30 AM
6. Administrative Update • **SCPP Update** • **Outreach Activities**	12:00 PM
7. Corrections Legislation - Final Proposal Ryan Frost, Research Analyst	12:30 PM
8. Adoption of Administrative Factors- Final Proposal Paul Neal, Senior Legal Counsel	1:00 PM
9. Alternate Revenue - Educational Briefing Ryan Frost, Research Analyst	1:30 PM
10. Board Self Evaluation Tim Valencia, Deputy Director	2:00 PM
11. Agenda Items for Future Meetings Steve Nelsen, Executive Director	2:30 PM

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.

NCPERS Life Insurance Presentation

Report Type:
Educational Briefing

Presenter Name and Title:
Bill Robinson, Area Senior Vice President

ATTACHMENTS:

	Description	Type
🗋	NCPERS Life Ins. Presentation	Report

Introduction to the NCPERS Group Voluntary Term Life Insurance Plan

Washington LEOFF 2 Retirement Board

Bill Robinson
December 18, 2013
Gallagher Benefit Services, Inc.

Overview

- Plan background
- Plan objectives
- Features
- Member benefits
- Costs
- Benefits to LEOFF 2 Board
- Discussion and Questions

NCPERS Life Plan Background

- Offered to NCPERS member retirement systems only
- Established in 1969
- Over 125,000 current covered participants
- Over $13 Million in life insurance benefits paid in 2013
- Maintains strong reserves
- Plan premiums never increased since inception
- Insured by Prudential
- Gallagher Benefit Services manages plan for NCPERS
- Health Smart Benefit Solutions is Plan Administrator

Plan Objectives

- Provide supplemental survivor benefits when younger
- Provide extra financial protection when older
- Provide retiree life insurance
- Offer enhanced AD&D features and benefits
- Provide benefits for spouse and children of insured

Plan Features

- No medical underwriting
- Waiver of premium included
- Employer contribution not required
- Dependent coverage included
- Includes accidental death and dismemberment (AD&D)
- 24/7 coverage on or off job
- Accelerated death benefit
- Enhanced AD&D features

Plan Features, Continued

- One premium rate regardless of age (decreasing term insurance)
- Conversion option
- Minimal plan sponsor involvement
- Domestic partners coverage where allowed
- Pays in addition to any other group or individual coverage
- Estate Guidance will preparation benefit included with direct pay option

Plan Benefits

ACTIVE MEMBER*				DEPENDENT	
Member's Age at Time Of Claim	Group Term Life Insurance	Group Accidental Death & Dismemberment	Total Benefit for Accidental Death	Group term Life Insurance Spouse	Child(ren)
Less than 25	$225,000	$100,000	$325,000	$20,000	$4,000
25 – 29	$170,000	$100,000	$270,000	$20,000	$4,000
30 – 39	$100,000	$100,000	$200,000	$20,000	$4,000
40 – 44	$65,000	$100,000	$165,000	$18,000	$4,000
45 – 49	$40,000	$100,000	$140,000	$15,000	$4,000
50 – 54	$30,000	$100,000	$130,000	$10,000	$4,000
55 – 59	$18,000	$100,000	$118,000	$7,000	$4,000
60 – 64	$12,000	$100,000	$112,000	$5,000	$4,000
65 and over	$7,500	$7,500	$15,000	$4,000	$4,000

*includes actives taking coverage into retirement

Plan Benefits (Retirees)

- LEOFF 2 Existing retirees are given one-time enrollment option on guaranteed issue basis
- Active coverage carried into retirement
- No maximum age limit

Plan Costs

- $16 or $17 per month regardless of age
- Includes dependent coverage and AD&D
- If enhanced plan offered in future, active participants will be given opportunity to upgrade
- Premium payment options:
  - Pension/payroll deduction ($16/mth premium)
  - Direct member payment ($17/mth premium)

Benefits to LEOFF 2 Board

- Enhances retirement system's image as providing quality value added benefits to active and retired members
- Benefits offered at no direct expense to Board
- Offers supplement to retirement benefits for younger employees
- Offers additional financial security for older employees
- Dependent benefits included
- Coverage can be taken into retirement
- Turn-key implementation. Limited LEOFF 2 staff involvement
- Implementation allowance to offset indirect costs

Statewide NCPERS Life Plan Clients

- Arkansas Fire and Police Local Retirement System
- Connecticut Professional Fire Fighters (March 2014)
- Idaho PERSI
- Illinois Municipal Retirement System
- Illinois State Employees' Retirement System
- Louisiana Professional Fire Fighters (January 2014)
- Minnesota PERA
- Wyoming RS
- Plus numerous local government plan sponsors

Implementation Process

- Obtain Board approval to offer plan
- Determine premium payment method
- Develop open enrollment communications plan and schedule
- Develop printed materials for open enrollment
- Conduct at least two open enrollment mailings
- Provide open enrollment using online tools
- Mail evidence of coverage to enrollees
- Conduct future annual open enrollments for active members

Discussion and Questions

Next Steps

Career Change - Final Proposal

Report Type:
Final Proposal

Date Presented:
12/18/2013

Presenter Name and Title:
Paul Neal, Senior Legal Counsel

Summary:

The Board has had 3 presentations on the issues raised with the LEOFF 2 Career Change law following Dupont's employment of a LEOFF 2 retiree as police chief.

The final report presents two different options for amending Career Change: 1) Preserve the original intent by suspending LEOFF 2 pension payments of retirees reemployed in a position with LEOFF duties even if not full time fully compensated; or 2) Expand career change by allowing post-retirement employment in a LEOFF position for up to 867 hours, similar to PERS 2 and TRS 2.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 3 – Maintain the financial integrity of the plan. , Goal 4 – Inform the stakeholders.

ATTACHMENTS:

Description	Type
Career Change Report	Report
Career Change Presentation	Presentation

December 18, 2013

CAREER CHANGE

FINAL PROPOSAL

By Paul Neal
Senior Legal Counsel
360-586-2327
paul.neal@leoff.wa.gov

ISSUE

Abuse of “Career Change” legislation could undermine public trust that the plan is responsibly designed and professionally managed.

PROPOSAL SUMMARY

The Board first considered the possibility of amending the Career Change law at the August Board meeting. After a comprehensive report at the September meeting and another follow-up at the November meeting, the Board directed staff to present final proposals on two options: 1) Restricting the career change legislation to ensure LEOFF Plan 2 retirees could not return to work as law enforcement officers or firefighters and continue to receive their LEOFF Plan 2 pension; and 2) Allow LEOFF Plan 2 retirees to come back to work in a LEOFF position for up to 867 hours per year without losing their pension.

This report will explain the difference between the Board’s Career Change policy and the retire-rehire policy in PERS and TRS; identify unintended consequences of the Career Change law, explain how the loophole works, and discuss media reaction to employer’s utilization of that loophole.

MEMBERS IMPACTED

Two hundred sixty-five LEOFF Plan 2 retirees have utilized the provisions of the career change law since its inception in 2005[1]. Assuming utilization continues at the same rate, a similar number of members would be impacted by any changes to the law. The public trust issues implicated by manipulation of the original bill impact all LEOFF Plan 2 members.

[1] Data on career change usage from report produced by DRS.

BACKGROUND INFORMATION & POLICY ISSUES

When creating LEOFF Plan 2 in 1977, the Legislature prohibited members from receiving a pension while engaged in retirement system covered employment. If a LEOFF Plan 2 retiree entered public employment covered by LEOFF, the Public Employees' Retirement System (PERS), or the Teachers' retirement system (TRS), that member's pension would be suspended. Over subsequent years the suspension requirement was expanded to include employment in positions covered by the School Employees' Retirement System (SERS) or the Public Safety Officers' Retirement System (PSERS). RCW 41.26.500.

Career Change

Before 2005 a LEOFF Plan 2 retiree's pension stopped upon return to work in a job covered by any state-wide public retirement system. The LEOFF Plan 2 Board (Board) recognized members could age out of LEOFF positions before they were ready or could afford to leave the workforce. The Board proposed Career Change legislation in 2005 enabling retired LEOFF Plan 2 retiree to start a second career in non-LEOFF public employment. A retiree accepting such a job can either establish membership in another public system, thus suspending their LEOFF Plan 2 pension, or waive membership in the new system and continuing to receive a pension.

The Board intended to facilitate transition from a physically demanding profession to another, often less-well compensated, job. The average annual compensation of LEOFF Plan 2 retirees returning to work under the career change law was $28,268[1]. It did not intend to enable LEOFF Plan 2 retirees to return to work as a law enforcement officer or firefighter and continue to receive their pension. The Legislature passed the LEOFF Plan 2 Career Change bill in 2005.

The City of DuPont recently utilized an unintended loophole in the Career Change legislation to hire a LEOFF Plan 2 retiree as police chief and continue his pension. Although DuPont's former police was a full-time employee covered by LEOFF, DuPont found a way to ostensibly place their new Chief, a LEOFF Plan 2 retiree, outside of LEOFF. The City did this by redefining the position as "part-time," i.e. 35 hours a week. The sole reason for this action was to move a law enforcement officer position into PERS to take advantage of the Career Change legislation.

Career Change vs. Retire-Rehire

The LEOFF Plan 2 Career Change bill is sometimes confused with retire-rehire provisions governing PERS and TRS. Retire-rehire was enacted in 2001 and has been in the news, and before the Legislature, repeatedly since then. The retire-rehire law was intended to allow PERS and TRS retirees to supplement their pensions by working in part-time or temporary positions. Current retire-rehire provisions allow PERS and TRS retirees to work 867 hours per year while collecting their full pension. This allows part-time work or a temporary assignment to full-time work.

The retire-rehire law does not apply to LEOFF Plan 2. Its policy of assisting both employers and employees by facilitating part-time or temporary work by experienced workers stands in marked contrast to the Career Change policy.

Career Change Legislation

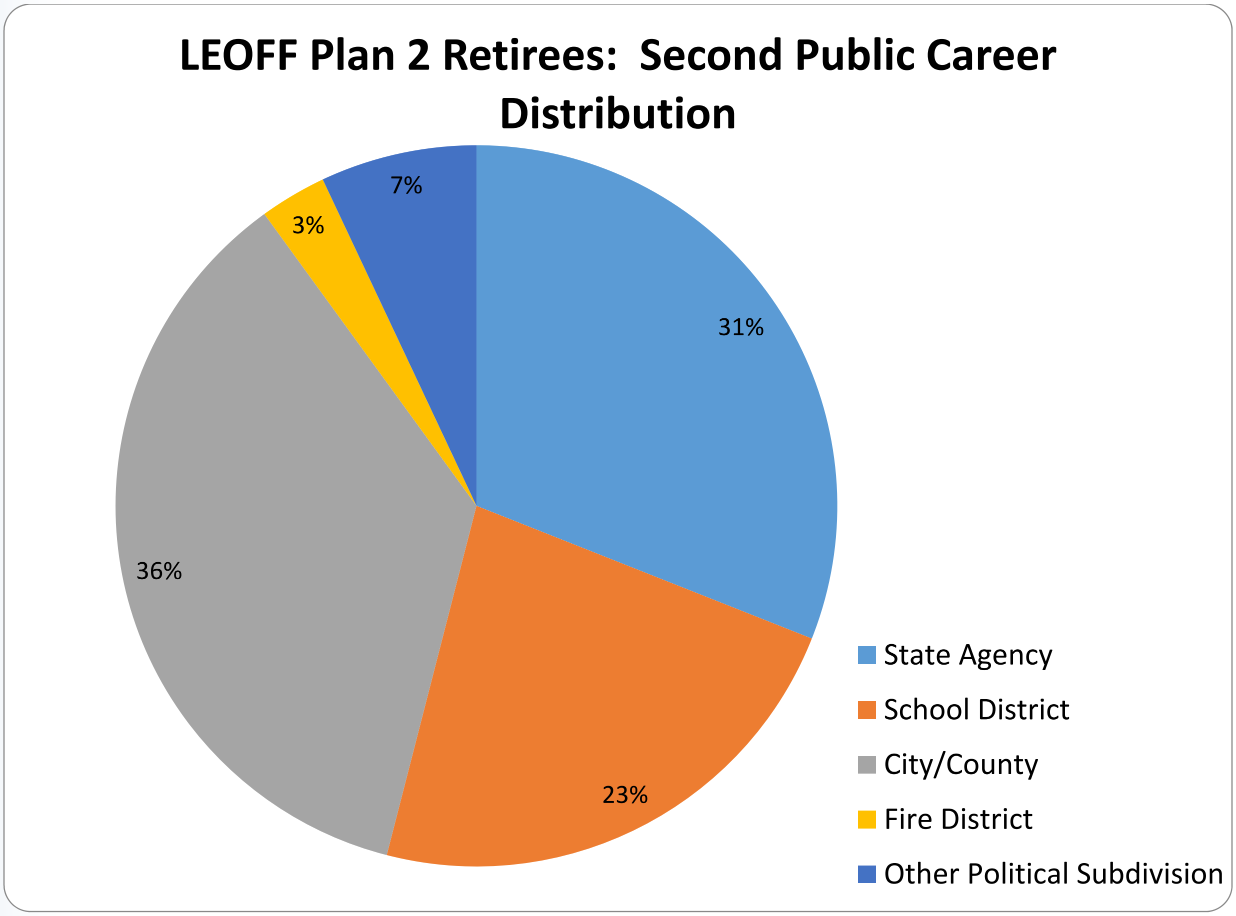
The Board studied the LEOFF Plan 2 pension suspension provisions in 2004. The policy considerations underlying the action ultimately taken by the Board were discussed in the LEOFF Plan 2 staff presentation:

> The normal retirement age for LEOFF Plan 2 (53) is an age at which a person is generally considered to still be in the prime of their productive employment period although they may no longer be capable of performing the duties of a law enforcement officer or fire fighter. A LEOFF Plan 2 member who separates from LEOFF employment at age 53 may be expected to seek continued full-time employment in a non-LEOFF capacity for a number of reasons including income, access to health care coverage and the ability to qualify for social security or earn additional pension benefits to supplement those provided by LEOFF Plan 2.
>
> Public employment offers a number of potential second careers to LEOFF 2 members where the skills developed in their LEOFF positions can be utilized. However, LEOFF Plan 2 members who seek to continue in public employment following separation or retirement from LEOFF may be restricted from establishing membership in a second public retirement system or receiving their LEOFF pension. Thus, there are barriers to transitioning to public employment after completing a career in LEOFF.
>
> When a LEOFF Plan 2 retiree becomes employed in an eligible position covered by another state pension system the retiree will have their LEOFF pension suspended. Additionally, the retiree would normally be prohibited from participating as a member in the other state pension system and accruing a second pension. These pension provisions may make continued public employment an unviable option for LEOFF Plan 2 retirees.

LEOFF Plan 2 staff presented three different options to the Board, including providing the same retire-rehire provisions available in PERS and TRS. But the Board's concern was not supplementing a pension with part-time work. Its issue was transitioning from a law enforcement officer or fire fighter career to a new career. Accordingly, the Board declined the option to adopt retire-rehire instead proposing Career Change legislation. Those provisions, enacted in RCW 41.26.500, allow a LEOFF Plan 2 retiree who starts a new career in public employment other than as a law enforcement officer or fire fighter to either:

- Establish membership in a new public retirement system suspending their LEOFF Plan 2 pension; or
- Opt out of the second public retirement systems and continue to receive their LEOFF Plan 2 pension while pursuing their second career.

The Career Change law has mostly functioned as intended: facilitating a second public career for LEOFF Plan 2 retirees as something other than a law enforcement officer or fire fighter. According to recent data compiled by DRS, 265 LEOFF Plan 2 retirees have reentered public employment without suspension of their pension. The average annual compensation for these second career employees is $28, 268. They work as employees for a number of different public employers, the majority of which are not LEOFF employers.



It was not the intention of the Board nor the Legislature to allow a retired LEOFF Plan 2 member to return to work as a law enforcement officer or fire fighter and continue receiving a LEOFF Plan 2 pension. The City of DuPont has taken advantage of a loophole created by the intersection of the Career Change law and the pre-existing LEOFF definition of law enforcement officer to do exactly that.

Unintended Consequence of career change law

The City of DuPont's full-time Chief of Police recently retired from LEOFF. The City hired a LEOFF Plan 2 retiree to replace him. The new Chief was originally hired on an interim basis and served full-time for approximately 3 months. Following DRS's recent disallowance of DuPont's claim that it's Fire Chief was an independent contractor and the resulting suspension of the Fire Chief's LEOFF Plan 1 pension, the interim Police Chief "…notified the city of his intention to terminate his interim contract 'out of fear and confusion from the recent audit findings,[2]"

[2] *DuPont police chief to work part time, retain benefits*, The Olympian, July 31, 2013.

To allow the retiree to work as Police Chief and receive his LEOFF Plan 2 pension, the City reclassified the Police Chief's position from full-time to "part-time" requiring 35 hours per week. It does not appear any change in duties accompanied the change in hours. The City redefined the position to reclassify it from LEOFF to PERS to fit within LEOFF Plan 2's Career Change provisions.

This loophole relies on an aspect of LEOFF's definition of a "Law Enforcement Officer":

> "Law enforcement officer" beginning January 1, 1994, means any person who is commissioned and employed by an employer on a **full time**, **fully compensated** basis to enforce the criminal laws of the state of Washington generally, with the following qualifications:
>
> …
>
> (c) Only such **full time** commissioned law enforcement personnel as have been appointed to offices, positions, or ranks in the police department which have been specifically created or otherwise expressly provided for and designated by city charter provision or by ordinance enacted by the legislative body of the city shall be considered city police officers;

RCW 41.26.030(18) (emphasis added). Fire fighters must also be full-time, fully compensated to qualify for LEOFF, RCW41.26.030(16). LEOFF is somewhat unique in limiting membership to full-time employees. PERS, TRS, SERS, include part-time employees if they work at least 70 hours per month[3]. A review of the role of volunteer firefighters and reserve police officers helps explain why the Legislature set the bar for LEOFF membership so high.

Part-time Law Enforcement Officers and Fire Fighters

LEOFF's full-time requirement springs from a unique aspect of the fire fighter and law enforcement officer professions. A number of Washington's communities are served by Volunteer Fire Fighters and/or Reserve Police Officers. These part-time public safety officers belong to the Volunteer Firefighters and Reserve Police Officers' Retirement System, Chapter 41.24 RCW.

[3] An "eligible position" for PERS, PSERS, and TRS Plan 2/3 is a position that normally requires 70 or more hours per month for at least 5 months per year. The relatively new retirement system of PSERS, created for public safety officers who are not fully commissioned law enforcement officers, also requires full-time employment.

Volunteer Firefighters and Reserve police officers have the same authority and duties as their full-time counterparts when called into service. The distinction is they do not work full-time:

> "Reserve officer" includes any law enforcement officer who does not serve as a law enforcement officer of this state on a full-time basis, but who, when called by such agency into active service, is fully commissioned on the same basis as full-time officers to enforce the criminal laws of this state[4];

Washington's Courts recognize a similar distinction between LEOFF eligible fire fighters and volunteer fire fighters, noting the distinction between full-time vs. part-time/volunteer controls whether the fire fighter goes into LEOFF or the Volunteer system[5]. Similarly, when discussing LEOFF eligibility for police matrons the Court noted: "that plaintiffs are full-time employees, they are regularly employed as opposed, for example, to police reservists…[6]"

"Full-time" is not defined in the LEOFF statute, nor has it been defined by the Courts[7]. DRS adopted a rule in 1995 defining full-time as "regularly scheduled to work at least 160 hours per month," i.e. at least 40 hours per week for at least 20 days, WAC 415-104-011(3). Coming ten years before the Career Change law, the rule had no impact on post-retirement employment laws when adopted. The 2005 Career Change legislation unintentionally created the loophole used by DuPont. Prior to that time a LEOFF Plan 2 retiree's pension would be suspended upon reentering covered employment regardless of what public position he or she entered. Redefining a LEOFF position as a PERS position would have been pointless, as it would not prevent suspension of the retiree's pension.

That is no longer the case. Even though the DuPont's Police Chief is a commissioned position created by the city to enforce the criminal laws of the State of Washington generally, i.e. a law enforcement position, DuPont has reduced the hours to make it a PERS position so its Police Chief can continue to receive a LEOFF Plan 2 pension.

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[4] WAC 139-05-810(1).

[5] *Schrom v. Board for Volunteer Fire Fighters*, 153 Wn.2d 19, 27, 28, 100 P.3d 814 (2004).

[6] *Beggs v. City of Pasco*, 93 Wn.2d 682, 685, 611 P.2d 1252 (1980).

[7] *Tucker v. Department of Retirement Systems of State*, 127 Wn.App. 700, 706, 113 P.3d 4 (2005); The closest the Court has come is to uphold DRS determinations that persons performing law enforcement or firefighter duties less than half time do not meet the statutory full time requirement, see *Buckley v. Department of Retirement Systems*, 116 Wn.App. 1, 65 P.3d 1216 (2003); *International Ass'n of Fire Fighters Local 3266, AFL-CIO v. Department of Retirement Systems, State of Wash*., 97 Wn.App. 715, 987 P.2d 115 (1999).

DRS has fielded similar inquiries seeking the same result by focusing on the "fully compensated" eligibility requirement. Some examples include questioning whether a LEOFF Plan 2 retiree is not fully compensated, and therefore not LEOFF eligible, if he or she did not receive health care benefits, or earned annual leave at a lesser rate than other employees with similar experience. These inquiries are designed to take advantage of the high bar to LEOFF membership used to distinguish between LEOFF eligible law enforcement officers and fire fighters and volunteer or part-time law enforcement officers and fire fighters. They seek to use that policy for an unintended purpose: to enable retirees to work as a law enforcement officer or fire fighter and continue to receive their pension.

Media Response to Retirees Drawing Pension and Salary

The Associated Press and the Daily Olympian recently published articles reporting on DuPont's arrangement[8]. Publishers of the Associated Press article include the Seattle Times, the Bellingham Herald, the Spokesman Review, and the Kansas City Star.

The Olympian followed up with an editorial confusing the 2005 Career Change bill with the 2001 Retire-Rehire provisions legislation, mistakenly claiming the 2001 law allowed LEOFF Plan 2 retirees to return to work as law enforcement officers or fire fighters for 1800 hours per year (35 hours per week x 52) while receiving a benefit. Neither the 2001 law nor the 2005 career change legislation intended that result. Further, that result cannot be accomplished without redefining a full-time position as a part-time job. Nonetheless, the Olympian included the Career Change law in its call for a full repeal of retire-rehire[9].

A second AP story on LEOFF post-retirement employment was published in the Seattle Times on November 21, 2013. This story, attached as appendix B, documented additional instances of LEOFF retirees returning to work in law enforcement or firefighter positions that did not qualify for LEOFF because they were either not full time or not fully compensated.

POLICY OPTIONS

The 3 policy options below were presented to the Board on September 25, 2013 for consideration.

[8] *DuPont police chief will collect salary, $90,000-a-year pension*, Associated Press, published in Seattle Times August 3, 2013.
[9] *Time for Retire-Rehire to End in This State*, Daily Olympian, August 8, 2013.

Option 1: Duty Limitations.

The original intent of the career change law limited its application to situations where a retired LEOFF Plan 2 member began a second career as something other than a law enforcement officer or fire fighter. The policy looked to the duties of the position, not whether it was full time and/or fully compensated.

Under this option, the Board would propose remedial legislation to clarify its original intent that a LEOFF Plan 2 retiree who returned to work as a law enforcement officer or fire fighter would not qualify for the career change law even if the position was technically not LEOFF eligible.

This would reaffirm the original policy of the Career Change law, closing the loophole utilized by Dupont to place a LEOFF Plan 2 retiree into a Law Enforcement Officer position, in this case police chief, without suspension of his pension.

Option 2: Take no action

Under this option the Board would retain the Career Change law in its current form.

Option 3: Allow Return to LEOFF Employment.

Under this option a LEOFF Plan 2 retiree would have the same option upon entering a LEOFF position as he or she has under current law when entering a PERS position. That is, the retiree could either: 1) reenter LEOFF Plan 2 membership and have their pension calculated upon re-retirement; or 2) Choose not to reenter membership and continue to receive a LEOFF Plan 2 retirement allowance while employed as a law enforcement officer or firefighter.

This would alter the original policy of the Career Change law by including retirees who return to work in a LEOFF position. This would allow the option for all LEOFF Plan 2 retirees without requiring adjustment of employee hours or compensation.

POLICY OPTION FOLLOW-UP

At its September 25th meeting the Board requested follow-up on option 1, clarifying original intent by closing loophole and option 3, allowing LEOFF Plan 2 retirees to accept a LEOFF position without suspension of pension.

Option 1: Reinforce Original Intent

LEOFF Plan 2 retirees accepting employment covered by the Public Employees' (RCW 41.40), Teachers' (RCW 41.32), School Employees' (RCW 41.35) or Public Safety Employees (RCW 41.37) retirement systems may 1) enter membership in the new system and have his or her retirement allowance suspended; or 2) decline membership and continue to receive retirement checks.

LEOFF Plan 2 retirees who enter LEOFF positions do not have that option. They are not changing careers and so remain subject to suspension of benefits. It is the redefinition of LEOFF positions as PERS positions, primarily by converting them to "part-time" that allows circumvention of the original intent.

On the other hand, legitimate part-time positions, such as part-time assistant chief of a fire district, are properly outside the scope of LEOFF and thus within the original intent of the Career Change law. Such positions are designated as part-time regardless of who fills them.

These two considerations, closing the loophole while not restricting bona fide non-LEOFF employment, could be met by amending the statute to require suspension of LEOFF plan 2 retirees pension if:

- They work in a job with LEOFF duties but are outside of LEOFF because the job is not full-time and/or fully compensated; and

- Exceed a given number of hours:
  - An 867 hour annual maximum would be consistent with restrictions in place for other plans;
  - 25 hours per week, slightly more than half-time; or
  - Another standard deemed appropriate by the Board.

If these or similar standards were adopted and employers intentionally misreported they would be guilty of either a class B felony in LEOFF, RCW 41.26.062; or a misdemeanor in PERS, RCW 41.40.055.

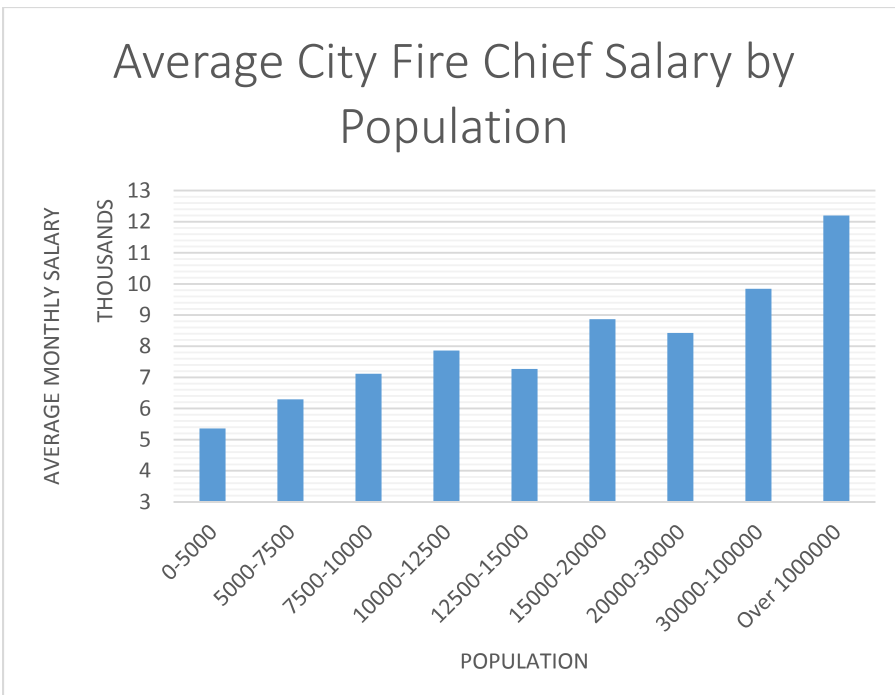
Option 3: Allow Reemployment in a LEOFF Position without Pension Suspension.

Another policy option is allowing reemployment without pension suspension. This could either be done for a defined class of LEOFF Plan 2 reemployment or for all LEOFF Plan 2 reemployment.

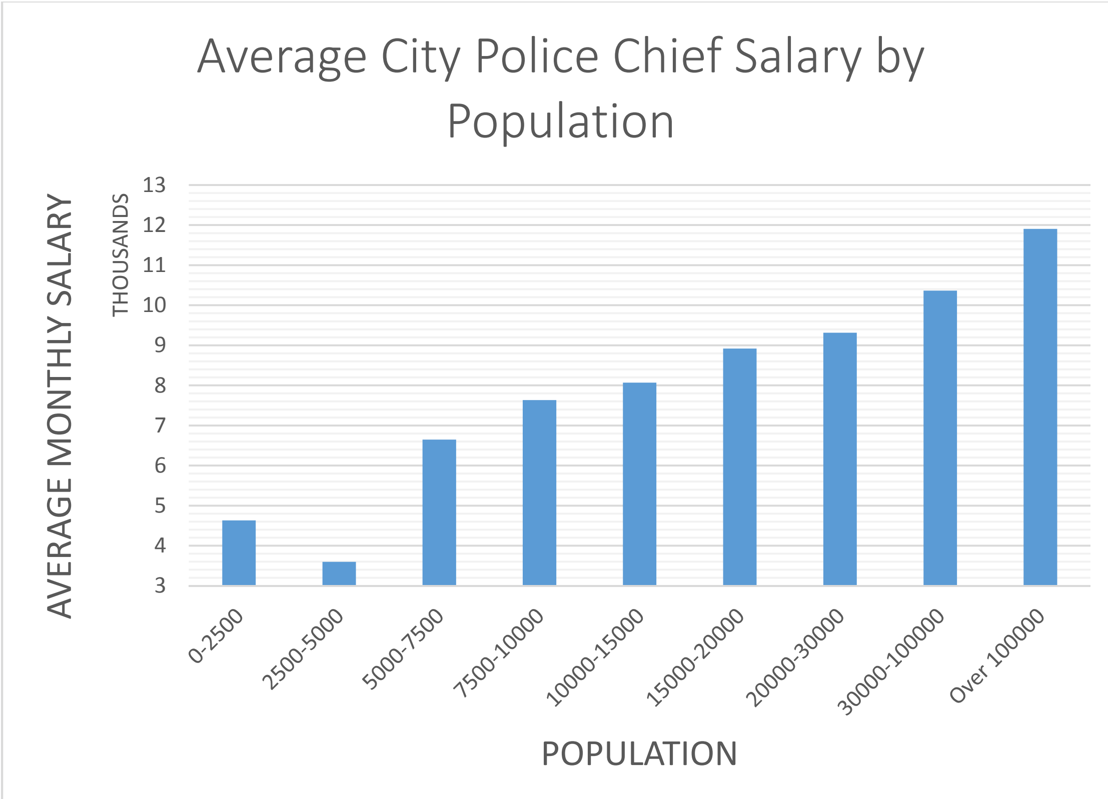
Option 3a: Allow limited reemployment

Some Board members noted that skilled LEOFF 2 retirees could be valuable to smaller jurisdictions lacking the resources to compete with larger jurisdictions on salaries. Allowing limited reemployment in a LEOFF position could enable those smaller jurisdictions to hire experienced chiefs they could not otherwise afford.

Reviewing salary and population data from police and fire chiefs supplied by the Association of Washington Cities (AWC) shows a salary gap between smaller and larger jurisdictions. The charts below were extrapolated from AWC's 2012 salary survey of Cities and Towns[10]:



[10] Salaries were reported in ranges, from which salary midpoints were determined. Salary midpoints within a population group were then averaged to estimate average Chief salaries within a particular population cohort.



From the AWC data, it appears possible to enable smaller, lower paying jurisdictions access to hire chiefs retired from more populous jurisdictions by allowing reemployment in smaller jurisdictions without loss of pension. The AWC data shows that cities and towns with less than 10,000 people tend to pay less for their police and fire chiefs.

Other LEOFF provisions use employer population as an eligibility criteria. Public safety officers, who perform both police and fire duties, qualify for LEOFF Plan 2 only if employed in a City or town less than 10,000 people, RCW 41.26.030(18)(e).

Population is an easily verifiable objective measure, but is not necessarily a good predictor of salary. Police Chief salary data shows a wide variance between cities of nearly identical size:

City	County	Population	Average Monthly Police Chief Salary
DuPont	Pierce	8,855	7,647
College Place	Walla Walla	8,875	6,698
Grandview	Yakima	11,010	5,897
Cheney	Spokane	11,070	7,084
Enumclaw	King	11,100	7,685
Snoqualmie	King	11,700	9,548

Population is not the most robust predictor of salary levels. For instance, DuPont's Police Chief's average salary is $1750 per month higher than Grandview though Grandview has over 1000 more people. A City's location, i.e. urban vs. rural, appears a better predictor of salary levels.

There would also be challenges crafting statutory language accomplishing the policy goal without creating new loopholes. Without limiting language, any LEOFF Plan 2 retiree could work and draw a pension as long as the employer had less than 10,000 inhabitants. Consistency with the underlying policy requires developing standards to ensure new provisions accomplished the goal of allowing LEOFF Plan 2 retired Chiefs to transition from larger better-paying employers to smaller lower-playing employers:

- <u>Tracking pre-retirement employment:</u>
  - Ensuring retiree came from more populous, higher paying employer, otherwise transfer is lateral, not necessarily to a lower-paying district;
  - Ensuring retiree retired from a different employer; otherwise a current employee is simply retiring before taking a promotion – no real advantage to the employer.

* Duty Limitations:
    * Limiting availability to chief or similarly high level positions; otherwise any LEOFF member may take essentially the same job with another employer, or even the same employer, drawing both full salary and full pension without furthering the policy goal.

Tracking these kind of limitations would probably be administratively difficult for DRS. It also presents the possibility for more manipulation. Generally speaking, the more complicated an administrative standard, the more susceptible to gaming.

Option 3B: Unlimited Reemployment in LEOFF Positions

The Board could propose allowing LEOFF Plan 2 retirees to take a LEOFF position without suspension of pension. This would increase transparency as returning to work in a LEOFF position would no longer require redefining the position to disqualify it from LEOFF. It would, however, raise some issues.

* Inconsistent with the Original Intent: The Career Change law would no longer be targeted towards LEOFF Plan 2 retirees changing careers, but would instead look more like a standard retire-rehire program, allowing LEOFF Plan 2 retirees to earn a salary and collect their pensions regardless of the type of post-retirement employment.
* Negative Public Response: Given the recent negative public response to LEOFF members drawing both pension and salary at the same time, it appears likely that loosening the current restrictions on post-retirement employment would engender more of the same.
* Inconsistent with Current Legislative Policy: The Legislature's recent actions rolling back retire-rehire provisions in other public retirement systems[11] indicate that introducing a bill moving in the opposite direction may not be well received.

FINAL POLICY PROPOSALS

At the November 20 meeting the Board asked for final proposals on the following options:

Option 1: Apply duty limitation. Propose Legislation suspending LEOFF Plan 2 retirement allowance if retiree performs LEOFF duties even if not full-time fully compensated.

This option reaffirms the original intent of Career Change: to facilitate a change in careers rather than a continuation of the retiree's original career. This would reduce employer

[11] ESHB 1981 (ch. 47, laws of 2011), repealed provisions allowing PERS 1 and TRS 1 retirees to work up to 1500 hours in a calendar year without impacting their pension.

access to LEOFF retiree's as a pool to fill LEOFF jobs, but that access currently requires manipulation of job descriptions to fit into the loophole described above.

Option 3a: Apply hours limitation. Allow LEOFF Plan 2 retirees the same level of post-retirement employment allowed for PERS 2 and TRS 2 retirees: 867 hours per calendar year. Under the PERS and TRS standards, if a retiree works over 867 hours in a calendar year his or her pension is suspended. It then starts up again in the following calendar year unless and until the retiree works 867 hours in that year.

This would partially standardize return to work rules across PERS, TRS, and LEOFF. It does, however open up post-retirement membership issues. In order to be truly consistent with PERS and TRS, the LEOFF law would have to be amended to make return to membership following retirement optional instead of mandatory, as is currently the case. This would be a significant change in LEOFF membership standards.

This course of action also contains a certain amount of "headline risk" as evidenced by appendix B.

Appendix A - History of Plan 2 return to work

1977-2013

This appendix provides historical background on post-retirement employment laws in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) to inform the Board's consideration of possible amendments to the LEOFF Plan 2 Career Change law.

1. **1977: Post-Retirement Public Employment stops Pension**

Beginning in 1977, LEOFF 2, TRS 2, and PERS 2, each prohibited a retiree from receiving a pension if "performing service for any nonfederal public employer in this state."[1] A Plan 2 retiree could not earn money in public employment and still draw a pension. Upon cessation of public service the retiree's benefit would be "actuarially recomputed pursuant to the rules adopted by the department." Those rules were not forthcoming, probably in part because the distant prospect of having any Plan 2 retirees.

2. **1990: Limited Post-Retirement Employment Allowed**

The Legislature reexamined the restrictions on Plan 2 post retirement employment in 1990:

> The legislature finds that retirees from the plan 2 systems of the law enforcement officers' and firefighters' retirement system, the teachers' retirement system, and the public employees' retirement system, may not work for a nonfederal public employer without suffering a suspension of their retirement benefits. This fails to recognize the current and projected demographics indicating the decreasing workforce and that the expertise possessed by retired workers can provide a substantial benefit to the state. At the same time, the legislature recognizes that a person who is working full time should have his or her pension delayed until he or she enters full or partial retirement. By allowing plan 2 retirees to work in ineligible positions, the competing concerns listed above are both properly addressed.[2]

The amended Plan 2 return to work statutes allowed public service without affecting the pension as long as the retiree did not hold an eligible position in LEOFF, TRS or PERS[3].

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[1] TRS Plan 2: laws of 1977 ex. Sess. Ch. 293. §11; LEOFF Plan 2: laws of 1977 ex. Sess. Ch. 294, §11; PERS Plan 2: laws of 1977 ex. Sess. Ch. 294, §12.
[2] Laws of 1990 c 274 § 1
[3] Laws of 1990 c 274, §§ 11, 12, 13.

This played out differently in each system. PERS Plan 2 retirees were allowed to work up to 5 months in an eligible position before their pension stopped and they were required into membership. TRS Plan 2 retirees had an option whether to return to membership, however their pension stopped as soon as they entered an eligible position. LEOFF Plan 2 retirees, then as now, are mandated into membership on the first day of LEOFF eligible service.

Language was added to each plan referring to benefits as "suspended" and specifying reinstatement of benefits and actuarial recomputation. DRS adopted rules in 1993 explaining how it would actuarially recompute benefits under the statute.

3. 1997: Legislature Standardizes Return to Work Rules.

Prior to 1997 separation from service was not defined in PERS, TRS, or LEOFF. This led to confusion and differing results in determining whether a person had retired and returned, simply failed to retire, and whether they returned to membership. DRS submitted request legislation to clarify the standards across plans.

The Legislature adopted a consistent definition of separation from service in all 3 plans and also required PERS and TRS retirees to be absent from public employment for a full calendar month before returning to work[4]. Upon reemployment in an eligible position PERS members were no longer mandated into membership but, like TRS before them, had a choice whether to reenter membership[5].

The ability of PERS Plan 2 retirees to work up to 5 months in an eligible position was extended to TRS Plan 2 retirees[6]. If a retiree exceeded that limit his or her pension would be suspended for the remainder of the calendar year. At the beginning of the next year he or she could again work up to 5 months without suspension of benefit[7].

LEOFF Plan 2 standards did not change.

4. **2001: Return to Work Limits Increased.**

Citing a shortage of qualified workers, the Legislature increased the allowable annual hours for Plan 1 retirees to 1500 hours[8] in 2001. Originally set to expire in 2004, the

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[4] Laws of 1997, chapter 254.
[5] Id. §11
[6] Id. §8
[7] Id. §8, §14.
[8] Laws of 2001, 2nd sp. Sess., ch. 10.

Governor, citing a "critical shortage of or experienced teachers and other employees with skill that are in high demand" vetoed the expiration date sections.

The post-retirement limits on PERS Plan 2 and TRS Plan 2 retirees were not amended although the 5 month limit was redefined as 867 hours so it would be easier for DRS to track.

5. **2003: Limitations on Post-Retirement Employment Extensions.**

After high profile cases of PERS Plan 1 retirees "separating" then returning to their same jobs 1 calendar month later to draw both a pension and a salary, the Legislature restricted access to the 1500 hour limit and tightened up the definition of separation.

In 2003 the Legislature reinstated 867 hour baseline limit for PERS Plan 1 and TRS Plan 1 retirees. Those retirees could still work up to 1500 hours but only if the employer documented an unfilled employment need and followed previously adopted hiring procedures. The new law also enacted a lifetime limit on 1900 hours that could be worked in excess of the 867 hour baseline. For instance, a retiree working 1500 hours would incur 633 hours towards their 1900 hour limit. This was essentially a 3 year limitation on post-retirement employment exceeding 867 hours[9].

The Governor signed the PERS Plan 1 amendments, but vetoed those applicable to TRS Plan 1. Those same restrictions were ultimately added to TRS Plan 1 in 2007[10].

6. **2005: LEOFF 2 Career Change.**

As explained in more detail in the main body of the report (*see* main report, pages 2-5*)* the Legislature addressed LEOFF Plan 2 post-retirement employment in a separate bill. This bill started as a proposal from the Board. The Board considered different options when examining this issue in 2004, including adopting the 867 hour rule applicable to PERS Plan 2 and TRS Plan 2. The Board opted for the current career change legislation, intended to facilitate starting a new career after retiring from law enforcement or firefighting.

[9] Laws of 2003, ch. 412, §5
[10] Laws of 2007 c 50 § 3.

7. 2011: Return to 1997.

The Legislature rolled back the PERS Plan 1 and TRS Plan 1 return to work limits to 1997 limits[11]. Under current law all PERS and TRS retirees are limited 867 hours (5 months) post-retirement service. Continuing service after that point requires suspension of their benefit for the remainder of the year. At the beginning of the next year a retiree may work another 867 hours without affecting their benefit.

[11] Laws of 2011, sp. Sess. Ch. 47.

Updated: 8:25 a.m. Thursday, Nov. 21, 2013 | Posted: 8:25 a.m. Thursday, Nov. 21, 2013

Fire, police officials get retire-rehire deals

By MIKE BAKER

The Associated Press

SEATTLE —

A couple years after retiring as Lakewood fire chief at age 58, Paul Webb returned to the profession and his former job title — this time at Orting Valley Fire and Rescue.

Hired under a contract without some of the typical employee benefits, Webb's arrangement at the end of 2009 allowed him to draw more than $100,000 in annual pension payments while also earning up to $90,000 in yearly pay. It was an interim position, according to his contracts. He stayed in the job for three years.

It wasn't long before six of Webb's past colleagues followed similar paths, retiring and taking jobs in various contract positions, according to records.

In recent years, Washington lawmakers changed laws to crack down on retire-rehire arrangements, seeking to prevent pensioners from double-dipping when they return to similar government jobs.

But The Associated Press found that gaps in the special rules created for law enforcement officers and firefighters have allowed them to draw salaries alongside their pension. And those retirees generally retire much younger and with much larger retirement plans than teachers or other government workers.

According to local and state records obtained by AP under public records law, dozens of public safety retirees around the state became contractors. Some took part-time jobs such as polygraph consultants or pilots or instructors, while others returned to prominent managerial positions.

Other retirees in those two retirement systems reserved for law enforcement officers and firefighters — called LEOFF-1 and LEOFF-2 — took jobs that had them work slightly less than full time or with slightly less benefits, also allowing them to bypass rules that would have halted pension payments.

Local governments gain from the arrangements because officials can hire someone with experience at either a discounted pay rate or without having to cover some typical benefits.

DuPont Mayor Michael Grayum recently worked closely with the Department of Retirement Systems to ensure the city was following the rules in the hiring a of a police chief who had retired from a different department. The city didn't seek out pensioners, but three of the top candidates for the job were retirees.

"We were able to hire more experienced leadership for a lower cost than we have historically," he said. The new chief is able to keep his pension because his job is only 35 hours a week instead of 40.

The Legislature established retire-rehire rules for many government workers in 2003 due to concerns about the frequency and cost of those arrangements. In 2011, lawmakers placed even tighter controls on those deals, closing what some political leaders derided as "loopholes."

Rules for members of the newer LEOFF system were established in 2005 with the intent of preventing retire-rehire arrangements in similar jobs but designed to allow transition to less-demanding occupations in government.

Steve Nelsen, executive director of the LEOFF-2 Retirement Board, said the rules weren't meant to allow retirees to return to work in similar LEOFF jobs. "This was not the intent of the bill," Nelsen said. He said several board members have expressed concern about the DuPont case that surfaced in the wake of a previous AP story and that the board is now exploring the issue.

LEOFF rehire rules revolve around the issue of eligibility. Workers are eligible for the LEOFF system if they are fully compensated in full-time positions as a law enforcement officer, firefighter or supervisor. A retiree who gets rehired into a similar LEOFF-eligible position would have their pensions benefits halted.

But if a LEOFF retiree returns to a position that's less than full-time or not fully compensated, they technically would not qualify for the system and can avoid disruption of their benefits, according to the state.

Some have seized on that potential.

— In Maple Valley, in King County, Larry Rude was hired in 2007 to a contract position as assistant fire chief. He started in the new position the same day he retired from the state system, according to records.

For three years, Rude earned more than $100,000 a year in salary — plus other benefits — along with a similar amount in retirement payments. Rude said he was allowed to draw pension and salary because he was only working in a part-time position, saying it "wasn't very many" hours a week.

Rude said he didn't have a specific number of hours that he typically worked, although the final contract he signed said Rude could work up to 159 hours a month — an average of about 37 hours a week.

— In Soap Lake, in central Washington, officials chose Glenn Quantz as an interim police chief last year, bringing him on as a contractor. Quantz had retired in 2009 at age 53 from the Thurston County Sheriff's Office.

Mayor Raymond Gravelle told state officials in a letter obtained by AP that Quantz was working 32 hours a week — making it a part-time job that wouldn't disrupt his benefits. However, Quantz is earning the full salary of the police chief and the same amount as the previous chief, according to records provided by the city's finance director.

Quantz declined to comment about his situation. Gravelle said the city is small enough that Quantz doesn't need to work full-time, but he said officials will be going back to review records to ensure they are compliant.

— In the Orting Valley case, documents show Webb consulted with the state about his rehire transition because he didn't want it to disrupt his retirement benefits. While Webb was working in a full-time post, a state official told him that there would be no impact because he didn't qualify for sick leave cash-outs and some other benefits.

"It was definitely full-time, but it wasn't fully compensated," Webb said in an interview.

Dave Nelsen, the legal and legislative services manager at the Department of Retirement Systems, said it's not clear what the review entailed at the time but said the issue of what qualifies as "fully compensated" is subjective and could be interpreted differently by other officials.

— At North Highline Fire District in the Seattle area, Steve Marstrom was hired to a contract as the administrative chief. Marstrom had retired from the Lakewood Fire District more than a decade before at age 50.

Marstrom's contract said he did not have set hours but would be paid $8,000 a month. He could also get $1,500 a month for housing. Marstrom said his role at North Highline was strictly an administrative one, since he was supervising personnel and not participating in any firefighting activities.

Because he wasn't personally involved in firefighting, Marstrom said the role didn't qualify for the LEOFF system so it wouldn't disrupt is LEOFF benefits.

Other LEOFF retirees in the system managed to get hired in similar roles that are technically in other pension systems. Some fire officials transitioned to become fire inspector or deputy fire marshal. Police officials transitioned to work as a "violence prevention" leader or agency security manager.

Depending on the circumstances, state officials could decide that workers hired as contractors should have been reported to the state as actual employees, potentially leading to a halting of pension payments. By hiring as contractors, however, the employees are more difficult for state pension managers to track.

One worker in the larger group of Lakewood retirees who became contractors had a part-time salary of $90 per hour, while another was hired back as the department's full-time "emergency preparedness coordinator." Nelsen, the retirement system manager, said the agency was further examining the cases of Rude, Marstrom and Webb.

Earlier this year, after an AP report that described the case of former Lakewood official Greg Hull as part of a larger story about how some workers boosted their pensions with pre-retirement raises, the state audited files related to Hull and determined that he had been improperly classified as a contractor in his newer job at DuPont.

Retirement system managers are now seeking to recover more than $550,000 in excess pension payments from that city.

Retirees in the two systems dedicated for law enforcement officers and firefighters have different rules than most other retirees. Many retired teachers, for example, would be unable to work more than 867 hours a year in a government job without having their benefits disrupted, but law enforcement and firefighter retirees could conceivably work more than 1,800 hours a year.

Law enforcement and firefighters also get more leeway even though their pay and benefits are typically much greater than other government workers. The median worker who retired over the last 10 years into a LEOFF system currently gets about $45,000 per year in pension payments. By comparison, the median retiree into the teacher pension systems has a benefit about half that size — $24,000.

Despite the much larger pension values, the median LEOFF retiree departed the job at age 56 while the median teacher retiree worked until age 61.

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AP Writer Mike Baker can be reached on Facebook: http://on.fb.me/HiPpEV

Appendix C

Career Change Options: Option 1 – limit career change benefit to persons going into other careers

RCW 41.26.500
Suspension of retirement allowance upon reemployment — Reinstatement — Option to enter into membership.

(1) Except under subsection (3) of this section, a retiree under the provisions of plan 2 shall not be eligible to receive such retiree's monthly retirement allowance if he or she is employed in an eligible position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or 41.35.010, or as a law enforcement officer or firefighter as defined in RCW 41.26.030. If a retiree's benefits have been suspended under this section, his or her benefits shall be reinstated when the retiree terminates the employment that caused his or her benefits to be suspended. Upon reinstatement, the retiree's benefits shall be actuarially recomputed pursuant to the rules adopted by the department.

(2) The department shall adopt rules implementing this section.

(3) A member or retiree who becomes employed in an eligible position as defined in RCW 41.40.010, 41.32.010, 41.35.010, or 41.37.010 shall have the option to enter into membership in the corresponding retirement system for that position notwithstanding any provision of RCW 41.04.270.

(a) A retiree who elects to enter into plan membership shall have his or her benefits suspended as provided in subsection (1) of this section.

(b) A retiree who does not elect to enter into plan membership shall continue to receive his or her benefits without interruption except as provided in (c) of this subsection.

(c) Plan membership shall be mandatory if the retiree’s employment requires duties that would qualify the position for the law enforcement officers and fire fighters retirement system if the position was full time or fully compensated.

Option 3: Amend LEOFF Plan 2 return to work provisions to parallel PERS 2 and TRS 2:

RCW 41.26.500

Suspension of retirement allowance upon reemployment — Reinstatement — Option to enter into membership.

(1) Except under subsection (3) of this section, a retiree under the provisions of plan 2 shall not be eligible to receive such retiree's monthly retirement allowance if he or she is employed in an eligible position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or 41.35.010, or as a law enforcement officer or firefighter as defined in RCW 41.26.030. If a retiree's benefits have been suspended under this section, his or her benefits shall be reinstated when the retiree terminates the employment that caused his or her benefits to be suspended. Upon reinstatement, the retiree's benefits shall be actuarially recomputed pursuant to the rules adopted by the department.

(2) The department shall adopt rules implementing this section.

(3) A member or retiree who becomes employed in an eligible position as defined in RCW 41.40.010, 41.32.010, 41.35.010, or 41.37.010 shall have the option to enter into membership in the corresponding retirement system for that position notwithstanding any provision of RCW 41.04.270.

(a) A retiree who elects to enter into plan membership shall have his or her benefits suspended as provided in subsection (1) of this section.

(b) A retiree who does not elect to enter into plan membership shall continue to receive his or her benefits without interruption.

(c) Plan membership shall be mandatory if the retiree's employment:

(i) requires duties that would qualify the position for the law enforcement officers and fire fighters retirement system if the position was full time or fully compensated; and

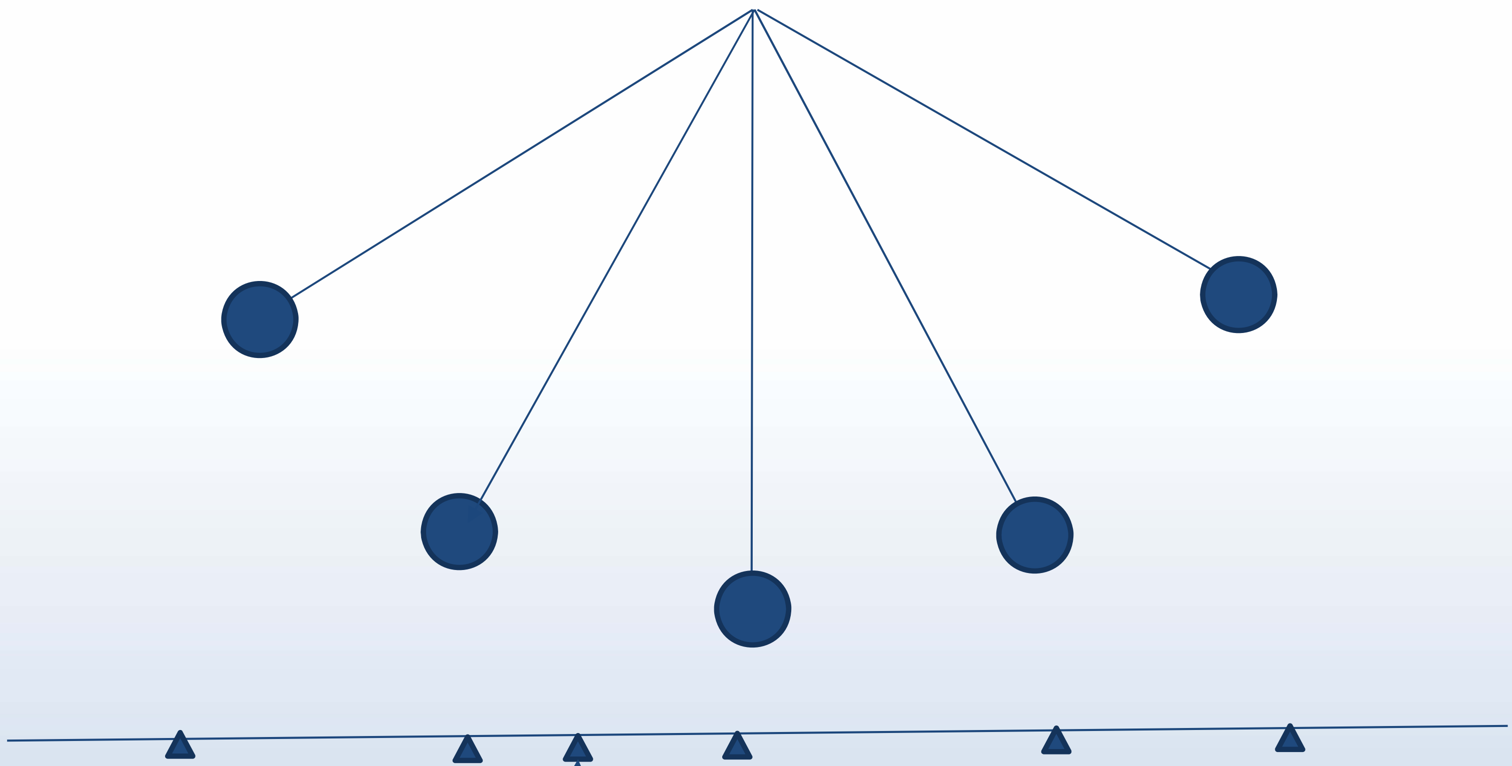
(ii) Requires more than 867 hours per year. *Membership?*

LEOFF
Plan 2 Retirement Board

Career Change

Final Proposal
December 18, 2013

Return to Work Rules Pendulum – 1977 to 2013



1977: Pension stops if any service to non-federal public employer.

1990: May work in ineligible position.

1993 DRS Rules define actuarial recomputation.

1997: PERS & TRS May work up to 5 months. Return to membership optional.

2011 – return to 1997 standard.

2003: Conditions placed on 1500 hours; 1900 hour lifetime cap

2001: TRS & PERS Plan 1 may work 1500 hours per year. 5 months = 867 hours for Plan 2

LEOFF Plan 2 Retirement Board

Options

- At the November 20 Board Meeting, Board asked for two options for potential action on Career Change that would:
  - Close loophole allowing post retirement employment in LEOFF positions; or
  - Allow limited post-retirement employment in LEOFF positions.

Option 1

Close Loophole:

- Propose Legislation suspending LEOFF Plan 2 retirement if duties of retiree's position would qualify for LEOFF if full-time fully compensated.

Option 3A

Allow limited post-retirement employment in LEOFF position:

- Under this option LEOFF Plan 2 retirees could work up to 867 hours per calendar year without suspension of pension.
- LEOFF Return to membership laws different from PERS and TRS.

Any Questions?

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Promoting Individual Savings for Retirement - Final Proposal

Report Type:
Final Proposal

Date Presented:
12/18/2013

Presenter Name and Title:
Paul Neal, Senior Legal Counsel

Summary:
Following a series of presentations on additional opportunities to encourage retirement savings, the Board directed staff to present final proposals on 3 different options: 1) Authorize DRS to annuitize retirement savings rolled over from other plans at the time of retirement; 2) Require all LEOFF employers to offer participation in the State's 457 to their employees; and 3) Request DRS to offer Roth accounts as one of their 457 savings options.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 1 – Enhance the benefits for the members.

ATTACHMENTS:

Description	Type
Promoting Individual Savings for Retirement Report	Report
Promoting Individual Savings for Retirement Presentation	Presentation

DECEMBER 18, 2013

PROMOTING INDIVIDUAL SAVINGS FOR RETIREMENT

FINAL PROPOSAL
By Paul Neal
Senior Legal Counsel
360-586-2327
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ISSUE

Members are not able to take advantage of a recent IRS ruling which provides new options for managing savings in retirement.

PROPOSAL SUMMARY[1]

At the November 20th meeting the Board directed staff to prepare proposals on:

- Option 1: Authorize LEOFF Plan 2 to annuitize roll-overs of tax deferred savings;
- Option 3: Require LEOFF Employers to Offer DRS's Deferred Compensation Program to LEOFF Members; and
- Option 4: Encourage DRS to offer a Roth option as part of its 457 deferred compensation plan.

Those options are being presented for Board action at the December 18th meeting.

MEMBERS IMPACTED

New options encouraging member's retirement savings as part of LEOFF Plan 2 would be available to all 16,720 active LEOFF Plan 2 members[2].

OVERVIEW

The LEOFF Plan 2 defined benefit Plan, the first leg of the three-legged retirement stool, provides a defined lifetime payout that does not vary with investment return. Retirees must devise their own distribution strategy for the second leg of the stool, individual retirement savings. Members can reduce the risk of outliving their assets if they convert at least some of those assets into a lifetime annuity.

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[1] The Board initially considered this issue at the August 28, 2013 Board meeting. At the September follow-up the Board looked at three options and requested additional information on: Annuitization of additional amounts rolled over into LEOFF Plan 2; and requiring LEOFF employers to participate in DRS's 457 plan. Staff also researched authorized "Roth" accumulations in governmental 457 plans.

[2] Membership number as of June 30, 2012; Office of the State Actuary 2011 LEOFF Plan 2 Valuation Report.

LEOFF Plan 2 members may purchase an additional monthly benefit through the LEOFF Plan 2 trust fund by buying up to 5 years of additional service credit at the time retirement. Under current law, only Plan 3 members (TRS, PERS & SERS[3]) can convert contributions to an annuity from their retirement system.

Leveraging the existing LEOFF Plan 2 infrastructure to authorize accumulation of savings and/or converting that account to a monthly benefit through the LEOFF Plan 2 trust fund would provide a cost-effective mechanism to encourage retirement savings. This can be particularly important for LEOFF Plan 2 members since many do not participate in social security through their employer.

This report examines federal laws encouraging retirement savings, the costs of savings for retirement, different mechanisms for annuitizing retirement savings, a recent IRS ruling authorizing annuitizing retirement savings through LEOFF Plan 2, and provides options for further action.

BACKGROUND INFORMATION & POLICY ISSUES

The LEOFF Plan 2 Retirement Board began studying ways to encourage increased retirement savings during the 2004 Interim. The Board recommended legislation allowing purchase of up to five years of service credit at retirement. The Legislature passed that recommendation in 2005 (HB 1269).

That same year the Department of Retirement Systems (DRS) began offering the annuities through the Plan 3 programs. The Purchase of Annuity topic was studied by the Board during the 2006, 2007, 2008 and 2009 Interims reaching the Final Proposal stage in 2006, 2008 and 2009, but no legislation was recommended. The topic was deferred for joint consideration with the Select Committee on Pension Policy (SCPP) for the 2009 Interim. No further action was taken.

> *The paradox is that investors recognize that their retirement savings will need to last longer than ever before but they aren't making plans to ensure they will actually have the money they need. There tends to be a false sense of security when it comes to Planning for retirement. We hope that the money will somehow be there when we need it but we're not taking the action required to ensure it is. This is a serious problem, and addressing it must become an urgent priority.*
>
> Noel Archard, Head of BlackRock Canada. July 2013

SAVING FOR RETIREMENT

Federal Law Encouraging Retirement Savings

[3] Teachers' Retirement System (TRS); Public Employees' Retirement System (PERS); School Employees' Retirement System (SERS).

The federal tax code encourages individuals to save for, and invest in, retirement:

- Qualified deferred compensation plans, such as the IRS §457 plan offered through the Department of Retirement Systems (DRS) deferred compensation program, permit an individual to authorize pre-tax salary deductions for deposit into a personal investment account. Many LEOFF Plan 2 employers offer these types of plans to employees. Upon separation from employment a member may leave the funds invested or select a distribution option.

- Members may transfer funds between government defined benefit pension Plans like LEOFF Plan 2 and deferred compensation accounts such as 457, 403(b), and 401(k) Plans. This helps members manage retirement savings as they change employers.

- Purchase of up to five years of service credit or "air-time" was authorized in the Federal Pension Protection Act.

- A recent IRS revenue ruling[4] allows members with funds in a deferred compensation account maintained by an employer to roll the funds over into their defined benefit plan and convert those funds to an annuity from the defined benefit Plan.

- The Small Business Jobs act of 2010 authorized governmental 457 plans to include a Roth option.

Using these federal provisions, some state and local government pension plans allow member fund transfers, including funds from tax-deferred accounts, into the primary defined benefit plans to purchase additional service credit or an annuity.

THE COST OF SAVING - DEFERRED COMPENSATION FEES

DRS operates a deferred compensation program under 26 U.S.C. §457, commonly called a "457 Plan". Washington's political subdivisions may participate in DRS's 457 Plan, or use another administrator, such as ICMA-RC. Administrative fees vary significantly. Comparing private administrator fees to DRS's annual .13% fee can be challenging since private administrators tend to use variable fee schedules rather than the flat fee charged by DRS, as demonstrated by the fee comparison table included as Appendix A.

The average net annual fee of the private 457 plan administrators examined in Appendix A is 1.29%, nearly 10 times the .13% charged by DRS. DRS's lower fees facilitate a larger accumulation from the same member contributions[5]:

[4] Internal Revenue Bulletin 2012-8; issued February 21, 2012.
[5] The comparison assumes $3,602 per year contribution for 15 years, earning interest at LEOFF PLAN 2's assumed rate of 7.5%, less annual fees.

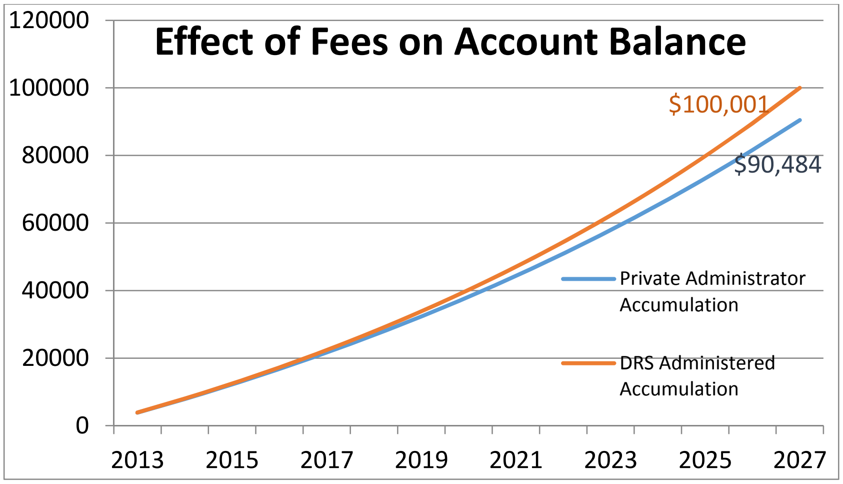

Figure 1

ANNUITIZING ASSETS

Annuities can convert retirement savings into a guaranteed monthly income (this process is called annuitization) for a specified period of time. A life annuity provides that income for the member's lifespan in exchange for a lump-sum dollar amount paid up front. Deferred compensation plans do not normally allow for the distribution of assets in the form of an annuity directly from the fund. LEOFF Plan 2 members wishing to annuitize their retirement savings must purchase the annuity through an insurance company.

The price/value of the annuity depends in part upon the features selected by the purchaser. The terms and conditions of an annuity contract specify features such as whether the annuity will be for a single life or a joint annuity (like a survivor benefit feature), the payment frequency, adjustments for cost of living, and death provisions. Different methods for annuitizing assets are listed below, though not all are currently available to LEOFF Plan 2 members.

Trust Fund Annuity Purchase

TRS Plan 3, SERS Plan 3, and PERS Plan 3 members and survivors may convert some or all of the funds from their Plan 3 member account to a life annuity, RCW 41.50.088. The features and options of the Plan 3 annuities administered by DRS are detailed in Appendix B. This option is not available to LEOFF Plan 2 members.

DRS calculates the annuity that can be purchased for a given lump sum using an age based actuarial table to compute the monthly benefit per $1.00 of accumulation for defined benefits. There is no limit on the amount of funds in the member account that can be converted to an annuity.

RCW 41.32.067 also allows TRS Plan 1, 2 and 3 members to purchase additional benefits through a member reserve contribution which is actuarially converted to a monthly benefit at the time of retirement. The statute was passed to provide teachers with out-of-state service credit a mechanism for transferring contributions from a prior system into TRS[6].

Service Credit Purchase

LEOFF Plan 2 members can annuitize retirement savings by purchasing up to five years of additional service credit at the time of retirement. To purchase service credit under this option the member pays the actuarial present value of the resulting increase in the member's benefit. A member may pay all or part of the cost of the additional service credit with an eligible transfer from a qualified retirement plan. For more information on the history and methodology for calculating service credit purchases, see Appendix C.

The federal 5-year “air time” limit works out to a maximum of $86,484 that could be converted to a monthly benefit by the average LEOFF Plan 2 member[7], see Appendix C. This is a key difference between a Plan 3 annuity conversion and a service credit purchase: the Plan 3 conversion does not have a maximum amount limit.

Commercial Market Annuity

Retirement savings can be annuitized by purchasing an annuity policy through insurance agents, financial planners, banks and life insurance carriers. However, only life insurance companies issue policies. Generally, commercial market annuities do not offer all the same features as the Plan 3 trust fund annuity and do not provide as favorable a payout. A primary reason for the payout difference is the different interest rate used to calculate the value of the annuity. Private insurers use a lower interest rate, due in part to the inclusion of a reasonable profit:

> [A] private insurer will provide the annuity based on an interest rate of about 4 percent, whereas DRS will provide the annuity based on an interest rate of about 8%.[8].

The interest rate differential drives a significant difference in payout amounts between private annuity contracts and contributions annuitized through the trust fund. Five different insurance companies quoted the monthly annuity with a 3% annual COLA they would provide the average LEOFF Plan 2 retiree[6] for $100,000:

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[6] *See* Laws of 1991 c 278 § 2.]
[7] Age 56 with 17 years of service credit and a final average salary of $5000 per month.
[8] 2010 State Actuary 2010 fiscal note on the Board’s purchase of annuity proposal.

Insurance Company	Quote
American General	$389
Aviva	$402
Fidelity & Guaranty Life	$421
Genworth Life Insurance	$406
Integrity Life Insurance	$400
Average	**$404**

If that same average LEOFF Plan 2 member were able to leverage the institutional advantages of the retirement system by annuitizing $100,000 within the LEOFF Plan 2 system, the payout would be $578.14[9]. That's a 43% increase over the average commercial quote, or $174 more per month for life.

The chart below uses the 15 year accumulations calculated in figure 1 and estimates the annuity those accumulations would purchase from either an insurance company or the LEOFF Plan 2 trust fund.

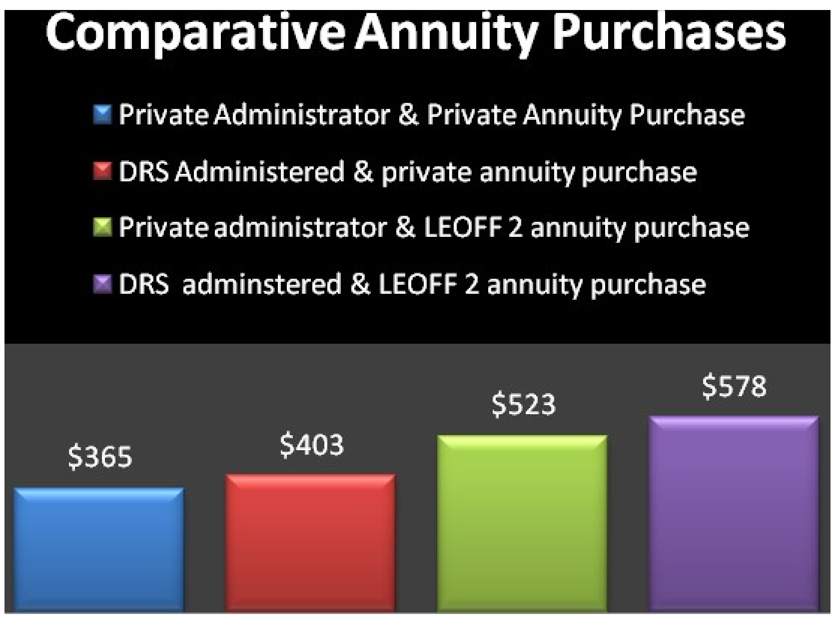

Figure 2

Current state law does not allow annuitization of retirement savings through the LEOFF Plan 2 trust fund. A recent IRS ruling gives the green light to such a program.

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9 $100,000 x .0057814 (conversion factor from DRS table for 56 year-old LEOFF member) = $578.14 monthly life annuity

NEWLY AVAILABLE ALTERNATIVES:

Annuitization through 401(a) plan

Federal tax law allows public defined benefit plans to add a member savings account within the plan, sometimes referred to as a companion account or "sidecar". Contributions to the employee savings account may be made by the employer or the employee and may be either pre-tax or after tax depending on plan design.

Under the recent IRS ruling cited above, a retirement savings account can be annuitized within the 401(a) defined benefit plan to obtain an additional monthly benefit paid through the trust fund. This can be done either through a employee savings account administered within the 401(a) plan or by rolling over retirement savings from another plan such as a 457 plan.

A "sidecar" plan administered through LEOFF Plan 2 could leverage the institutional advantages available to active members as participants in an existing state-administered Plan. Those advantages include the lower fees charged by DRS to administer the savings plan, and the more favorable annuity payout when purchased through the existing LEOFF Plan 2 trust fund.

Potential Risks

The purchase of an annuity through the LEOFF Plan 2 trust fund would not have a cost to the system[10] under current actuarial assumptions. There is, however, a potential risk to the fund if those assumptions change or actual experience falls below assumed levels. When an annuity is purchased, the member locks in the actuarial assumptions in place at that time. A subsequent change in assumptions may knock the annuity out of actuarial equivalency.

For instance, the Actuary's 2010 fiscal note assumed a trust fund annuity would be calculated using the fund's 8% interest assumption. The Board has since reduced that assumption to 7.5%. An annuity locked in with an 8% interest assumption would be "too high" under a 7.5% assumption, causing a $12,980 actuarial loss to the fund[9].

Roth Contributions

The original 457 plan design allows employees deduct contributions from their salary pre-tax. The amounts are taxed at the time of distribution. A Roth[11] plan reverses that system by taxing contributions, but then disbursing contributions and earnings tax free after retirement.

Governmental 457 plans were not originally allowed to offer a Roth option. The Small Business Jobs Act of 2010 authorizes government sponsored 457 plans to offer designated Roth accounts. Federal law now allows governmental 457 plans to permit participants to:

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[10] *See* OSA fiscal note on 2010 annuity purchase proposal, Appendix C.

[11] Named after Senator William Roth of Delaware, the chief legislative sponsor of the original legislation in the Taxpayer Relief Act of 1997 (Public Law 105-34).

- Designate a Roth elective deferral account within the plan; and/or
- Convert conventional pre-tax contributions into Roth contributions within the same plan. Participants wishing to convert existing contributions would have to pay taxes on amounts converted at the time of conversion.

Participants in DRS's 457(b) plans cannot take advantage of in-plan conversions/rollovers to designated Roth accounts unless DRS formally adopts those options in their plan document. DRS has the authority to do this under current law, though they are not required to.

POLICY OPTIONS

The specifics of options available to the Board are in many ways a function of federal tax laws. DRS has received some guidance from the law firm of Ice Miller as of this writing. The LEOFF Plan 2 Board staff had additional questions which are still pending at this time. The options presented below, while accurate in broad strokes, may have to be modified in subsequent presentations depending on future tax law guidance. Additionally, option 1 could be combined with either option 2 or option 3.

Option 1: Propose Legislation authorizing LEOFF Plan 2 to accept roll-overs of tax deferred savings and annuitize those amounts through the plan upon retirement.

Under this option the Board would direct staff to develop legislation authorizing DRS to accept roll-overs from LEOFF Plan 2 members for annuitization at the time of retirement. Further guidance is required to determine what types of roll-overs are allowable under federal tax laws and what limitations, if any, there are on annuitization of rolled over amounts.

Option 2: Propose Legislation establishing a 410(a) savings plan within LEOFF 2 to accept contributions from LEOFF Plan 2 members.

Under this option the Board would direct staff to develop legislation establishing a "sidecar" savings plan within LEOFF Plan 2 that could accept member contributions for distribution following retirement. Preliminary research indicates that this vehicle would be less flexible that a 457 plan such as that administered by DRS's Deferred Compensation Program. Member contributions may be required to follow the same rules as Plan 3 contributions. A member could be required to select a rate upon enrollment. Like the Plan 3 contribution rates, once selected the rate could not be changed except upon change of employment. Voluntary member contributions, which could apparently fluctuate, would be after-tax.

Option 3: Require LEOFF Employers to Offer DRS's Deferred Compensation Program to LEOFF Members.

This option provides a more flexible plan than the 401(a) option. The Board would propose legislation requiring all LEOFF Plan 2 employers to offer the state administered 457 plan. This would ensure that LEOFF Plan 2 members can avail themselves of a plan with the lowest possible administrative fees.

SUPPLEMENTAL POLICY OPTION INFORMATION

The Board requested additional consideration of options 1 and 3. A fourth option has been developed based on the additional information about Roth plans.

Option 1*:*

Staff has confirmed that the IRS will permit rollovers from any authorized tax-deferred savings plan (457, 403(b), 401(a)) into LEOFF 2 for purposes of purchasing an annuity. Further, there are no IRS limits on the amount that may be rolled over and annuitized, except that the total payout cannot exceed the IRS's section 415 limits on maximum allowable benefit.

Option 3:

Staff has drafted proposed legislation that is currently being reviewed by DRS for comments. DRS Director Marcy Frost has asked the Select Committee on Pension Policy to consider a similar directive for all Washington Public Employers.

Option 4: Roth Contributions to Governmental 457 plan.

The Board may wish to take action on the Roth option:

> **Option 4(a): Amend Deferred Compensation Statute to Require Roth Option.**
> Submit legislation requiring DRS to develop a Roth option as part of its deferred compensation plan. The Board may want to direct staff to work with DRS on bill language.
>
> **Option 4(b): Ask DRS to Offer a Roth Option**
> If the Board wished DRS to develop a Roth option without a bill, it may be sufficient to send a letter from the Board to DRS requesting them to take action.
>
> **Option 4(c): Take No Action at this Time**
> The Board could decline to take any action on the Roth option at this time.

SUPPORTING INFORMATION

Appendix A: Deferred Compensation Fee Comparison

Appendix B: Plan 3 annuity purchase option features

Appendix C: Service Credit Purchase history and example

Appendix D: OSA draft fiscal note - 2012

Appendix E: Bill Draft re: annuitization of savings

Appendix F: Bill Draft re: Required participation in DRS 457 plan

Appendix G: Letter to DRS re: offering Roth option

Appendix H: OSA draft fiscal note -2013

Appendix A

DEFERRED COMPENSATION FEE ANALYSIS

An approximation of annual fees for private administration of a 457 deferred compensation plan was derived by working from a table developed by The City of Duluth in 2013 to allow employees to compare costs of 4 different 457 Plan administrator. Fees were highly variable. Board staff averaged the fees of each provider and then averaged those to derive a net average estimated annual fee. Given the small sample and the assumptions that had to be made in averaging, this is a "ball park" figure provided solely for purposes of comparison.

	Hartford Life Deferred Compensation Plan		ICMA Retirement Corporation Deferred Compensation Plan		Minnesota State Deferred Compensation Plan MNDCP – (Great West)		NationwideDeferred Compensation Program	
	Original data	**Average fee**	**Original data**	**Average fee**	**Original data**	**Average fee**	**Original data**	**Average fee**
Annual Account Fees	No	0 %	No.	0%	No	0%	No.	0%
Daily Asset-Based Charges	75 - 90 bps	.825 %	0.55% administration fees on all assets; additional 0.15% fee on assets in non-proprietary funds.	.55%	0.10% annual administrative fee, charged only on the first $100,000 in an individual account.	.1%	0.50% annual administrative fee on all variable fund assets. 0.25% annual administrative fee on fixed account option.	.375%
Fund Operating Expenses	Varies by investment option, from 0.0% to 2.42%	1.21%	Fund expenses range from 0.46% to 1.40%	.93%	Fund expenses range from 0.01% to 0.93%.	.47%	Fund expenses range from 0.00% to 1.40%.	.7%
Net fee estimate	**2.035%**		**1.48%**		**.57%**		**1.075%**	
Average for all plans	**1.29%**							

APPENDIX B
CURRENT ANNUITY PURCHASE FEATURES

The purchase of annuity currently administered by DRS through the Plan 3 programs includes the following features:

WSIB Investment Program Annuity Features and Options	
Contract Provider	Washington State
Minimum Purchase Price	$25,000
Annuity Payment Frequency	Monthly
Rescission Period	15 calendar days from date of purchase
Single Life Annuity	• Provides regular payment for as long as annuitant lives. • Automatic 3% Annual Cost of Living Adjustment (COLA) • Conversion option to Joint Life Annuity • Balance Refund
Joint Life Annuity	• Provides regular payment for as long as member or joint annuitant is alive. • Joint annuitant survivorship options: 100%, 66 2/3%, or 50% • Automatic 3% Annual COLA • Monthly payment pops-up to Single Life Annuity amount if joint annuitant predeceases member. • Balance Refund

Annuitant – The member/owner who purchases the annuity; the payee who receives lifetime monthly payments.

Balance Refund – Any remaining balance equal to the original purchase price minus the total of all annuity payments made to the single or joint annuitants, may be refunded to the specified beneficiary.

Conversion Option – If a single life annuity is purchased and then a subsequent marriage occurs, a one-time opportunity is available to convert to a joint life annuity with the new spouse as the joint annuitant. If a joint annuity is purchased with someone other than a spouse named as the joint annuitant, the annuity may be converted to a single life annuity after payments have begun.

Joint Annuitant – The person designated to receive an ongoing payment in the event of the annuitant's death.

Pop-up – An increase from a joint annuity payment amount to the full single life annuity amount if the annuitant outlives the joint annuitant.

Rescission Period – A period of time (typically 7 to 15 days) during which the terms of the contract may be canceled or altered

APPENDIX C
SERVICE CREDIT PURCHASE

Since the inception of the service credit purchase of "air time" benefit (2005), 214 service credit purchase billings have been requested from DRS and paid in full. The average cost of all billings was $118,876.

LEOFF Plan 2 SC Purchases at Time of Retirement

Year Paid	2006	2007	2008	2009	2010	2011	2012	2013	Grand Total
Number of PSC Bills Paid	6	10	11	15	30	42	57	43	214
Average Cost of PSC Bill	$106,853	$102,102	$85,391	$99,161	$119,527	$123,924	$120,245	$132,699	$118,876
Average SC Months of PSC Bill	55	53	44	48.5	54.6	51.8	48.4	54.3	51.3

APPENDIX D
OSA FISCAL NOTE OF 2010 ANNUITY PURCHASE PROPOSAL

DRAFT
ACTUARY'S FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	PROPOSAL [NAME or Z-NUMBER]:
Office of the State Actuary	**035**	**12/07/09**	**LEOFF 2 Annuity Purchase**

WHAT THE READER SHOULD KNOW

The Office of the State Actuary ("we") prepared this draft fiscal note based on our understanding of the proposal as of the date shown above. We intend this draft fiscal note to be used by the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Board throughout the 2009 Interim only. If a legislator introduces this proposal as a bill during the next Legislative Session, we will prepare a final fiscal note based on that bill language. The actuarial results shown in this draft fiscal note may change when we prepare our final version for the Legislature.

We advise readers of this draft fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this draft fiscal note as a whole. Distribution of, or reliance on, only parts of this draft fiscal note could result in its misuse, and may mislead others.

SUMMARY OF RESULTS

This proposal would authorize the Department of Retirement Systems (DRS) to provide optional actuarially equivalent annuity purchases from the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 retirement fund to LEOFF Plan 2 members and survivors.

This proposal does not impact the expected actuarial funding of the system. Please see the body of this draft fiscal note for a detailed explanation.

WHAT IS THE PROPOSED CHANGE?

Summary Of Change

This proposal impacts the LEOFF Plan 2 by authorizing DRS to provide optional actuarially equivalent annuity purchases from the LEOFF Plan 2 retirement fund to LEOFF Plan 2 members and survivors. The proposal allows members to purchase annuities prior to retirement. DRS would develop the life annuity benefit schedules no later than December 31, 2010.

Assumed Effective Date: 90 days after session.

What Is The Current Situation?

Plan 3 members may purchase a similar annuity with contributions invested in the Total Allocation Portfolio of the Washington State Investment Board (WSIB) investment program, but only at the time of retirement. LEOFF Plan 2 members may purchase up to five years of additional service by paying the full actuarial value of the service at the time of retirement.

Who Is Impacted And How?

We estimate this proposal could affect all 16,626 active members of LEOFF Plan 2 with the option of improved benefits.

We estimate this proposal will increase the benefits for a typical member by providing the option to annuitize their retirement savings. Annuitizing their money provides a member security against outliving their assets. In addition, the annuity offered to them through DRS will cost far less than an annuity bought from a private insurer. A private insurer calculates annuities based on a lower interest rate to account for risk and profit.

For example, a private insurer will provide the annuity based on an interest rate of about 4 percent, whereas DRS will provide the annuity based on an interest rate of about 8 percent. For a member age 55 buying a $10,000 life annuity, this would mean they would pay a private company about $165,000, whereas they would pay DRS about $110,000.

WHY THIS PROPOSAL DOES NOT HAVE A COST

Why This Proposal Does Not Have A Cost

This proposal does not have an expected cost because the member is paying the full actuarial value.

Who Will Pay For These Costs/Savings If They Arise?

The member will pay the actuarially equivalent value of the annuity.

However, as the experience of the system emerges, if the payment is more or less than the actual value of the annuity, then LEOFF Plan 2 contribution rates will increase or decrease accordingly.

HOW WE VALUED THESE COSTS

Assumptions We Made

We assumed that the payments made by the members will equal the full actuarial value of the annuity. We would need to make several assumptions to determine the purchase price of the annuity:

- Expected rate of investment return.
- Expected rate of mortality for the annuitant.
- The annuity start date – the member's retirement date (if purchased prior to retirement).

As with any actuarial calculation that involves estimating future events, actual experience may differ from the underlying assumptions made. When actual experience differs from what we assumed would occur, the system experiences an actuarial gain or loss. An actuarial gain would decrease plan liabilities (or increase assets); whereas, an actuarial loss would increase plan liabilities (or decrease assets). Therefore, we cannot say with certainty that this proposal will not impact plan liabilities in the future.

If the members who purchase annuities, on average, live shorter/longer than assumed, the system will experience actuarial gains/losses in the future. If the actual rate of investment return is more/less than the assumed rate, the system will experience actuarial gains/losses from this assumption as well. For these two assumptions, we will not know whether a gain or loss has occurred until DRS has made all payments under the annuity contract.

The assumed annuity start date, or member's retirement date, will also produce a source of actuarial gain or loss for members who purchase annuities prior to their retirement date. For this particular assumption, we can determine whether an actuarial gain or loss has occurred at the time of retirement. DRS may have the option to adjust the purchase price or adjust the annuity amount (a "true up") at the time of retirement to eliminate this source of gain/loss. Without such an adjustment, the potential for significant actuarial gain/loss, on an individual member basis, exists for this particular assumption.

Otherwise, we developed these costs using the same assumptions as disclosed in the 2008 Actuarial Valuation Report.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

To determine the sensitivity of the actuarial results to the best-estimate assumptions selected for this pricing we varied the following assumptions:

- **Mortality rate** – We determined the cost to the system if the annuity amount was calculated based on higher mortality rates than what actually occurs over time (people lived longer than assumed). For this sensitivity we used 100 percent of scale AA mortality improvement rather than the assumed 50 percent.
- **Investment returns** – We determined the cost to the system if the annuity amount was calculated based on a higher investment ~~returns~~ than what actually occurs over time (investments pay less than assumed). For this sensitivity we used a 7.5 percent investment return rather than the assumed 8 percent.
- **Annuity start date** – We determined the cost to the system if the annuity amount was calculated based on a later retirement date than what actually occurs over time (people start collecting the annuity earlier than assumed). For this sensitivity we used a start age of 53 rather than an assumed age of 55.
- **All of the above** – We determined the cost to the system if all three of the assumptions are incorrect, as described above, at the same time.

The table below shows the expected results versus the four sensitivity runs outlined above. The example outlines the impact due to one member currently age 40 who purchases an annuity with $100,000. When all three occur at once, the liability is larger than the sum of each of the three individually because of the interaction of these assumptions.

Sensitivity Example – 40-Year- Old Male Purchases Retirement Annuity With $100,000			
Scenario	Cash Paid From Member To Plan	Present Value of Plan Annuity	Cost to the System
1) Expected	$100,000	$100,000	$0
2) Lower Mortality Than Expected	$100,000	$102,549	$2,549
3) Lower Asset Returns Than Expected	$100,000	$112,980	$12,980
4) Earlier Retirement Age Than Expected	$100,000	$120,794	$20,794
5) Scenarios 2, 3, and 4	$100,000	$138,777	$38,777

Assumes annuity calculation based on 3% COLA, and 90%/10% male/female mortality blend.

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this draft fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods and assumptions may also be reasonable, and might produce different results.
5. This draft fiscal note has been prepared for the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board.
6. This draft fiscal note has been prepared, and opinions given, in accordance with Washington State law and accepted actuarial standards of practice as of the date shown on page one of this draft fiscal note.

This draft fiscal note is a preliminary actuarial communication and the results shown may change. While this draft fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than on an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost.
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Projected Unit Credit (PUC) Liability: The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded PUC Liability: The excess, if any, of the Present Value of Benefits calculated under the PUC cost method over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Appendix E - Bill draft for annuitizing roll-overs in LEOFF Plan 2.

The following section is added to chapter 41.26 RCW in the subchapter titled "provisions applicable to Plan 2."

<u>NEW SECTION.</u>

At the time of retirement, plan 2 members may make an additional contribution of not less than $25,000 into the LEOFF Plan 2 trust fund.

(1) If a plan 2 member makes an additional contribution under this section the department shall establish a savings account in the member's name and convert the funds in the account into a monthly lifetime annuity. The member may select either a single life annuity or a joint life annuity.
(2) The annuity shall be paid in monthly installment issued as a separate payment in addition to the retiree's retirement allowance.
(3) The annuity offered by the department shall include, but not be limited to, the following features:
    a. An annual cost of living adjustment calculated in the same manner as provided in RCW 41.26.440 calculated on the annuity payment.
    b. The same survivor option selected by the member for his or her retirement allowance under RCW 41.26.460, including a pop up provision as authorized under RCW 41.26.460(3).
    c. If the member, or the member and the member's beneficiary if a joint life annuity, dies before the monthly annuity payments issued by the department equal or exceed the original annuity purchase price, the balance shall be refunded to the beneficiary selected by the member.
    d. The member may rescind or alter the annuity contract up to fifteen days after the department receives the signed contract. After that time the contract is irrevocable.
(4) Subject to rules adopted by the department, a member seeking make an additional contribution under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

Appendix F - Draft bill requiring all LEOFF employers to offer DRS deferred compensation plan to their employees:

Sec. 1. Intent

The Legislature recognizes that the deferred compensation program administered by the Department of Retirement Systems provides market rate returns for a relatively low administrative fee. All state agencies are required to offer the state administered deferred compensation program to their employees. Some, but not all, local government employers also participate. Recognizing the importance of individual retirement savings, the Legislature intends to ensure that the state administered deferred compensation program is available to all law enforcement officers' and fire fighters participating in the retirement system established under Chapter 41.26 RCW.

Sec. 2. RCW 41.50.780 is amended as follows:

(1) The deferred compensation principal account is hereby created in the state treasury.

(2) The amount of compensation deferred by employees under agreements entered into under the authority contained in RCW 41.50.770 shall be paid into the deferred compensation principal account and shall be sufficient to cover costs of administration and staffing in addition to such other amounts as determined by the department. The deferred compensation principal account shall be used to carry out the purposes of RCW 41.50.770. All eligible state employees shall be given the opportunity to participate in agreements entered into by the department under RCW 41.50.770. State agencies shall cooperate with the department in providing employees with the opportunity to participate.

(3) Any county, municipality, or other subdivision of the state may elect to participate in any agreements entered into by the department under RCW 41.50.770, including the making of payments therefrom to the employees participating in a deferred compensation plan upon their separation from state or other qualifying service. Accordingly, the deferred compensation principal account shall be considered to be a public pension or retirement fund within the meaning of Article XXIX, section 1 of the state Constitution, for the purpose of determining eligible investments and deposits of the moneys therein. Any county, municipality, or other subdivision of the state employing members of the law enforcement officers' and fire fighters' retirement system plan 2 shall elect to participate in the deferred compensation program administered by the department no later than three months after the effective date of this 2014 act.

(4) All moneys in the state deferred compensation principal account and the state deferred compensation administrative account, all property and rights purchased therewith, and all income attributable thereto, shall be held in trust by the state investment board, as set forth under RCW 43.33A.030, for the exclusive benefit of the state deferred compensation plan's participants and their beneficiaries. Neither the participant, nor the participant's beneficiary or beneficiaries, nor any other designee, has any right to commute, sell, assign, transfer, or otherwise convey the right to receive any payments under the plan. These payments and right thereto are nonassignable and nontransferable. Unpaid accumulated deferrals are not subject to attachment, garnishment, or execution and are not transferable by operation of law in event of bankruptcy or insolvency, except to the extent otherwise required by law.

(5) The state investment board has the full power to invest moneys in the state deferred compensation principal account and the state deferred compensation administrative account in accordance with RCW 43.84.150, 43.33A.140, and 41.50.770, and cumulative investment directions received pursuant to RCW 41.50.770. All investment and operating costs of the state investment board associated with the investment of the deferred compensation plan assets shall be paid pursuant to RCW 43.33A.160 and 43.84.160. With the exception of these expenses, one hundred percent of all earnings from these investments shall accrue directly to the deferred compensation principal account.

(6)(a) No state board or commission, agency, or any officer, employee, or member thereof is liable for any loss or deficiency resulting from participant investments selected pursuant to RCW 41.50.770(3).

(b) Neither the department, nor the director or any employee, nor the state investment board, nor any officer, employee, or member thereof is liable for any loss or deficiency resulting from reasonable efforts to implement investment directions pursuant to RCW 41.50.770(3).

(7) The deferred compensation administrative account is hereby created in the state treasury. All expenses of the department pertaining to the deferred compensation plan including staffing and administrative expenses shall be paid out of the deferred compensation administrative account. Any excess balances credited to this account over administrative expenses disbursed from this account shall be transferred to the deferred compensation principal account at such time and in such amounts as may be determined by the department with the approval of the office of financial management. Any deficiency in the deferred compensation administrative account caused by an excess of administrative expenses disbursed from this account shall be transferred to this account from the deferred compensation principal account.

(8)(a)(i) The department shall keep or cause to be kept full and adequate accounts and records of the assets of each individual participant, obligations, transactions, and affairs of any deferred compensation plans created under RCW 41.50.770 and this section. The department shall account for and report on the investment of state deferred compensation plan assets or may enter into an agreement with the state investment board for such accounting and reporting.

(ii) The department's duties related to individual participant accounts include conducting the activities of trade instruction, settlement activities, and direction of cash movement and related wire transfers with the custodian bank and outside investment firms.

(iii) The department has sole responsibility for contracting with any recordkeepers for individual participant accounts and shall manage the performance of recordkeepers under those contracts.

(b)(i) The department's duties under (a)(ii) of this subsection do not limit the authority of the state investment board to conduct its responsibilities for asset management and balancing of the deferred compensation funds.

(ii) The state investment board has sole responsibility for contracting with outside investment firms to provide investment management for the deferred compensation funds and shall manage the performance of investment managers under those contracts.

(c) The state treasurer shall designate and define the terms of engagement for the custodial banks.

(9) The department may adopt rules necessary to carry out its responsibilities under RCW 41.50.770 and this section.

[2010 1st sp.s. c 7 § 30; 2008 c 229 § 12; 2001 c 181 § 2. Prior: 1998 c 245 § 42; 1998 c 116 § 12; 1995 c 239 § 315.]

Appendix G: Draft Letter to DRS

Marcie Frost, Director
Department of Retirement Systems
PO Box 48380
Olympia, WA 98504-8380

Dear Marcie:

I know we are both interested in authorizing employees to take advantage of retirement savings options allowed under federal tax law. I am writing on behalf of the Board to ask DRS to exercise that authority.

The LEOFF Plan 2 board recently reviewed information on the federal law changes allowing governmental 457 plans to offer Roth options. The Small Business Jobs Act of 2010 authorized DRS to offer Roth options allowing:

- Roth or after-tax contributions to DRS's deferred compensation program; and
- Conversion of current pre-tax account balance to a Roth account taxable in year of conversion.

Based on the understanding that this does not require enabling legislation, the Board voted to ask DRS to implement those Roth options within its deferred compensation program.

I know DRS has plenty to do, but it would be helpful to the Board if you could develop an implementation plan for offering this option. Thank you for your attention to this issue.

Sincerely

Kelly Fox, Chair
LEOFF Plan 2 Retirement System Board

Cc:	Steve Nelsen

Draft Actuary's Fiscal Note For LEOFF 2 Annuity Purchase Proposal

SUMMARY OF RESULTS

This proposal allows members of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 to purchase an additional annuity through the LEOFF 2 trust fund at the time of retirement.

We assumed this annuity is intended to be an actuarially equivalent purchase. As a result, this proposal is not expected to impact the actuarial funding of the system.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

This proposal does not have an expected cost because we assumed the member is paying the full actuarial value of the additional annuity. However, as the experience of the system emerges, if the purchase payment is more or less than the actual value of the annuity, then LEOFF Plan 2 contribution rates will increase or decrease accordingly. For example, costs could emerge if members who purchase an annuity live longer than expected or investment returns are lower than expected.

See the remainder of this draft fiscal note for additional details on the summary and highlights presented here.

Draft Actuary's Fiscal Note For LEOFF 2 Annuity Purchase Proposal

WHAT IS THE PROPOSED CHANGE?

Summary Of Proposal

This proposal impacts the following systems:

- LEOFF Plan 2.

When a LEOFF 2 member retires, the member may purchase a monthly lifetime annuity through the LEOFF 2 trust fund.

To pay for the annuity, retirees must make an additional contribution of at least $25,000 to the LEOFF 2 trust fund. We have assumed that the resulting annuity will be actuarially equivalent to the additional amount contributed by the retiree.

If the retiree (and survivor, for a joint annuity) dies before the total monthly payments equal or exceed the purchase price of the annuity, the balance of the purchase price will be refunded to the selected beneficiary.

Retirees may make the additional contribution through any combination of lump sum payments, or eligible rollovers from other savings and retirement vehicles. The Department of Retirement Systems (DRS) is instructed to adopt rules to ensure that these contributions comply with Internal Revenue Service requirements.

The annuity must include at least the following items:

- An annual Cost-Of-Living-Adjustment (COLA), calculated the same as the COLA for LEOFF 2 retirement benefits.
- The same survivor option as the retiree has chosen for his or her LEOFF 2 retirement benefits.

Retirees choosing the optional annuity may rescind or alter the contract within 15 days of DRS receiving the contract.

Assumed Effective Date: 90 days after session.

What Is The Current Situation?

At retirement, members of all state retirement plans can increase their monthly benefits by purchasing up to five years of additional service credit. The cost of service is based on the annuity factor for the member's age and plan.

Members of LEOFF 2 cannot purchase additional annuities through the trust fund. However, Plan 3 members of the Public Employees' Retirement System, the Teachers' Retirement System, and the School Employees' Retirement System currently have the option to purchase an annuity from the Total Allocation Portfolio at the time of retirement using funds in the defined contribution portion of the member's Plan 3 account.

For more information about the Plans 3 annuity options, please see Chapter 415-111-320 of the Washington Administrative Code.

Who Is Impacted And How?

We estimate this proposal could affect all 16,720 active members of this system with the option of improved benefits.

We estimate this proposal will increase the benefits for a typical member by providing the option to annuitize their personal retirement savings. Annuitizing their money provides a member security against outliving their assets. In addition, the annuity offered to them through DRS will cost less than an annuity bought from a private insurer. A private insurer calculates annuities based on a lower interest rate to account for risk and profit.

For example, we estimate a private insurer will provide the annuity based on an interest rate of about 4.0 percent, whereas DRS will provide the annuity based on an interest rate of about 7.5 percent. For a member age 56 buying a $10,000 life annuity (including the LEOFF Plan 2 COLA design), this would mean they would pay a private company about $236,000, whereas they would pay DRS about $157,000.

WHY THIS PROPOSAL DOES NOT HAVE AN EXPECTED COST

Why This Proposal Does Not Have An Expected Cost

This proposal does not have an expected cost because we assume the member is paying the full actuarial value. However, if experience is different than the assumptions used to determine the full actuarial value, then costs or savings could arise.

Who Will Pay For Any Costs/Savings If They Arise?

As the experience of the system emerges, if the payment made by the member who purchased the annuity was more or less than the actual value of the annuity, then current LEOFF Plan 2 members and employers will pay for the costs/savings through contribution rates that will increase or decrease accordingly.

HOW WE VALUED THESE COSTS

Assumptions We Made

We assumed that the payments made by the members will equal the full actuarial value of the annuity. We further assumed that the LEOFF 2 Board would adopt annuity purchase administrative factors that maintain actuarial equivalence and that these factors would be reviewed on a regular basis and updated as needed.

To determine the purchase price of an annuity, we would need to make several assumptions, primarily:

- Expected rate of investment return.
- Expected rate of mortality for the annuitant.
- Expected rate of inflation.

As with any actuarial calculation that involves estimating future events, actual experience may differ from the underlying assumptions made. When actual experience differs from what we assumed would occur, the system experiences an actuarial gain or loss. An actuarial gain would decrease plan liabilities (or increase assets); whereas, an actuarial loss would increase plan liabilities (or decrease assets). Therefore, we cannot say with certainty that this proposal will not impact plan costs in the future.

If the members who purchase annuities, on average, live shorter/longer than assumed, the system will experience actuarial gains/losses in the future. If the actual rate of investment return is more/less than the assumed rate, the system will experience actuarial gains/losses from this assumption as well. For these two assumptions, we will not know whether a gain or loss has occurred until DRS has made all payments under the annuity contract.

Inflation, on the other hand, could be less than we expect. This would result in smaller calculated COLAs on the annuitant's annual benefit and produce a savings for the plan.

Otherwise, we developed these costs using the same assumptions as disclosed in the *June 30, 2012, Actuarial Valuation Report* (AVR).

The analysis of this proposal does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.

How We Applied These Assumptions

We developed these costs using the same methods, assets, and data as disclosed in the AVR.

ACTUARIAL RESULTS

No Expected Impact To Liabilities or Present Value of Future Salaries (PVFS)

This proposal is not expected to change the present value of future benefits payable or the PVFS, so there is no impact on the actuarial funding of the affected plan due to liability or PVFS changes.

No Expected Impact to the Contribution Rates or Budgets

This proposal is not expected to change the contribution rates for members and employers, so there is no expected impact on the actuarial funding of the affected plan due to contribution rate changes.

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

To determine the sensitivity of the actuarial results to the best-estimate assumptions selected for this pricing, we varied the following assumptions.

- **Mortality Rate** – We determined the cost to the system if the annuity amount was calculated based on higher mortality rates than what actually occurs over time. For this sensitivity run we used 100 percent of scale AA mortality improvement rather than the assumed 50 percent. In other words, we determined the cost if people lived longer than what is assumed using our current mortality assumptions.
- **Investment Returns** – We determined the cost to the system if the annuity amount was calculated based on higher investment returns than what actually occurs over time (investments pay less than assumed). For this sensitivity run we used a 7.0 percent investment return rather than the assumed 7.5 percent.
- **All of the Above** – We determined the cost to the system if both of these assumptions are incorrect, as described above, at the same time.

The table below shows the expected results versus the three sensitivity runs outlined above. The example outlines the impact due to one member currently age 56 who purchases an annuity *upon retirement* with $100,000. When both scenarios occur at once, the cost to the plan is larger than the sum of each of the two individually because of the interaction of these assumptions. Note that this analysis illustrates how the costs to the plan could increase. By comparison, a decrease could result if lower than expected inflation results in smaller COLAs on the annuitant's annual benefit.

Sensitivity Example – 56-Year-Old Purchases Retirement Annuity With $100,000			
Scenario	Cash Paid From Member To Plan	Present Value of Plan Annuity	Cost to the Plan
1) Expected	$100,000	$100,000	$0
2) Lower Mortality Than Expected	$100,000	$102,558	$2,558
3) Lower Asset Returns Than Expected	$100,000	$105,325	$5,325
4) Scenarios 2 and 3	$100,000	$108,176	$8,176

Assumes annuity calculation based on 3% COLA and 90%/10% male/female mortality blend.

Another consideration with actuarially equivalent purchases pertains to the concept of anti-selection. This is defined as a risk where members with above-average costs make a choice (in this case, to purchase an annuity) resulting in higher costs for the plan. For example, members in poor health may be less likely to annuitize their savings, while members in relatively good health may be more likely to do so. Since the assumptions used to develop administrative factors include life expectancy, the LEOFF 2 Board could adopt administrative factors that include mortality assumptions to address expected anti-selection, and limit that risk to the plan.

WHAT THE READER SHOULD KNOW

The Office of the State Actuary ("we") prepared this draft fiscal note based on our understanding of the proposal as of the date shown in the footer. We intend this draft fiscal note to be used by the LEOFF 2 Board during the 2013 Interim only.

We advise readers of this draft fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this draft fiscal note as a whole. Distribution of, or reliance on, only parts of this draft fiscal note could result in its misuse and may mislead others.

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The actuarial cost methods are appropriate for the purposes of this pricing exercise.
2. The actuarial assumptions used are appropriate for the purposes of this pricing exercise.
3. The data on which this draft fiscal note is based are sufficient and reliable for the purposes of this pricing exercise.
4. Use of another set of methods and assumptions may also be reasonable, and might produce different results.
5. We prepared this draft fiscal note for the LEOFF 2 Board during the 2013 Interim.
6. We prepared this draft fiscal note and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this draft fiscal note.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this draft fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Lisa A. Won, ASA, FCA, MAAA
Senior Actuary

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GLOSSARY OF ACTUARIAL TERMS

Actuarial Accrued Liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions (i.e. interest rate, rate of salary increases, mortality, etc.).

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded actuarial accrued liability. The normal cost is determined for the actuarial accrued group rather than on an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost.
- Amortization of the unfunded actuarial accrued liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Projected Unit Credit (PUC) Liability: The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service) based on the PUC method.

Projected Benefits: Pension benefit amounts that are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded PUC Liability: The excess, if any, of the Present Value of Benefits calculated under the PUC cost method over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

LEOFF
Plan 2 Retirement Board

Promoting Individual Savings for Retirement

Final Proposal
December 18, 2013

Board Directions

At the November 20th Board meeting the Board directed staff to prepare final proposals on the following options:

- Option 1: Authoize LEOFF Plan 2 annuitization of savings.
- Option 3: Require Offering DRS's Deferred Compensation Program to LEOFF Members.
- Option 4: Write to DRS requesting development of Roth option.

LEOFF Plan 2 Retirement Board

Option 1

Authorize LEOFF Plan 2 to annuitize roll-overs of tax deferred savings.

- Bill Draft setting up program identical to current Plan 3 annuitization option submitted to DRS.
- OSA draft fiscal note: No cost.
- *Motion required.*

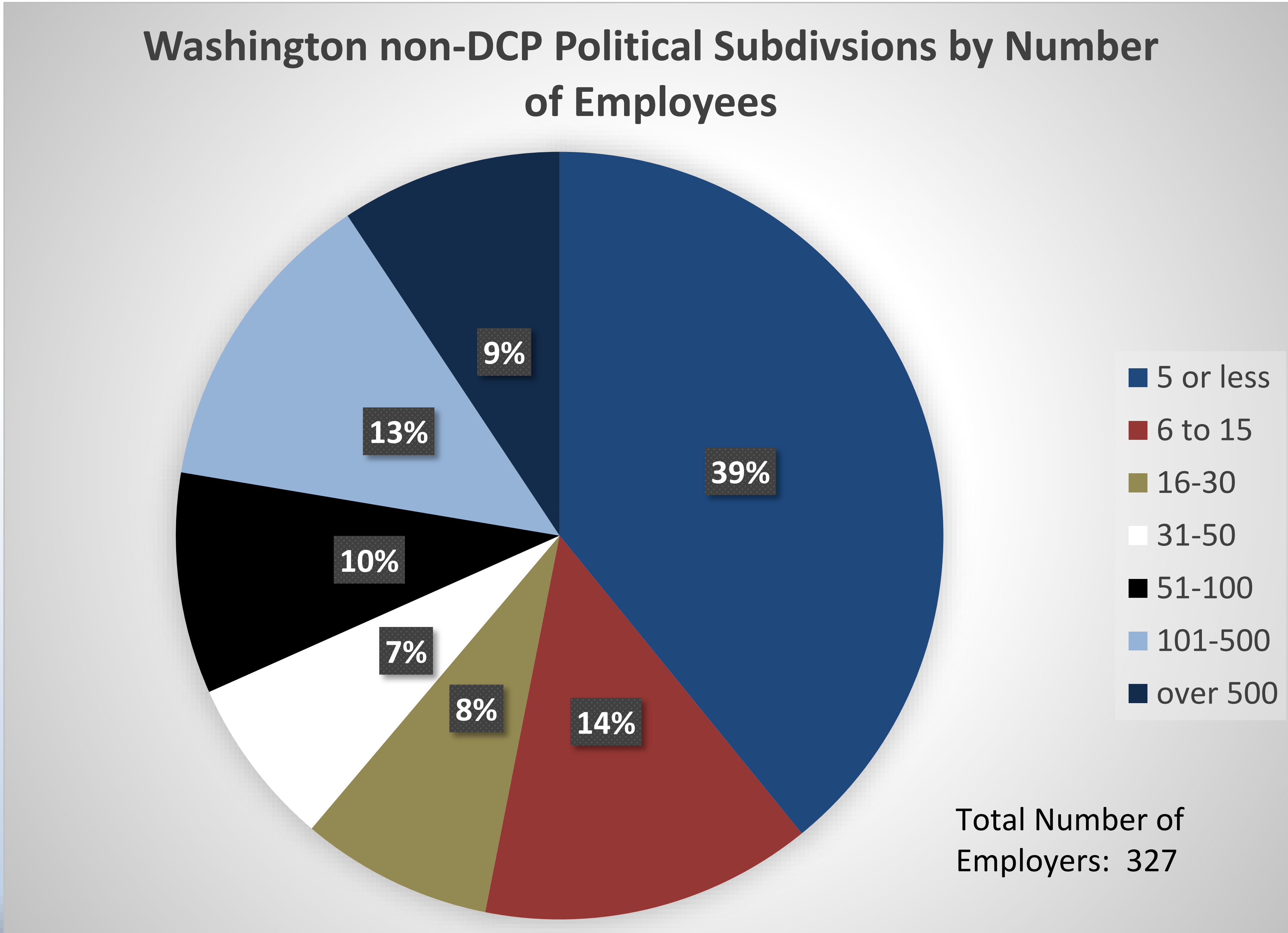
LEOFF Plan 2 Retirement Board

Option 3

Require LEOFF Employers to Offer DRS's Deferred Compensation Program to LEOFF Members.

- Draft Legislation submitted to DRS and OSA for review.
- City and County Employers concerned about mandate.
  - Potential conflict with exclusivity agreements
- *Motion required.*

LEOFF
Plan 2 Retirement Board


Washington non-DCP Political Subdivsions by Number of Employees
39%
14%
8%
7%
10%
13%
9%
5 or less
6 to 15
16-30
31-50
51-100
101-500
over 500
Total Number of Employers: 327

Option 4

Write to DRS requesting Implementation of new option authorizing Roth contributions and/or conversions within DRS's 457 plan.

- Draft letter included as appendix G to final report.
- *Motion required.*

LEOFF Plan 2 Retirement Board

Any Questions?

- **Contact:**

  Paul Neal

  Senior Legal Counsel

  360.586.2327

  paul.neal@leoff.wa.gov

Meetings During Legislative Session

Date Presented:
12/18/2013

Presenter Name and Title:
Ryan Frost, Reseach Analyst

Summary:
During the October off-site meeting Board members expressed interest in possibly holding meetings during the Legislative session. The purpose of this presentation is to further explore that option.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 2 – Provide the stakeholders with a voice in plan governance.

ATTACHMENTS:

	Description	Type
🗋	Board Meetings During Legislative Session	Presentation

LEOFF
Plan 2 Retirement Board

Meetings During Legislative Session

Educational Briefing
December 18, 2013

Overview

What does a successful Board meeting during session look like to you?

- Structure
- Length
- Content
- Availability

LEOFF
Plan 2 Retirement Board

Structure/Format

Physical meeting

- Coming to Olympia to meet as usual

Electronic Meeting

- Stream Board meeting
- Video chat/Skype/GoToMeeting
- Conference call

LEOFF Plan 2 Retirement Board

Length

Longer meeting

- 4-6 hours
- Multiple topics

Shorter meeting

- 1-3 hours
- One or two topics

Content

Possible topics for educational briefings

- New GASB requirements
- Retiree medical
- Federal legislative updates
- State legislative updates
- Communications plan
- Extending DB’s to the private sector
- **Other topics of interest?**

Availability

Treat meetings as Open Public Meetings

- Possible members of the public will want to attend

Go through normal Board meeting process

- Have a home base where the meeting is kicked-off (If using electronic resources)

No quorum?

- Frame meeting if some/most Board members are unable to attend

LEOFF Plan 2 Retirement Board

Questions?

Contact:

Ryan Frost

Research Analyst

(360) 586-2325

ryan.frost@leoff.wa.gov

LEOFF Plan 2 Retirement Board

Corrections Legislation - Final Proposal

Report Type:
Final Proposal

Date Presented:
12/18/2013

Presenter Name and Title:
Ryan Frost, Research Analyst

Summary:
When the definition of fire fighter in LEOFF was expanded to include EMTs, it was erroneously set to expire in 2023. The expiration date should have only applied to the time limited ability to convert past EMT PERS credit into LEOFF Plan 2.

The Board directed staff to prepare a final proposal that removed the expiration date from the firefighter definition. The Board declined to pursue other correction legislation that was not specific to LEOFF Plan 2.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 1 – Enhance the benefits for the members.

ATTACHMENTS:

Description	Type
Corrections Legislation Report	Report
Corrections Legislation Presentation	Presentation

December 18, 2013

CORRECTIONS LEGISLATION

FINAL PROPOSAL
By Ryan Frost
Research Analyst
360-586-2325
ryan.frost@leoff.wa.gov

ISSUE

Corrections are needed to fix errors and oversights in the statutes.

MEMBERS IMPACTED

This issue impacts current and future Emergency Medical Technicians in LEOFF Plan 2.

CURRENT SITUATION

The definition of fire fighter is found in RCW 41.26.030 and includes emergency medical technicians. The 2005 legislation which included emergency medical technicians in the definition of fire fighter contained an unintentional expiration date which would make emergency medical technicians ineligible for LEOFF membership in 2023.

Several of the Board's strategic partners have issues that need to be corrected for their programs. Individually, the attempts to fix some of these issues legislatively have been unsuccessful.

This report reviews a potential correction to the definition of fire fighter in LEOFF Plan 2 and identifies three other potential corrections that other organizations may be interested in partnering with the LEOFF Plan 2 Retirement Board for legislative action.

BACKGROUND INFORMATION & POLICY ISSUES

LEOFF Plan 2 Correction

Definition of Fire Fighter / Emergency Medical Technicians – LEOFF Plan 2 Retirement Board

Full-time, fully compensated law enforcement officers and fire fighters are covered by RCW 41.26 (LEOFF retirement system).

Statutory changes to the definition of fire fighter to include emergency medical technicians contain an unintentional expiration date.

Chapter 459, Laws of 2005, sec. 1, added (h) to the definition of fire fighter in RCW 41.26.030(4) to include emergency medical technicians. Section 3 of that same act provides that "This act expires July 1, 2013." Given that the entire act expires 2013, the inclusion of EMTs within the definition of fire fighter would expire along with the act.

Chapter 304, Laws of 2007, sec. 2 attempted to correct the definition expiration issue by stating "2005 c 459 s 3 (uncodified) is amended to read as follows: Section 2 of this act expires July 1, ((2013)) 2023." This would have fixed the definition expiration issue. However, section 4 of the legislation states that "This act expires July 1, 2023."

This results in undoing the "fix" in section 2 and recreates the expiration problem. This means that emergency medical technicians would no longer be eligible for participation in LEOFF after July 1, 2023.

POLICY OPTIONS

Option 1: Take No Action.
Under this option, the Board would take no further action and the correction for the definition of fire fighter would expire in 2023.

Option 2: Introduce Legislation that Addresses the EMT Expiration Date.
Under this option, the Board would change specific language in the statutes that eliminates the 2023 expiration date for EMTs being included in the definition of fire fighter.

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0643.1/14

ATTY/TYPIST: LL:bbp

BRIEF DESCRIPTION: Correcting the expiration date of a definition of firefighter.

AN ACT Relating to correcting the expiration date of a definition of firefighter; and amending 2007 c 304 s 4 (uncodified).

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

Sec. 1. 2007 c 304 s 4 (uncodified) is amended to read as follows:

Sections 1 and 3 of this act expire((~~s~~)) July 1, 2023.

--- END ---

LEOFF
Plan 2 Retirement Board

Corrections Legislation

Final Proposal

December 18, 2013

Issue

Corrections are needed to fix errors and oversights in the statutes.

Background

- 2005 legislation included EMTs in the definition of fire fighter.
- Bill language contained an unintentional expiration date which would make EMTs ineligible for LEOFF membership in 2023.

LEOFF Plan 2 Retirement Board

Policy Options

1. **Take No Action**: The correction for the definition of fire fighter would expire in 2023.

2. **Address the EMT Expiration Date**: Change specific language in the statutes to eliminate the 2023 expiration date for EMTs being included in the definition of fire fighter.

LEOFF Plan 2 Retirement Board

Any Questions?

- **Contact:**

  Ryan Frost

  Research Analyst

  360.586.2325

  ryan.frost@leoff.wa.gov

Adoption of Administrative Factors- Final Proposal

Report Type:
Final Proposal

Date Presented:
12/18/2013

Presenter Name and Title:
Paul Neal, Senior Legal Counsel

Summary:
Vote on whether to adopt new factors proposed by the Actuary. The factors are used by DRS to calculate the cost to purchase service credit after the 5 year restoration deadline. DRS is adopting new factors for all plans but LEOFF 2. The Board is responsible for deciding on the LEOFF 2 factors.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 3 – Maintain the financial integrity of the plan. , Goal 4 – Inform the stakeholders.

ATTACHMENTS:

Description	Type
Adoption of Administrative Factors	Report
Adoption of Administrative Factors	Presentation

December 18, 2013

ADOPTING ADMINISTRATIVE FACTORS

FINAL PROPOSAL

By Paul Neal
Senior Legal Counsel
360-586-2327
paul.neal@leoff.wa.gov

ISSUE

The Board adopted new administrative factors for LEOFF Plan 2 in 2012. At that time the State Actuary (OSA) noted the factors are used to compute the cost of restoring service credit for persons who have missed the statutory deadline (restoration factors) would be presented later. OSA has now provided the remaining factors and recommends the Board exercise its authority to adopt them.

PROPOSAL SUMMARY

The Board can either adopt the new administrative factors recommended by OSA or decline to do so. After considering the Actuary's proposal at its November 20th meeting, the Board directed staff to present the factors for adoption at the December meeting, effective October 1, 2014.

MEMBERS IMPACTED

Any change to the existing LEOFF Plan 2 administrative factors could impact all active members, employers and the state. As of June 30, 2012 there were 16,720 active members as reported in the Office of the State Actuary's *2012 Actuarial Valuation Report*.

CURRENT SITUATION

The Board adopts any changes to the administrative factors. These can be done at any time, but usually follow changes in the economic or demographic assumptions. The most recent assumption changes adopted by the Board were effective in January 2012. The Board adopted the bulk of the factor changes flowing from that decision in 2012, but had yet to be presented with the revised restoration factors. Those factors are now before the Board for consideration.

BACKGROUND INFORMATION & POLICY ISSUES

Any time the underlying economic or demographic assumptions are changed, their impact on the administrative factors need to be reviewed and determined whether or not those factors should be changed. The Board adopted new factors effective January 1, 2010 based on the 2001-2006 demographic experience study.

When adopting last year's administrative factors the Board decided to coordinate the adoption of the LEOFF Plan 2 factors so they would be available for public review and adopted on the same schedule as the parallel factors adopted by DRS for the other plans. To track DRS's schedule for adoption of the new restoration factors, the Board would publish the proposed factors on its website following the November meeting and adopt the factors at the December meeting to be effective October 1, 2014.

Restoring service credit after the deadline is roughly 6% more expensive under the new factors. There two reasons for this increase in costs: 1) The Board's reduction of the long term interest rate assumption from 8% to 7.5%; and 2) a change in methodology to account for the increased cost due to subsidized early retirement factors[1].

The following examples show how the factor changes would affect members seeking to purchase service. For purposes of the example we looked at the average active member. We assumed a LEOFF Plan 2 member originally hired at age 29 who worked for 5 years, then quit and withdrew contributions. We further assumed the person returned to LEOFF employment 2 years later, worked an additional 9 years and is now 45.

Assuming the persons average final compensation is $85,000, the change in cost to restore the withdrawn service credit is:

- Cost to restore the prior 5 years of service under the current factors: **$95,412.50**
- Cost to restore the prior 5 years of service under the factors recommended by the Actuary: **$100, 835.50.**

Again, this is approximately a 6% increase.

SUPPORTING INFORMATION

Appendix A: .... 2012 Letter from the Office of the State Actuary
2012 letter reserving restoration factors for later adoption

Appendix B: .... 2013 Letter from the Office of the State Actuary
Update of restoration factors

[1] When the original factors were developed there was no subsidized LEOFF Plan 2 early retirement, thus those costs were not included in the original model.

Office of the State Actuary

"Securing tomorrow's pensions today."

November 21, 2012

Mr. Steve Nelsen, Executive Director
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
PO Box 40918
Olympia, Washington 98504-0918

RE: LEOFF 2 ADMINISTRATIVE FACTORS UPDATE

Dear Steve:

We have completed our update of several administrative factors for use in the Washington Administrative Code (WAC). During the project to update these administrative factors, we amended them as a result of the changes to the economic assumptions adopted by the Law Enforcement Officers' and Fire Fighters' Plan 2 (LEOFF 2) Retirement Board (Board) during the 2011 Interim. The amended administrative factors also include an update to the projected mortality improvements to reflect more current data.

As a result of this project, please find attached the following updated actuarial tables for the Boards approval.

- Early retirement factors for WAC 415-02-320 (**Appendix B**).
- Monthly benefit per $1.00 of accumulation for WAC 415-02-340 (**Appendix C**).
- Joint and survivor option factors for WAC 415-02-380 (**Appendix D**).

Administrative factors should be reviewed and, if necessary, updated any time the underlying demographic or economic assumptions for the plan change. The tables will be updated again after our *2007-2012 Demographic Experience Study*. They could also change with new member options or benefit changes in the future.

The attached appendices contain supporting information for each factor we updated. **Appendix A** supplies general information about data, assumptions, and methods used to develop the factors. **Appendices B** through **D** provide more detailed information about each of the individual factors. All of the appendices should be used together with this cover letter to form a complete actuarial communication.

We developed the administrative factors based on our understanding of how the Department of Retirement Systems (DRS) applies them and according to policy decisions made by the Board. The policy decisions were documented in our previous letter dated August 26, 2009, and have been updated to reflect more current data. We intend this communication to be used by the Board and DRS only. If a party other than the Board or DRS reads this communication, they should address questions to the Board or DRS and seek professional guidance with the content and interpretation of this communication.

In my opinion, all of the data, assumptions, and methods we used in developing the administrative factors are reasonable and appropriate for this project. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results.

The economic assumptions we used for updating the factors were adopted by the Board in the 2011 Interim. We were responsible for the selection of the demographic assumptions. In my opinion, all methods, assumptions, and calculations are reasonable and in conformity with generally accepted actuarial principles and standards of practice as of the date of this letter.

We have not included the service credit restoration factors for WAC 415-02-370 in this communication. These factors will follow in a separate communication.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this letter and supporting attachments are intended to be complete, we are available to offer extra advice and explanations as needed.

Please let me know if you have any questions concerning these administrative factors or the assumptions and methods used to develop them.

Sincerely,

Lisa A. Won, ASA, FCA, MAAA
Actuary

cc: Kelly Fox,
LEOFF Plan 2 Retirement Board
Marcie Frost,
Department of Retirement Systems
Shawn Merchant,
Department of Retirement Systems
Matt Smith,
Office of the State Actuary
Kyle Stineman,
Office of the State Actuary

Attachments
Appendix A – General Data, Assumptions, and Methods
Appendix B – Early Retirement Factors
Appendix C – Monthly Benefit Per $1.00 of Accumulation
Appendix D – Joint and Survivor Option Factors

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Office of the State Actuary

"Securing tomorrow's pensions today."

December 11, 2013

Mr. Steve Nelsen
Executive Director
LEOFF 2 Retirement Board
PO Box 40918
Olympia, Washington 98504

RE: LEOFF 2 SERVICE CREDIT RESTORATION FACTORS

Dear Steve,

We have completed our update of the Service Credit Restoration Factors (SCRF) for use in the Washington Administrative Code. These factors allow the Department of Retirement Systems (DRS) to calculate the Actuarial Equivalent (AE) cost for members to restore prior service credit under RCW 41.50.165. The SCRF include changes to the underlying assumptions as part of the Office of the State Actuary's (OSA) *2001-2006 Demographic Experience Study* (DES) and economic assumptions adopted by the Board.

Administrative factors should be reviewed and, if necessary, updated any time the underlying demographic or economic assumptions for the covered retirement systems change. For instance, the SCRF could change after our 2007-2012 DES. It could also change with new member options or benefit changes in the future.

The attached appendix contains supporting information for the development of the SCRF. **Appendix A** supplies general information about the data, assumptions, and methods we used to develop the SCRF. The attached spreadsheet contains the finalized SCRF. The appendix and spreadsheet should be used together with this cover letter to form a complete actuarial communication.

We developed the SCRF based on our understanding of how DRS will apply it and according to policy decisions made by the Board. We intend this communication to be used by DRS and the LEOFF 2 Board only. If a party other than DRS or the Board reads this communication, they should address questions to DRS and seek professional guidance with the content and interpretation of this communication.

In my opinion, all of the data, assumptions, and methods we used in developing the SCRF are reasonable and appropriate for this project and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this letter. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results. The economic assumptions

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Olympia, Washington, 98504-0914
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Phone: 360.786.6140
Fax: 360.586.8135
TDD: 711

we used for updating the factors were adopted by the Board consistent with RCW 41.45.030. We were responsible for the selection of the demographic assumptions.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this letter and supporting attachments are intended to be complete, we are available to offer extra advice and explanations as needed.

Please let me know if you have any questions concerning this communication, the updated administrative factors, or the assumptions and methods used to develop them.

Sincerely,

LAWon

Lisa A. Won, ASA, FCA, MAAA
Senior Actuary

cc: Shawn Merchant, Department of Retirement Systems
Dave Nelsen, Department of Retirement Systems
Matthew Smith, Office of the State Actuary
Michael Harbour, Office of the State Actuary

Attachment: SCRF for LEOFF 2 – OSA 12-2013.xlsx

APPENDIX A – DEVELOPMENT OF THE SCRF

Purpose

We updated the prior Service Credit Restoration Factors (SCRF) and determined the adopted factors no longer achieve Actuarial Equivalence (AE) at the plan level under the prior methodology. The previous factor development model was created prior to the early retirement benefit improvements, so the SCRF assumed benefits were deferred to Normal Retirement Age (NRA) with AE reductions for early retirement. The new SCRF produce a higher cost for members who have the opportunity to benefit from subsidized early retirement.

In addition, these factors needed to be updated to include the assumption changes from the *2001-2006 Demographic Experience Study* (DES) and economic assumptions adopted by the Board.

Data

We relied on the *June 30, 2012, Actuarial Valuation Report* (AVR) data whenever necessary to develop the administrative factors. Please see the *Actuarial Certification Letter* in the 2012 AVR for further considerations on the data we used.

Assumptions

We relied on the following key assumptions to develop the new SCRF.

- **Actuarial Equivalence**: We developed the new SCRF assuming members commence receiving their retirement benefits at NRA, or immediately for post-NRA restorations. We documented the retirement eligibilities for LEOFF 2 in the table below. We did not include assumptions for pre-retirement mortality, termination, or disability. Also, we applied an adjustment for members who have the opportunity to benefit from subsidized early retirement. Under these circumstances, we increased the age-based SCRF by the weighted average of (i) the increase in their benefit from more favorable ERFs and (ii) the likelihood that they will retire. We used the retirement rates as disclosed in the 2012 AVR.

  In addition, we've added a second step that includes the cost for the increased value of the member's past service if it is available at a subsidized retirement age due to the addition of the restored service. This step will result in no additional cost if the restored service does not change the member's ability for subsidized retirement.

System	Normal Retirement Eligibility (Age/Service)	Early Retirement Eligibility (Age/Service)	Subsidized Early Retirement (Age/Service)
LEOFF 2	53/5	50/20	50/20

- **Economic Assumptions**: We used the following economic assumptions.

System	Interest	Annual COLA	Salary Growth
LEOFF 2	7.5%	3.0%	3.75%

- **Mortality Assumptions**: We used the projected mortality assumptions as disclosed in the AVR for the underlying mortality assumptions.
- **Mortality Blending**: These factors only apply for restorations by active members. Therefore, we did not blend disabled mortality rates with healthy mortality rates in their development.
- **Percent Male/Female**: We assumed percent male/female for primary members as shown in the table below. These percentages match those in the 2001-2006 DES.

System	Percent Male	Percent Female
LEOFF 2	90%	10%

- **Certain Period**: We apply a certain period to the NRA annuity factors to cover the guaranteed "refund of contributions provision" in the case that a member dies before all of their contributions have been paid out in the monthly benefits. This certain period matches the 2001-2006 DES.

System	Certain Period
LEOFF 2	5

Methods

Development of Underlying Annuity Factors

The next table displays detailed information about how we developed the deferred and immediate annuity factors.

Annuity Factor Details		
	Deferred Annuity	Immediate Annuity
Annuity Type	Single-Life	Single-Life
Payment Commencement	Deferred to NRA	Immediate
Payment Frequency	Monthly	Monthly
Payment Timing	End of Period	End of Period
COLA Increase Frequency	Annual	Annual

Other Information

The new format we developed for the SCRF includes a two-dimensional table. Specifically, the dimensions are *Current Age* by *Total Service After Restoration*. The cost paid by the member equals their AFC, times the sum of Part 1 plus Part 2.

Part 1. (i) the number of years to be restored, times (ii) the table factor at their current age and service amount with the restoration;
Plus;
Part 2. (iii) their service prior to the restoration, times (iv) the difference between
(a) the table factor including restored service, minus;
(b) the table factor based upon service before the restoration.

Part 2 of this equation accounts for the cost of receiving benefits on past service at a subsidized retirement age resulting from the restored service. Here's an example calculation for an age 45 LEOFF 2 member with nine years of current service, five years of service to be restored, and a $85,000 AFC.

$$\$85{,}000 \times \{(5 \times 0.2342) + [9 \times (0.2342 - 0.2325)]\} = \$100{,}835.50$$

Dual members with eligible portability service have a more complicated Part 2 cost. The methodology we applied is based on our understanding of how DRS administers the portability rules, as follows:

(1) Current service credit for dual members should include service credit from all portable systems and plans;

(2) Average salary for dual members should be based on the highest average salary between the portable systems and plans;

(3) The Part 1 SCRF used should be for the plan in which the service is being restored, even if it is not the active system; and,

(4) The Part 2 cost will need to use SCRFs from each plan based on the total current service level as defined in (1) above and restored service. The difference in factors for each plan is then applied to the current service of that plan.

Please see the attached spreadsheet for the new SCRF. Note that the factors can be linearly interpolated between each integer age and service value provided in the spreadsheet.

N:\OSA\Option Factors\2013\L2_Service_Credit_Restoration_Factors.docx

LEOFF
Plan 2 Retirement Board

Adopting Administrative Factors

Final Report
December 18, 2013

Issue

- The Board has the authority to adopt administrative factors for LEOFF Plan 2 based on recommendations from the Office of the State Actuary (OSA).
- The factors adopted by the Board in 2012 did not include restoration factors.

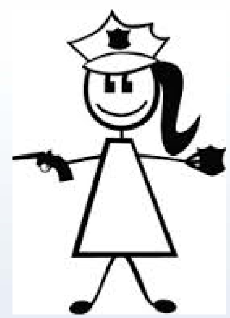
Example: Restoring Service After Deadline

"Average" LEOFF Plan 2 member:

Hired age 29

Worked 5 years

Quit and withdrew



Returned to membership 2 years later

Worked 9 more years; age 45; $85,000 FAS

6% Increase in Cost to Restore After 5-year Deadline:

- $95,412.50 under current factors
- $100, 835.50 under proposed factors

LEOFF Plan 2 Retirement Board

Board Direction

The Board directed staff to present the new factors for adoption at the December meeting to be effective October 1, 2014.

- The new factors are attached to the final proposal as appendix B.
- *Motion required*.

LEOFF Plan 2 Retirement Board

Any Questions?

- **Contact:**

  Paul Neal

  Senior Legal Counsel

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Alternate Revenue - Educational Briefing

Report Type:
Educational Briefing

Date Presented:
12/18/2013

Presenter Name and Title:
Ryan Frost, Research Analyst

Summary:
The Legislature passed the Alternate Revenue legislation in 2008. Under this legislation, if general fund collections increase by more than 5 percent from the prior biennium, the Legislature is to appropriate prescribed funds to the Local Public Safety Enhancement Account (LPSEA). One-half of the funds transferred into the LPSEA are transferred to the LEOFF Retirement System Benefits Improvement Account. The other half are to be used to enhance public safety funding. This presentation will discuss the background of alternate revenue along with its components and how it works.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 1 – Enhance the benefits for the members. , Goal 3 – Maintain the financial integrity of the plan.

ATTACHMENTS:

	Description	Type
🗋	Alternate Revenue Educational Briefing	Report
🗋	Alternate Revenue Educational Briefing Presentation	Presentation

December 18, 2013

ALTERNATE REVENUE

EDUCATIONAL BRIEFING

By Ryan Frost
Research Analyst
360-586-2325
ryan.frost@leoff.wa.gov

ISSUE STATEMENT

Board members and Legislators may not have a full understanding of Alternate Revenue. Several current Board members were not on the Board at the time Alternate Revenue was studied and passed. Many current Legislators were also not in office when the legislature passed Alternate Revenue.

OVERVIEW

LEOFF Plan 2 historically had two sources of revenue to fund plan benefits; contributions and investment earnings. Any benefit improvement must be paid for by an increase in contributions by plan members, employers, and the State.

During a three year period[1], the Board researched other public safety retirement plans around the country that had developed alternate revenue sources as a means of funding improved plan benefits without raising contribution rates.

The 2008 Legislature passed a bill providing additional revenue to LEOFF Plan 2 for benefit improvements and to local government for defined public safety purposes.

BACKGROUND

Alternate Revenue Legislation

The 2008 Legislature passed Engrossed Substitute Senate Bill 6573 providing local government public safety employers and the law enforcement officers' and firefighters' plan 2 pension plan with additional shared revenues.

> ***Legislative Intent***
>
> The intent of the legislation recognized the need for additional revenue to provide for public safety and protection. The legislature also recognized the physical and challenging demands of fire fighters and law enforcement officers, effect on the length of working careers, and impact on earning adequate pension benefits. Section 1 of the legislation reads, in part:
>
> > *"The legislature finds that local governments need additional revenues to provide public safety resources in order to protect the citizens of Washington*

[1] 2006, 2007, 2008

from fire and crime. The legislature finds that the current benefit formula and contributions for the law enforcement officers' and firefighters' plan 2 are inadequate to modify that formula in recognition of the shorter working careers for firefighters and police officers. The legislature recognizes that although some officers and firefighters are able to work comfortably beyond twenty-five years, the combat nature of fire suppression and law enforcement generally require earlier retirement ages. In recognition of the physical demands of the professions and the inherent risks faced by law enforcement officers and firefighters, eligibility for retirement in the law enforcement officers' and firefighters' plan 2 system has been set at age fifty-three. However, the benefit formula is designed for careers of thirty-five to forty years, making retirement at age fifty-three an unrealistic option for many."

Vote Count

The Alternate Revenue bill was strongly supported by the 2008 Legislature. The bill was amended in the Senate Ways and Means Committee and passed by the full Senate by a vote of 48-1. The legislation was further amended on the House floor and then passed by a vote of 82-12, with 4 excused. Then Senate concurred in the House amendments and passed the legislation on final passage by a vote of 45-2, with 2 excused.

Alternate Revenue Trigger and Payment Schedule

Beginning in 2011, and by September 30 of odd-numbered years in each subsequent fiscal biennium in which general state revenue collections increase by more than 5 percent from the prior fiscal biennium, the State Treasurer is required to transfer, subject to appropriation, prescribed funds to the Local Public Safety Enhancement Account (LPSEA). The amounts that would be transferred to the LPSEA if the Alternate Revenue trigger is met are shown in the following schedule:

- $5 million for 2011
- $10 million in 2013
- $20 million in 2015
- $50 million in 2017

In subsequent fiscal biennia's after 2017, the amount eligible for transfer is the lesser of one-third of the general revenue increase amount or $50 million. General state revenues mean total revenues to the General Fund-State less state revenues from property taxes.

Benefits Improvement Account

After a transfer to the LPSEA, one-half of the funds transferred into the LPSEA would then be transferred to the Law Enforcement Officers' and Fire Fighters' Retirement System Benefits Improvement Account (Benefits Improvement Account) created within the LEOFF Plan 2 Retirement Fund. The remaining funds in the LPSEA are distributed to local governments for public safety purposes.

Money transferred to the Benefits Improvement Account can only be used to fund benefits adopted by the Legislature. Benefits may be funded from the Benefits Improvement Account if the State Actuary determines that the actuarial present value of the proposed and existing benefit obligations is met or exceeded by the actuarial present value of the projected revenues to the account. The Washington State Investment Board (WSIB) is authorized to adopt investment policies and invest the money in the Benefits Improvement Account.

The Board has the sole authority to authorize disbursements from the Benefits Improvement Account, and to establish all other policies relating to the Benefits Improvement Account, which must be administered in an actuarially sound manner. Funds in the Benefits Improvement Account may not be considered assets of the plan and are not included in contribution rate calculations by the State Actuary until directed by the Board for purposes of financing benefits adopted by the Board. The LEOFF Plan 2 Board is required to include sufficient funds from the account in the LEOFF Plan 2 Fund to meet benefit obligations within 90 days of the fund's transfer into the account.

Local Public Safety Enhancement Account (LPSEA)

The State Treasurer is responsible for the distribution of the funds in the LPSEA to local governments. Each jurisdiction's allocation is proportionate to the share of LEOFF Plan 2 membership that it employs, as determined by the Department of Retirement Systems. In the event that two jurisdictions have a contract for the provision of law enforcement or fire protection services, the two parties must agree on a revenue sharing arrangement before funds will be distributed. The LPSEA funds may only be used for the purposes of enhancement of criminal justice services, information and assistance programs for families of at risk or runaway youth, or other public safety purposes, and may not replace existing expenditures by local jurisdictions for those purposes.

Disbursement History

The 5% required revenue growth necessary to trigger the 2011 alternate revenue payment of $5 million was not met. The 5% revenue growth trigger was met for the 2013 alternate revenue payment. However, the $10 million transfer was not appropriated by the legislature in the budget so there was no transfer to the LPSEA nor the Benefit Improvement Account. The table below shows the alternate revenue trigger calculations for 2011 and 2013.

Fiscal Year	Annual General State Revenues[2]	Biennial General State Revenues	Difference from Previous Biennium	% Change from previous biennium	Statutory Transfer Date	Transfer Amount
2010	11,795,190,922					
2011	12,828,012,979	24,623,203,901	(110,068,281)	(0.45%)	9/30/2011	none
2012	12,995,711,687					
2013	13,742,785,039	26,738,496,726	2,115,292,825	8.59%	9/30/2013 (FY 14)	$10 million[3]

[2] The definition in RCW 41.26.802 is general state revenues; Amounts determined by the capital budget, not the operating budget.
[3] The 2011 scheduled payment was not appropriated in the Legislature's budget and not transferred to the LPSEA.

LEOFF
Plan 2 Retirement Board

Alternate Revenue

Educational Briefing

December 18, 2013

Presentation Overview

- **Background**
- **Alternate Revenue Legislation**
  – Intent
  – Voting
- **Components**
  – Trigger and Payment Schedule
  – Local Public Safety Enhancement Account
  – Benefit Improvement Account
- **Disbursement History**

LEOFF Plan 2 Retirement Board

Background

- **Two sources to fund benefits**
- **Board studied for 3 years (2006-2008)**
- **Legislation Proposed in 2008**

Legislation

- **Intent**
  - Provide revenue for public safety and protection
  - Recognize risk and physical/challenging demands
  - Negative impacts on career and accrual on adequate pension benefits
- **Purpose**
  - Provide local government public safety employers and the LEOFF Plan 2 with additional shared revenues when general state revenues exceed by more than five percent the previous fiscal biennium's revenue.

LEOFF Plan 2 Retirement Board

Legislation

- **Vote Count**
  - Senate 48-1
  - House 82-12
  - Senate 45-2 (Final Passage/Concurrence)

Components

- **Trigger**
  – 5% Biennial growth in general state revenue
- **Payment Schedule**
  – 2011 - $5 Million
  – 2013 - $10 Million
  – 2015 - $20 Million
  – 2017 - $50 Million
  – Subsequent Biennia – lesser of 1/3 of biennial revenue increase or $50 Million

LEOFF Plan 2 Retirement Board

Components

- **Accounts**
  - Local Public Safety Enhancement Account (LPSEA)
  - Benefit Improvement Account (BIA)

How it works

1. Revenue growth trigger met
2. Payment appropriated by Legislature

$10 million transferred to LPSEA

Local Public Safety Enhancement Account (LPSEA)

$5 million distributed to local government

$5 Million (50%) transferred from LPSEA to BIA

Benefit Improvement Account

LEOFF Plan 2 Retirement Board

Local Public Safety Enhancement Account

- **Alternate revenue payment transferred to LPSEA**
- **50% distributed to local governments**
- **Based on proportionate share of LEOFF Plan 2 members employed**
- **LPSEA funds may only be used for certain purposes**
  - Enhancement of criminal justice services
  - Programs for at risk or runaway youth
  - Other public safety purposes
  - May not replace existing expenditures for these purposes

LEOFF Plan 2 Retirement Board

Benefit Improvement Account

- **50% transferred from LPSEA to BIA**
  - Sub-account created in LEOFF Plan 2 fund
  - Not included in plan assets
  - Only used for benefits adopted by Legislature
  - Value of account must meet/exceed value of benefit
  - Board has sole disbursement authority

LEOFF Plan 2 Retirement Board

Disbursement History

- **2011 – Trigger not met**
- **2013 – Trigger met, funds not appropriated**

Fiscal Year	Annual General State Revenues	Biennial General State Revenues	Difference from Previous Biennium	% Change from previous	Statutory Transfer Date	Transfer Amount
2010	11,795,190,922					
2011	12,828,012,979	24,623,203,901	(110,068,281)	(0.45%)	9/30/2011	none
2012	12,995,711,687					
2013	13,742,785,039	26,738,496,726	2,115,292,825	8.59%	9/30/2013 (FY 14)	$10 million*

LEOFF Plan 2 Retirement Board

Questions?

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LEOFF
Plan 2 Retirement Board

Board Self Evaluation

Date Presented:
12/18/2013

Presenter Name and Title:
Tim Valencia, Deputy Director

Summary:
Fundamental to sound governance is the practice of undertaking a board self-evaluation on an annual basis. This practice has been adopted by leading public retirement boards nationwide and is also a contemporary practice of corporate and non-profit boards. This presentation is an introduction to the Board for conducting a self-evaluation.

Strategic Linkage:
This item supports the following Strategic Priority Goals:
Goal 2 – Provide the stakeholders with a voice in plan governance. , Goal 3 – Maintain the financial integrity of the plan.

ATTACHMENTS:

Description	Type
Board Self-Evaluation	Report
Board Self-Evaluation	Presentation

LEOFF Plan 2 Retirement Board

Board Self-Evaluation

2013

Board Self-Evaluation Process

Introduction

The LEOFF Plan 2 Retirement Board acknowledges its intention to establish and follow "best practices" in board governance in order to fulfill its fiduciary obligation to the membership and the Fund. Fundamental to sound governance is the practice of undertaking a board self-evaluation on an annual basis. This practice has been adopted by leading public retirement boards nationwide and is also a contemporary practice of corporate and non-profit boards. The LEOFF Plan 2 Retirement has not conducted a formal Board Self-Evaluation to date.

Purpose

The purpose of a self-evaluation is to give all Board members an opportunity to evaluate and discuss the Board's performance with candor and from multiple perspectives. An evaluation is particularly helpful when a board is not functioning at an optimal level, but is also helpful when a board is functioning well as a way to ensure continuous improvement in the way the Board conducts its business. The self-evaluation can lead to a closer working relationship among Board members, greater efficiency in the use of the Board's time, and increased effectiveness of the Board as a governing body.

Process

Copies of the self-evaluation forms will be distributed to each Board member. Board members will complete the forms and return them to staff within four weeks of receipt of the forms, or an otherwise designated date.

Results will be compiled prior to the next/future meeting and presented in a summary report to the Board. The meeting will be held in accordance with open meetings requirements and, at the discretion of the Board, in a manner that is most constructive and useful to the Board.

Written comments will be attributed to individual Board members to facilitate discussion. Input will also be gathered from the Executive Director, and shared in aggregated form during the evaluation. The individually completed surveys will also be preserved and available to the Board.

The Board should discuss areas that are working well, and those that need attention. The Board should consider if changes in its governance practices and policies need to be made going forward. Staff will work with the Board to implement any necessary changes.

Evaluation Criteria
The evaluation criteria and forms attached may be changed at any time by the Board.

The Board Self-evaluation consists of three parts:

1. Individual Board Member Self-evaluation
2. Overall Board Evaluation
3. Executive Director Input

In the Individual Board Member Self-evaluation, each Board member is encouraged to be introspective about the personal responsibility of being a fiduciary.

In the Overall Board Evaluation, each Board member is asked to provide written input; this is the part Board members complete and submit for tabulation. Eleven different areas are evaluated with 6-11 questions for each. This is followed by three questions requiring written answers.

In the Executive Director Input, the Executive Director will provide input in relation to the overall operation of the Board during the last year.

Individual Board Member Self-Evaluation

(This is to be filled out individually by each Board Member and returned to staff)

Each Board Member is to rate the following statements in relation to *their individual effectiveness* as a member of the Board during last year. Please place an X in the appropriate box next to each statement using the indicated scale. Please use any extra white space to provide any specific comments you may have on an issue.

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. I attend the Board and Committee meetings I am expected to attend, and I arrive on time and stay until meetings conclude.					
2. I contribute to the discussion in a meaningful and helpful way, listening to others and making my points concisely.					
3. I fully understand my fiduciary duties and act for the benefit of all members, not merely for or in response to pressure from a particular constituency or the appointing authority.					
4. I make an effort to be educated on the aspects of the retirement plan that I do not understand.					
5. I am adequately well-versed on benefits, actuarial/funding, and investments.					
6. I avoid conflicts of interest and ask questions of the Board Chair or Executive Director if I am unsure if a conflict exists.					
7. I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions.					
8. I work with the other Board members as a team, striving for consensus when it is called for.					
9. I understand that certain work requests of staff and outside consultants need to be agreed to by the Board and I act accordingly.					
10. I work with the Executive Director in a way that creates an atmosphere of trust and cooperation.					
11. I understand that the Executive Director works for the entire Board and not for individual Board Members.					
12. I communicate governance and ethical problems to the Board Chair and Executive Director.					

Overall Board Evaluation

(This is to be filled out and returned to board staff)

Each board member is to rate the following statements in relation to the overall operation of the board during the last year. Please place an X in the appropriate box next to each statement using the indicated scale. Please use any extra white space to provide any specific comments you may have on an issue.

Section 1: Board & Staff Roles	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The roles and responsibilities of our board are clearly defined and separate from those of the staff.					
2. Our board takes the primary responsibility for setting the organization's policies.					
3. Board members seldom assume roles and responsibilities that belong to staff.					
4. The board delegates sufficient authority to the organization's Executive Director to lead the staff and carry out the organization's mission.					
5. Board members do not interact with staff directly to influence staff behavior or program management without first coordinating with and getting the agreement of the Executive Director.					
6. When a problem or conflict arises between board and staff, we move quickly and effectively to resolve it.					
7. Board goals, expectations, and concerns are promptly, candidly, and effectively communicated to the Chairman and Executive Director.					
8. The board anticipates issues and does not often find itself reacting to “crisis” situations.					
9. The board speaks with one voice when directing or delegating to staff					
10. The board members respect the majority vote on issues.					
11. The board brings discussions to a conclusion with clear direction to staff.					

Overall Board Evaluation

Section 2: Policy Making Practices	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. If a new policy is needed for the board or the organization as a whole, the issue is clearly presented to and discussed by the board.					
2. The full board approves all new organizational policies before they are implemented.					
3. Policies exist for key areas such as finance, human resources, safety, conflicts of interest, legal and ethical compliance, and any other functions unique to the board's work.					
4. Board policies are effectively communicated to all board members.					
5. The board reviews policies at least every two years, and updates them as needed.					
6. The board revisits its role as the policy-making body of the organization at least every two years to ensure it is meeting this responsibility and has not drifted off-course into areas belonging to the staff.					
7. The board recognizes its policy-making role, and reconsiders and revises policies as necessary.					
8. The board periodically monitors benefit levels as well as service to members and retirees.					

Section 3: Planning Practices	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The board engages in long-range strategic thinking and planning.					
2. The mission and purpose of the organization are reviewed by the board each time strategic planning takes place to ensure that they are aligned with current program activities.					
3. The board's mission and purpose are clearly understood and accepted.					
4. The members of the board reach consensus on a vision that communicates where the organization will be headed over the next 3-5 years.					
5. The full board collaboratively reviews and updates the organization's strategic plan at least every two years.					
6. Staff develop and carry out annual action plans based on the board-approved strategic plan.					
7. The board is thoroughly briefed by the staff on annual plans developed by staff.					

Overall Board Evaluation

Section 4: Fiscal Management Practices	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The organization's annual budget is fully reviewed, understood, and monitored by the board throughout the year.					
2. The annual expense report of the board's independent auditor is reviewed by the board and any necessary actions are taken in a timely way.					
3. Board members are fully aware of their legal responsibilities for the organization's fiscal management.					
4. The fiscal health of the plan is regularly reviewed and any necessary board actions are taken thoughtfully and in a timely way.					
5. Board leadership takes steps to ensure that fiscal reports are thoroughly understood by all board members.					
6. The board regularly reviews the financial investment practices and portfolio performance of the plan.					
7. The board comprehends and respects the difference between its oversight role and the WSIB investment management role.					

Overall Board Evaluation

Section 5: Board Structure and Practices	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. Our board's structure allows us to get our work done in a timely and effective way.					
2. The board's committees streamline our work process and increase board effectiveness.					
3. Our board's size is about right.					
4. Our members' terms on the board have appropriate term limits.					
5. The board consciously selects and prepares board officers for their leadership responsibilities.					
6. The board receives timely, accurate, and useful information upon which to make decisions.					
7. The board stays abreast of issues and trends affecting the plan, using this information to assess and guide the organization over the long term.					

Section 6: Board Committees	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The administrative committee assignments generally reflect the interests and expertise of individual board members.					
2. The administrative committee completes their tasks in an effective and timely way.					
3. Board members should attend the administrative committee meetings.					
4. The administrative committee reports to the full board in a timely way.					
5. The administrative committee establishes its goals and plans at the beginning of the fiscal year and then modifies them as needed.					
6. The effectiveness of the board and administrative committee structure is assessed at least every two years.					
7. The Board should create/use ad-hoc or standing committees to carry out the board's work.					

Overall Board Evaluation

Section 7: Board Meetings	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. Our board's meetings schedule has the right number and length of meetings.					
2. The agendas of our board meetings and supporting written material are provided in advance of meetings.					
3. Board leaders and administrative committee members contribute items to meeting agendas.					
4. Board meetings are generally well-run and make good use of members' time.					
5. Our board tends to brainstorm and identify creative approaches to problem-solving.					
6. Our board thoroughly examines the pros and cons of all major issues and makes fully informed decisions.					
7. Board meetings are conducted in a manner ensuring open communication, meaningful participation, and issue resolution.					
8. The board meeting agendas are well-balanced, allowing appropriate time for the most critical issues.					
9. The board is consistent about being prepared for meetings and staying engaged.					
10. The board is collegial and polite during meetings.					

Overall Board Evaluation

Section 8: Board Membership & Orientation	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The areas of expertise, skills, and other factors needed to be an effective board are adequately represented among current board members.					
2. To maintain or increase effectiveness, the board annually assess the knowledge and skills of board members and address any identified gaps in an annual board development plan.					
3. The board and staff inform new board members about responsibilities and key organizational information through a structured new member orientation program.					
4. The board continuously seeks to increase knowledge, skills, and information through independent continuing education opportunities.					
5. The board is effective, focusing on pertinent topics and allocating reasonable time.					
6. The board is well-educated on benefits, actuarial/funding and investment issues.					

Section 9: Board Executive Relationship	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The board uses a structured and participative process to recruit and hire the organization's Executive Director.					
2. The board has approved a written job description that clearly spells out the Executive Director’s responsibilities and authority.					
3. The board conducts a comprehensive evaluation of the Executive Director annually.					
4. The Executive Director receives ongoing feedback regarding job performance in addition to any formal assessments.					
5. Board members provide the necessary support that allows the Executive Director to carry out the role successfully.					
6. The board ensures that the Executive Director has an ongoing professional development plan to enhance the executive's leadership effectiveness and ensures the availability of resources to implement the plan.					

Overall Board Evaluation

Section 10: Monitoring & Evaluation Practices	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. Board members are adequately knowledgeable about the organization's programs and services.					
2. The board periodically review with the Executive Director the possibilities of adding new programs and services, and modifying or discontinuing current programs and services.					
3. Our board keeps itself informed of our organization's performance against predetermined plans and goals.					
4. Our board annually assess individual and collective board members' expectations about their participation on the board.					
5. We annually assess our board members' satisfaction with their participation on the board.					
6. We regularly evaluate the effectiveness of our board meetings.					
7. The board has achieved what it set out to accomplish the past year.					
8. The board as a whole (and board members as individuals) evaluates its performance on an annual basis and in a meaningful way.					

Overall Board Evaluation

Section 11: External Relations Practices	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. Our board regularly assesses the effectiveness of our relations with our key external stakeholder groups.					
2. Most of our individual board members are active either professionally or personally within the communities served by the board.					
3. The board has approved effective communications and public relations strategies for the organization.					
4. Individual board members actively support public relations and events that benefit the organization during the fiscal year.					
5. A majority of board members attends critical organizational events designed to promote the organization with key stakeholders (annual meeting, annual programmatic kick-off event, openings of major new programs, etc.)					
6. Board members are clear about who serves as official spokesperson for the organization.					

Please answer the following three questions:

1) Identify the greatest achievement(s) of the Board during the past year.

2) What critical issues need to be addressed by the Board in the future?

3) Please provide below any additional comments or suggestions which you believe would help improve the Board's function.

Executive Director Input

(This is to be filled out only by the Executive Director and returned to staff)

The Executive Director is asked to rate the following statements in relation to the *overall operation of the Board* as a whole during the last year.

Please place an X in the appropriate box next to each statement using the indicated scale. Please use any extra white space to provide any specific comments you may have on an issue.

	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1. The Board appears to understand the Board's mission and reflects this understanding when addressing key issues throughout the year.					
2. The Board speaks in one voice and communicates clear expectations to staff.					
3. The Board values the staff's views on matters facing the System.					
4. The Board provides useful feedback on work product, reports, and advice received from the staff.					
5. Individual Board Members are good about not making time intensive requests of staff outside of Board meetings.					

Comments on areas for improvement/Other Comments:

LEOFF Plan 2 Retirement Board

Board Self-Evaluation

December 18, 2013

Board Self-evaluation is …

- **An organized process**
- **Regularly re-examine collective and individual performance**
- **Reaffirm commitment & identify plans for improvement**

Why

- **Best practices in board governance**
  - Adopted by leading public retirement boards
  - Contemporary practice in private sector
- **Evaluate/discuss performance**
- **Accountability**
- **Build relationships, efficiency, effectiveness**

What

- **Roles & Responsibility**
- **Policy Making**
- **Planning & Performance**
- **Conduct & Practices**
- **Board Relationships**

LEOFF Plan 2 Retirement Board

When & Where

- **Evaluation results are reported and reviewed by the Board annually**
- **Values about transparency influence where**
  - Regular Open Meeting
  - Executive Session
  - Work Session

Who

- **Board Self-evaluation consists of three parts:**
  - Individual Board Member Self-evaluation
  - Overall Board Evaluation
  - Executive Director Input

LEOFF Plan 2 Retirement Board

Next Steps

- **Complete First Evaluation**
- **Report on Results Next Interim**
- **Address Additional Evaluation Possibilities**
  - Executive Director Evaluation of Individual Board members
  - Peer Evaluations of Individual Board members
  - Term Limits
  - Attendance
  - Continuing Education Requirements
  - Minimum Skill Requirements
  - Evaluations of Each Board meeting

LEOFF Plan 2 Retirement Board

Questions?

Contact:

Tim Valencia

Deputy Director

(360) 586-2326

tim.valencia@leoff.wa.gov

LEOFF Plan 2 Retirement Board

Agenda Items for Future Meetings

Presenter Name and Title:
Steve Nelsen, Executive Director

ATTACHMENTS:

Description	Type
2014 Approved LEOFF 2 Meetings	Report
Agenda Items Calendar	Report

LEOFF Plan 2 Retirement Board

2014 LEOFF PLAN 2 MEETING DATES

MEETINGS LOCATED AT:

2100 Evergreen Park Dr. S.W., Suite 100
Olympia, WA 98502

January

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

March

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

September

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Wednesday, January 22

Wednesday, February 26

Wednesday, March 26

Wednesday, April 16

Wednesday, May 28

Wednesday, June 18

Wednesday, July 23

Wednesday, August 27

Wednesday, September 24

Wednesday, October 22

Wednesday, November 19

Wednesday, December 17

LEOFF PLAN 2 MEETINGS
LEGISLATIVE SESSION
STATE HOLIDAYS

www.leoff.wa.gov
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LEOFF
Plan 2 Retirement Board

2013
AGENDA ITEMS CALENDAR

MEETING DATE	AGENDA ITEMS
January 23, 2013	Meeting Canceled
February 27, 2013	Meeting Canceled
March 27, 2013	Meeting Canceled
April 24, 2013	Meeting Canceled
May 29, 2013	Meeting Canceled
June 19, 2013	2013 Legislative Session Update Interim Planning Board Operating Policy Changes Board Expectations Check-in Washington State Institute on Public Policy Study, Follow-up Medicare Briefing
July 24, 2013	DRS Administrative Update, Marcie Frost CEM Benchmarking Results, Mark Feldhausen Background on Economic Experience Study, Lisa Won Orientation Manual Paperless Board Meeting Training
August 28, 2013	Board & Administrative Committee Elections WSIB Annual Presentation, Theresa Whitmarsh Final Average Salary Protection, Initial Consideration Correction Legislation, Initial Consideration EMTs Not Being Reported in LEOFF Plan 2, Initial Consideration Salary Spiking, Initial Consideration Promoting Individual Savings for Retirement, Initial Consideration Career Change, Initial Consideration Meeting Materials Posted to Website
September 25, 2013	Board & Administrative Committee Elections Annual Board Member Training, Dawn Cortez Correction Legislation, Comprehensive Report Career Change, Comprehensive Report Promoting Individual Savings for Retirement, Comprehensive Report FY13 Independent Audit Results, Steve Davis Results of the Economic Experience Study, Steve Nelsen Funding Methods - Educational Briefing, Lisa Won
October 16, 2013	2014 Proposed Meeting Calendar

LEOFF Plan 2 Retirement Board

2013
AGENDA ITEMS CALENDAR

November 20, 2013	Smoothing Methods – Educational Briefing, Lisa Won Final Average Salary Protection, Comprehensive Report Promoting Individual Saving for Retirement, Comprehensive Follow-up Adoption of Administrative Factors, Initial Consideration Washington State Investment Board Presentation Career Change, Comprehensive Follow-up 2014 Meeting Calendar Adoption Washington State Institute on Public Policy Study, Follow-up, Educational Briefing Final Average Salary Protection, Comprehensive Report Promoting Individual Saving for Retirement, Comprehensive Follow-up
December 18, 2013	Adoption of Administrative Factors, Final Proposal Career Change, Final Proposal Corrections Legislation, Final Proposal Alternate Revenue, Educational Briefing Promoting Individual Saving for Retirement, Final Proposal Washington State Institute on Public Policy Study, Final Proposal Meetings During Legislative Session NCPERS Life Insurance Presentation, Bill Robinson Board Self Evaluation