

Contact Information

Contact the LEOFF Plan 2 Retirement Board if you have questions or comments regarding possible benefit improvements, LEOFF Plan 2 pension policy, the Board's legislative activities or the status of Board-sponsored bills.

LEOFF Plan 2 Retirement Board

P.O. Box 40918
Olympia, WA 98504-0918
E-mail: reception@leoff.wa.gov
Website: www.leoff.wa.gov
Phone: (360) 586-2320

For questions regarding your personal retirement account, contact the Department of Retirement Systems, which continues to administer LEOFF Plan 2.

Department of Retirement Systems

P.O. Box 48380
Olympia, WA 98504 - 8380
E-mail: recep@drs.wa.gov
Website: www.drs.wa.gov
Phone: (360) 664-7000
Toll-free: (800) 547-6657

2011 Board Meetings

Board meetings are open to the public and take place in the boardroom of the Washington State Investment Board, located at 2100 Evergreen Park Drive SW, Suite 100 in Olympia, WA. They are held on the third Wednesday of each month from 9:30 a.m. to 3 p.m. unless otherwise noted.

- September 28
October 26
November 16 (2nd Wednesday)
December 14 (2nd Wednesday)

The 2012 meeting schedule is planned to be adopted at the December 2011 board meeting.

For the most up-to-date information, schedules, and maps to our location, please visit www.leoff.wa.gov and click on the Board Meetings link.

Board Members

Law Enforcement Representatives

Jack Simington, Vice Chair
Kennewick Police Department
Ryan Martin
Vancouver Police Department
Jeff Holy
Retired Law Enforcement

Fire Fighter Representatives

Kelly Fox, Chair
Olympia Fire Department
Patrick Hepler
Edmonds Fire Department
Mark Johnson
Vancouver Fire Department

Employer Representatives

Glenn Olson
Washington Association of Counties
Paul Golnik
South Kitsap Fire and Rescue
Employer Position Currently Vacant

Legislative Representatives

Representative Kevin Van De Wege
Senator Jim Honeyford

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

DUAL RESPONSE

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Our Mission and Priority Goals

Our Mission:
The mission of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board is to responsibly govern the pension plan for the benefit of the members.
Our Priority Goals for 2011 - 2015:
Enhance the benefits for the members.
Provide the stakeholders with a voice in plan governance.
Maintain the financial integrity of the plan.
Inform the stakeholders.

www.leoff.wa.gov

Message from the Chair

The Value of Pension Contribution Rate Stability

Rate stability has been one of the goals of the LEOFF Plan 2 board established through our strategic planning process—and it remains just as important today. The current funding policy for LEOFF Plan 2 is simple and straight-forward; continue to fully fund LEOFF 2 and establish predictable employer and state rates which will remain a relatively constant proportion of future state and local budgets.

The current actuarial cost method is the aggregate method with the normal cost shared by the active member (50%), the employer (30%) and the state (20%). There is no projected unfunded liability under this aggregate method. We also value our assets by utilizing a smoothing period of up to eight years depending on amount of annual gain or loss. This eases the effects of market volatility, but unfortunately, as we have experienced, can be manipulated by the legislative process.

This last legislative session (and similarly the 2009 session) has been extremely difficult. There are tremendous pressures to reduce or cut funding to many, if not all, state

programs, which include retirement systems. LEOFF Plan 2 is unique in that the state is a participating member or "funder" of LEOFF Plan 2. This fact has been questioned, but the provision of public safety by law enforcement and the fire service—statewide—is of paramount value and importance. For this reason, the state agreed in 1977 to pay a percentage of the retirement funding for LEOFF Plan 2. It also means that the state has a disproportionate say in the funding for LEOFF

Plan 2—it is a classic example of the tail wagging the dog! Basically, the LEOFF Plan 2 Board has the authority (as set by Initiative 790) to set the contribution rates. The Board has always utilized the Office of the State Actuary to provide the information (adherence to funding policies & methods) to determine the rates. I would submit that we have never deviated from our policies nor have we adopted unreasonable rates.

Back to the statement on asset smoothing; because the losses of 2008 and 2009 were so great, the policy smoothed those losses at eight years (gains of 1% or less and gains of 15% or more are smoothed at the maximum of eight years). In essence, that means we have deferred those losses uniformly into the future (\$1.447 billion loss in 2009, divided by 8 = (continued on page 3)



Kelly Fox

Olympia, WA 98504-0918

P.O. Box 40918

LEOFF Plan 2 Retirement Board

2011 Legislative Session Update

The 2011 Legislature met for 105 days, including a special session. Below you'll find information on legislation of interest to LEOFF Plan 2 members. The Board will continue to work on these issues and more during the 2011 interim.

Average Salary for Pension Purposes (HB 2070)—Passed

A member's retirement is calculated using a defined benefit formula. The formula consists of three elements; a multiplier (2%), years of service credit (YOS) and final average salary (FAS). Under the current economic climate many public employers find themselves needing to make drastic cuts in order to meet budget demands. In many cases, members find their salaries being reduced during their FAS period either by reduced schedules, leave without pay, or other similar cost-cutting measures. These reductions cause a smaller retirement benefit.

Under this bill, any compensation forgone as a result of reduced work hours, leave without pay, temporary layoffs, or reduction in current pay during the 2011-13 fiscal biennium by a member of PERS, PSERS, or LEOFF who is a local government or state employee may be included in the computation of the member's FAS for the purpose of calculating the member's retirement allowance, provided that the reduced compensation is certified by the member's employer to be an integral part of expenditure reduction efforts. A future salary increase that had been previously agreed upon, but subsequently canceled, may not be included in a member's FAS.

Workers' Compensation Issues

The Board proposed legislation (HB 1445)SB5354) during the 2011 session that would have created a duty-related occupational disease presumption for heart attacks & strokes for law enforcement officers' and a duty-related presumption for strokes for fire fighters. These bills did not pass.

A bill that was approved (EHB 2123) requires the Department of Labor and Industries to study occupational disease claims. In consultation with the Workers' Compensation Advisory Committee, the Department of Labor and Industries must contract with an independent entity with research experience in workers' compensation issues to study occupational disease claims.

The study must include an

examination of the frequency and severity of occupational disease claims, the impact of claims on long-term disability and pension trends, the definition of occupational disease, including a comparison to other jurisdictions, and the statute of limitations compared to other jurisdictions. The study must be submitted to the appropriate committees of the Legislature by December 1, 2012.

Coordination of Duty Related Death and Disability Benefits

Overlap exists between LEOFF Plan 2 pension benefits and workers' compensation benefits administered by the Department of Labor & Industries (LNI). For example, when a LEOFF Plan 2 member is injured or killed on the job, both the LEOFF pension benefits and workers' compensation benefits to the member (or survivors) rely on a determination from LNI that the injury or death occurred during the course of employment/in the line of duty.

The LEOFF Plan 2 Retirement Board and LNI will be meeting during the interim to discuss opportunities to

DRS Previews Service Enhancements for LEOFF 2 Board

In a presentation to the LEOFF Plan 2 Board on July 27, Department of Retirement Systems Deputy Director Marcie Frost gave a preview of upcoming customer initiatives, including:

- An online retirement application;
- A single log-in to review both your pension and state Deferred Compensation program accounts;
- Videos that go over complex topics such as disability retirement; and
- Remote access to talk via a computer (through a product such as Skype or Web X) with a DRS retirement services analyst.

LEOFF 2 members, who were among the first to use DRS' current online services, may be asked to help pilot one or more of these projects. The agency is planning to test the enhanced services during the 2011-2012 biennium.

Message from the Chair: The Value of Pension Contribution Rate Stability

(continued from cover)

roughly \$180 million per year until the year 2017). In 2008, the board adopted long-term stable contribution rates equal to 100% of the normal cost rate under the entry age normal actuarial cost method. Those rates were adopted for the period 2009-13. In 2010, the board adopted rates that matched those adopted in 2008 for the period 2011-17 (plus an additional .01% for member and employer to cover the cost of 2009 adopted legislation). Were it not for the funding policies adopted by the LEOFF Plan 2 Board and the work of the member advocacy groups in 2009, the contribution rates would have skyrocketed out of control or the plan would be grossly underfunded and require significant rate increases far into the future.

The legislature attempted to fund the plan at a level below the rate adopted by the Board. This is where the "system" is manipulated to achieve a predetermined goal to reduce funding. Our rate floor is designed to preserve a level or stable contribution rate in the face of the fund growing rapidly due to stock market gains. Some leaders in this legislature "gamed" the system and tried to lower the rates to the minimum floor... even when faced with six more years of deferred losses of more than \$180 million per year!

In the end, the LEOFF Plan 2 Board prevailed, but not without an incredible amount of consternation and anxiety. The Board staff and member advocacy groups were backed into a very tight spot during the session and you can read about those consequences elsewhere in the newsletter.

Kelly Fox, Chair

Retirement Seminars Offered Throughout the State

The Department of Retirement Systems (DRS) offers retirement planning seminars for members who are within five years of retirement. Seminars are held on Fridays and Saturdays from 9:00 a.m. to 2:30 p.m. at various locations throughout the state. See inset for upcoming locations and dates.

At the seminar, you will gain knowledge about the details of your retirement benefits by learning how VEBA (Voluntary Employees' Beneficiary Association), health insurance, deferred compensation and your pension work. The seminar is designed to provide you with a broad range of information you need as you near retirement.

Register via one of the following options:

Online: <https://fortress.wa.gov/drs/retirementplanning>
Email: register@drs.wa.gov
Call: 1-888-711-6676 or (360) 664-7300 in Olympia
TDD: 1-866-377-8895 or (360) 586-5450 in Olympia
Mail: Department of Retirement Systems
Education and Outreach Team
PO Box 48380
Olympia, WA 98504-8380

These are group presentations—individual appointments are available by contacting a Retirement Services Analyst through email at recep@drs.wa.gov or by calling 1-800-547-6657 or (360) 664-7000 in the Olympia area.

Upcoming Retirement Seminars Schedule:

- Bellingham: 11/5/2011
- Ellensburg: 8/27/2011
- Seattle: 9/24/2011
- Spokane: Full (wait list only, 9/17/2011)
- Tacoma: 11/19/2011
- Tumwater: 12/3/2011
- Vancouver: 10/15/2011

Keep Your Beneficiary and Address Current With DRS

At the Department of Retirement Systems your name, address and beneficiary designation are some of the most important pieces of information associated with your retirement account. Be sure to keep DRS updated on any changes.

The Beneficiary Designation form you complete and submit tells us who you would like to receive benefits upon your death. It's very important that you keep it current.

If your name or address changes, please contact your employer to make updates.