



DUAL RESPONSE

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

MESSAGE FROM THE CHAIR



Dennis Lawson

As many of you know, the legislature passed the LEOFF 2 Board's Benefit Improvement Bill, HB 1701. When the citizens of Washington State voted to create the LEOFF 2 Board through the initiative process 20 years ago, they tasked the Board with improving pension benefits while also exercising fiduciary responsibility of the pension system. In many ways this benefit improvement is the culmination of the LEOFF 2 Board fulfilling this responsibility.

Since the creation of the LEOFF 2 Board, many pension systems across the country have struggled with inadequate funding and pressure to do away with pensions in exchange for 401k style retirement plans. Meanwhile, LEOFF 2 is consistently one of the strongest and healthiest plans in the country. The partnership between Law Enforcement and Fire Fighters allows LEOFF 2 to thrive.

LEOFF 2 members long sought an increase to the plan multiplier as a benefit improvement. In drafting and endorsing HB 1701, the Board sought to balance this desire for an increased multiplier with the financial impacts to the plan.

It was essential to Board Members that both active members and retirees receive a benefit improvement, while also limiting costs so the plan remained fully funded. I am excited to say that this benefit improvement meets those goals. We were able to accomplish this in a fiscally prudent manner, with the plan's funding ratio remaining over 100% even with the increased cost of the benefit improvement.

The passage of this benefit improvement would not have been possible without the strong stewardship of the plan since its inception. I want to thank all past Board Members for prioritizing sound fiscal management of the plan, which put the current Board in the position to pass this benefit.

I also want to thank the legislature and Governor Inslee for supporting this legislation. In a time where politics feel divided on almost any issue, this bill received unanimous support from the House and Senate. This would not have been possible without the work of police officer representatives (WACOPS) and the fire fighter representatives (WSCFF) who represent LEOFF 2 members, as well as our partners on the LEOFF 2 Board.

The work of the LEOFF 2 Board is not done. We will continue to work to ensure the plan remains one of the strongest and healthiest in the country, while also pursuing future improvements. Thank you.

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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.

2022 LEGISLATIVE REPORT

The LEOFF 2 Board endorsed three bills this legislative session. Two of the three bills passed.



LEOFF 2 BENEFIT IMPROVEMENT BILL (HB 1701) – PASSED

This bill purchases the following LEOFF 2 benefit improvements using the LEOFF 2 Benefit Improvement Account:

1. Members retired as of February 1, 2021, receive a one-time lump sum payment of \$100 per month of service credit, payable by Jan. 31, 2023.
 - Provides a minimum lump sum benefit of \$20,000 to duty-death beneficiaries, and duty disability retirees.
 - This bill also allows retirees to purchase an annuity with their lump sum payment, with a required minimum payment of \$20,000.
2. Members new to LEOFF 2 after February 1, 2021, receive a tiered benefit multiplier at retirement of 2.5% for service credit earned years 16 through 25.
3. Members who were not retired as of February 1, 2021, have the option between the lump sum payment payable at retirement or the increased multiplier.

ROTH OPTION FOR DEFERRED COMPENSATION PLAN (HB 1752) – PASSED

Many LEOFF 2 employers offer LEOFF 2 members the option of making contributions to the State's Deferred Compensation Plan (DCP). DCP is a tax qualified 457 plan and allows members to make pre-tax deferrals. Some 457 plans allow members to make deferrals after taxes have been paid. These after-tax contributions are called "Roth" contributions. Roth contributions to a 457 plan, along with investment returns on those contributions, are not taxed when a member withdraws them from the plan, so long as the withdrawal is a qualified distribution. The State does not include a Roth option in its DCP plan. This interim the LEOFF 2 Board is studying the benefits and concerns with offering a Roth option and whether to recommend legislation that requires that the State offer a Roth option for DCP members.

NO-COST INTERRUPTIVE MILITARY SERVICE CREDIT ELIGIBILITY (HB 1804/SB 5726) – DID NOT PASS

This bill would have expanded no-cost interruptive military service credit to include service where a member earns an expeditionary medal. Currently, no-cost interruptive military service credit is limited to interruptive service where the member earned a campaign badge or medal. The LEOFF 2 Board has already voted to endorse this legislation again for the 2023 legislative session.

RETIREMENT

RETIREMENT SEMINARS

Per guidance from local health and government officials, these half-day sessions are currently available as live online webinars ONLY.

Visit drs.wa.gov/life/retire/seminar for a listing of webinars available and a sample agenda.

LIVE WEBINARS

A variety of information can be found in these webinars including;

- Purchasing Service Credit or an Annuity
- Applying for Retirement
- Payment Options
- Social Security Basics and more

Register online at: drs.wa.gov/webinars

MID CAREER CHECK

Get on track, or learn how to stay there with a variety of online resources for things that impact mid-career employees. Such things may include:

- Marriage or Divorce
- Death
- Leaving Employment
- Returning to Work and more

drs.wa.gov/life/mid

MORE ABOUT THE BENEFIT IMPROVEMENT BILL

We have received a lot of questions from members regarding the benefit improvement bill. LEOFF 2 Board staff have worked closely with the Department of Retirement Systems (DRS) from the initial development of the bill to the current implementation of the bill.

DRS is planning on sending LEOFF 2 members a post-card in August about the benefit improvement and that more information is coming in the fall regarding the specific benefits you qualify for under the bill, including the options you will have regarding those benefits.

Many members have asked how the lump sum and the tiered multiplier benefit will be calculated under this bill. Here are some examples:

Lump Sum Benefit Example – A retiree with 25 years of LEOFF 2 service credit would calculate their benefit as follows:

- $25 \times 12 = 300$ months of service credit. $300 \times \$100 = \$30,000$ lump sum benefit.
- Many members have expressed concern about the tax implications of receiving a lump sum benefit. To address these concerns the Board included an option to use this lump sum to purchase an annuity benefit. Also, there will be options to roll over the lump sum into tax qualified retirement savings accounts.

Tiered Multiplier Benefit Example – The current benefit formula is:

- $2\% \times \text{service credit years} \times \text{Final Average Salary (FAS)} = \text{monthly benefit}$.

In the future, the formula will be as follows for qualifying members:

- $2\% \times \text{service credit years 1-15}, 2.5\% \times \text{service credit years 16-25}, 2\% \times \text{service credit years 26 and beyond} \times \text{FAS} = \text{monthly benefit}$

Below is an example of how this would change a monthly retirement benefit for a member who works 25 years and the average of their highest months of income (FAS) is \$9,000 per month.

Under the current benefit formula this member's benefit will be calculated as follows:

- $2\% \times 25 \text{ years} \times \$9000 = \$4,500$

Under the future formula with the benefit multiplier applied:

- $(2\% \times 15 \text{ years} + 2.5\% \times 10 \text{ years}) \times \$9000 = \$4,950$

Choice Example - Members who were not retired as of February 1, 2021, have the option between the lump sum payment payable at retirement or the increased multiplier. Below is an example of how those options would be calculated:

A member is currently 45 years old with 20 years of service credit. They work for an additional 10 years and retire at age 55 with an FAS of \$10,000. This member will have two benefit options at retirement:

- Lump Sum Option: $2\% \times 30 \text{ years} \times \10k for a monthly benefit of \$6000 plus a lump sum of \$36,000
- Tiered Multiplier Option: $(2\% \times 20 \text{ years} + 2.5\% \times 10 \text{ years}) \times \10K for a monthly benefit of \$6500 and no lump sum

DRS, in consultation with the LEOFF 2 Board, posted FAQs on their website which may answer many of the questions members' have about these new benefits. The FAQs continue to be updated as more information becomes available. Visit: drs.wa.gov/leoff-benefit-enhancements.

IS YOUR ADDRESS CURRENT?

When there are changes in benefits or other communication needs, the Department of Retirement Systems notifies members via mail through the U.S. Postal Service. Therefore, it is very important that your address on file with them is up to date.

Please don't take for granted that your address is correct. With electronic payroll and email, members often forget to change their mailing address when they move.

To check your address on file, log in at drs.wa.gov/oa.

- If you are retired, separated from service, or a beneficiary, you may change your mailing address through your online account access on this page.
- If you are currently employed with a LEOFF 2 employer, you will need to make that change through your employer, typically your payroll department. They will notify DRS on your behalf.

Follow us...



BOARD MEETINGS

Board meetings are open to the public. Wearing masks and social distancing when attending meetings in person is highly encouraged.

Board meetings are held both virtually and at the State Investment Board, located at 2100 Evergreen Park Dr SW in Olympia, on the fourth Wednesday of each month beginning at 9:30 a.m. unless otherwise noted.

For up-to-date meeting information and to learn how to gain access to virtual meetings, visit leoff.wa.gov.

BOARD OF TRUSTEES

Fire Fighter Representatives

Dennis Lawson
Central Pierce Fire and Rescue

Mark Johnston
Vancouver Fire Department

AJ Johnson
Snohomish County Fire

Law Enforcement Representatives

Jason Granneman
Clark County Sheriff's Office

Tarina Rose-Watson
Spokane Int'l Airport Police Dept.

Sen. Jeff Holy
Spokane Police Department (Ret)

Employer Representatives

Pat McElligott
Pierce County Fire and Rescue

Wolf Opitz
Pierce County

Jay Burney
City of Olympia

Legislative Representatives

Sen. Ann Rivers
WA State Senator

Rep. Steve Bergquist
WA State Representative

DUAL RESPONSE



c/o DES
PO Box 798
Olympia, WA 98507-0798

RETIREE RESOURCES

Did you know that the Department of Retirement Systems (DRS) has a webpage for retirees? They do!

Visit drs.wa.gov/retirees to update your address, find tax forms, and more.

Want to know when your next pay day is? It's there! Getting a divorce? Yep, that's there too. Need more information about PEBB health insurance? You'll find a link there. Check it out today!

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 98507-0918
(360) 586-2320
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
drs.wa.gov