

## BOARD OF TRUSTEES

### Fire Fighter Representatives

Dennis Lawson  
Central Pierce Fire and Rescue

Mark Johnston  
Vancouver Fire Department

Michael White  
Valley Regional Fire Authority

### Law Enforcement Representatives

Jason Granneman  
Clark County Sheriff's Office

Rep. Jeff Holy  
Spokane Police Department (Ret)

Wally Loucks  
Spokane County Sheriff's Office

### Employer Representatives

Pat McElligott  
Pierce County Fire and Rescue

Ade' Ariwoola  
City of Federal Way

Dwight Dively  
King County

### Legislative Representatives

Sen. Judy Warnick  
WA State Senator

Rep. Steve Bergquist  
WA State Representative

Follow us on...



## BOARD MEETINGS

Board meetings are open to the public and take place in the Washington State Investment Board's large conference room located at 2100 Evergreen Park Drive SW, Suite 100 in Olympia, WA. They are held on the fourth Wednesday of each month from 9:30 a.m. to 3:00 p.m. unless otherwise noted.

For up-to-date Board meeting information, visit [www.leoff.wa.gov](http://www.leoff.wa.gov).



January 2018

# DUAL RESPONSE

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

# DUAL RESPONSE



P.O. Box 40918  
Olympia, WA 98504-0918

## MESSAGE FROM THE CHAIR

### CHANGE IS WHERE WE ARE



Dennis Lawson

As I drove through the great City of Seattle I was awestruck by the number of cranes in the sky. Growth is clearly taking place, the city is renewing itself, making way for new business and living opportunities for the people of Seattle and beyond. Does this new growth change Seattle? Of course it does, and change can be good and healthy for a person, organization, or a city.

In the words of Tony Robbins "Change is inevitable - progress is optional."

Your LEOFF 2 Board has had a few changes to the make-up with recent announcements of former members moving on to new opportunities. In the meantime, your current board, has been handed the keys to a very fine running machine with a full tank of gas and plenty of horse-power.

Since the 2004 legislative session, the LEOFF 2 Board has been successful in passing over thirty bills, benefitting active and retired members, spouses, and surviving family members. In addition, staff has spent countless hours providing information to the elected officials about other bills impacting LEOFF 2 and other pension plans.

These achievements should be recognized and celebrated, but then it's time to get back to work. "Change" has happened. Now we must look to make progress.

What lies before us is exciting, and at the same time challenging. We should not squander a chance to look at new ideas and ways of doing business. The Board structure remains the same with representation from four groups; legislative, employers, law enforcement, and fire.

Success has partially been achieved because Board members have had a clear understanding their roles, the goals of the group, and most importantly that you, our LEOFF 2 members, are counting on us to do the right things and to take care of business to

*Continued as "Change" on page 3*

## CONTACT INFORMATION

For questions or comments regarding possible benefit improvements, please contact your affiliated association or local labor representative.

**The LEOFF Plan 2 Retirement Board** will gladly assist you in answering questions regarding LEOFF Plan 2 pension policy, the board's legislative activities or the status of board-sponsored bills.

P.O. Box 40918  
Olympia, WA 98504-0918  
(360) 586-2320  
[www.leoff.wa.gov](http://www.leoff.wa.gov)

**The Department of Retirement Systems (DRS)** administers LEOFF Plan 2 and can assist with individual account information.

P.O. Box 48380  
Olympia, WA 98504-8380  
(360) 664-7000 or (800) 547-6657  
[www.drs.wa.gov](http://www.drs.wa.gov)

## BENEFIT VIDEOS ONLINE

Learn about LEOFF 2 benefits and how they work at [www.leoff.wa.gov/board-videos](http://www.leoff.wa.gov/board-videos).

- How does LEOFF 2 Compare to other Pension Plans Nationwide?
- Working After LEOFF Retirement
- Social Security and Government Pension Offsets
- Social Security Windfall Elimination Provision Info (WEP)
- Purchasing a LEOFF 2 Annuity and/or Service Credit
- How does my LEOFF 2 retirement date impact cost of living adjustments (COLA)?

## 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

- 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.

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# 2018 LEGISLATIVE SESSION REPORT

The regular legislative session began Monday, January 8 and is expected to convene Thursday, March 8. For more information and to stay up to date on bills impacting LEOFF 2, visit [www.leoff.wa.gov](http://www.leoff.wa.gov).

## BOARD BILLS

### Addressing the Definition of Veteran (HB 2701/SB 6377)

Out of the interruptive military service credit study the Board was tasked with performing during the 2017 interim, this bill adds:

- Ensurance that members receive free interruptive military service credit for multiple deployments to the same conflict
- An end date to the Gulf War in statute
- Two combat operations to the free interruptive military service credit list. 1) the Inherent Resolve, Iraq and Syria; and 2) Freedom's Sentinel, Afghanistan

## OTHER LEOFF 2 IMPACTS

### Local Public Safety Enhancement Account

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). When funds are appropriated to the LPSEA, 50% is to be sent to the LEOFF Plan 2 Benefit Improvement Account (BIA).

The 5% revenue growth trigger was not met in 2011. The trigger was met for 2013, however, the Legislature declined to pay it, instead striking the \$10 million payment from statute. The statutory trigger was met again for 2015, but rather than pay the \$20 million into the LPSEA, the legislature decided to make a \$15,776,000 payment strictly into the Benefit Improvement Account from the LEOFF Plan 2 Trust. The trigger was met for 2017 as well, but the \$50 million payment, similarly to 2013, was stricken from statute.

Governor Inslee's proposed 2018 supplemental budget appropriates a \$50 million payment into the LPSEA to make up for the missed payment in 2017. Of that, \$25 million of that would be sent to the BIA.

### Economic Assumptions Adoption

The Board is tasked with adopting economic assumptions every 2 years. The Office of the State Actuary (OSA) recommended, and the Board adopted the following changes to LEOFF Plan 2's economic assumptions:

- Inflation from 3.00% to 2.75%
- General Salary Growth from 3.75% to 3.50%
- Annual Investment Return from 7.50% to 7.40%

# RETIREMENT

## IN-PERSON SEMINARS

Are you within 5 years of retiring? Consider attending a seminar.

- Preparing for retirement
- Social Security
- Health insurance
- VEBA (Voluntary Employee Beneficiary Association)
- How to apply for retirement

Visit [www.drs.wa.gov](http://www.drs.wa.gov) and click "Seminars" under the popular links heading.

## LIVE WEBINARS

Seminars don't fit into your schedule? Try a Webinar!

Learn more about your benefits and get specifics like: how to purchase an annuity, prepare for retirement, the basics of Medicare and Social Security.

Register online at: [www.drs.wa.gov/education/webinar.html](http://www.drs.wa.gov/education/webinar.html)

## MID CAREER CHECK

Get on track, or learn how to stay there with a variety of online resources.

[www.drs.wa.gov/education](http://www.drs.wa.gov/education)

## HOW DOES LEOFF COMPARE TO OTHER NATIONWIDE PENSION PLANS?

In 2012, the Washington State Institute for Public Policy (WSIPP) compared LEOFF Plan 2 with peer plans throughout the United States. The report gave LEOFF 2 a ranking of 33 out of 42 comparison plans.

Since retirement plans within each state may have various designs and multiple variables, it is extremely difficult to compare plans. WSIPP chose income replacement as the criteria to evaluate plans. Income replacement is the percentage of a worker's salary replaced by the pension at the time of retirement.

While income replacement allows an "apples to apples" comparison, examining only income replacement means you miss the importance of salary on the overall benefit. Remember, your pension is calculated using the formula:

$$\text{Years of Service} \times \text{Final Average Salary} \times \text{Multiplier} = \text{Pension Benefit}$$

For instance, LEOFF Plan 2 uses a 2% multiplier. New Mexico police and firefighter plan, ranked number one in the WSIPP study, has a 3% multiplier, so some may assume that they would have a higher benefit in New Mexico. But, by only looking at the multiplier, and not the entire pension formula, you'd miss that New Mexico has an average salary \$50,000 lower than in Washington State. Even with a 2% multiplier, a career in Washington State gives you a higher pension than the same career in New Mexico.

In order to have a deeper understanding of how LEOFF 2 compares to other plans, the LEOFF 2 Board studied 160 other state, county and city public pension funds across the country. That study showed that LEOFF Plan 2 ranked 29 out of 160 based on the average benefit paid to retirees.

You can view the full plan comparison study at [www.leoff.wa.gov](http://www.leoff.wa.gov) under Meetings/2017/October/Plan Comparison Research.

Or, learn more by watching a 4 minute video at: [www.leoff.wa.gov/board-videos](http://www.leoff.wa.gov/board-videos).

## RETIREES: NEW IRS WITHHOLDING TABLES MAY AFFECT YOUR PENSION

Each year the Internal Revenue Service provides DRS with tables used to calculate the tax withheld from your pension benefit. If your net pension amount changes in 2018, it is likely due to the updated tax tables.

Your online retirement account includes tools to calculate and update your IRS withholding. You'll find a link to the IRS Withholding Calculator under "Other" in the navigation menu. To change your withholding amount, select "My Account" from the menu, then "View/Edit" under the IRS Withholding Tax category. Changes will take effect in your next pension payment.

Alternatively, you can complete and send DRS a new Form W-4P. Before you make a change, you might want to talk with your financial advisor or the IRS.

If you have medical coverage through the Public Employees Benefits Board, any change in medical premiums can also affect your net pension amount. For more information, please visit the state Health Care Authority website.

## CHANGE CONT.

the best of our abilities. The other key to our success is the continued work of the Board staff. Quite honestly, this is one of the best groups of people that I have had the honor of working with. The entire staff has demonstrated their commitment to go the extra mile to ensure that we achieve our goals and continue to put out a great product.

Your new Board members are enthusiastic and ready for the next journey. We invite you to join us for the ride.

Let's give thanks to former Board members and recognize them for their time, commitment, and sacrifice that's been necessary to ensuring LEOFF Plan 2 remains strong on many different fronts.

Particularly, past chair Kelly Fox, was instrumental in the creation, and formation of the LEOFF 2 Board. Kelly served as Chair since its inception, and worked tirelessly to establish a model that many across our country admire. Kelly is now with the state of California, serving as the "Chief of Stakeholders Relations" for CalPERS, the largest public defined benefit pension fund in the United States.

Kelly's work on the LEOFF 2 Board and the State Investment Board have clearly set a foundation to be grateful for, and now look to build upon. We wish Kelly, Donna, and Booter (their Bulldog) much success and happiness!