

BOARD MEETING AGENDA

MAY 17, 2023 • 9:30AM



LOCATION - Hybrid Meeting

In-Person:

Washington State Investment Board
2100 Evergreen Park Drive SW, Suite 100
Olympia, WA 98502

Or Virtual Meeting Information at
www.leoff.wa.gov

TRUSTEES

DENNIS LAWSON, CHAIR
Central Pierce Fire and Rescue

JASON GRANNEMAN, VICE CHAIR
Clark County Sheriff's Office

MARK JOHNSTON
Vancouver Fire Department

AJ JOHNSON
Snohomish County Fire

SENATOR JEFF HOLY
Spokane Police Department (Ret)

TARINA ROSE-WATSON
Spokane Int'l Airport Police Dept

PAT MCELLIGOTT
East Pierce County Fire

JAY BURNEY
City of Olympia

WOLF OPITZ
Pierce County

REPRESENTATIVE STEVE BERGQUIST
WA State Representative

SENATOR ANN RIVERS
WA State Senator

STAFF

Steve Nelsen, Executive Director
Tim Valencia, Deputy Director
Jessie Jackson, Executive Assistant
Jessica Burkhart, Administrative Services Manager
Jacob White, Senior Research & Policy Manager
Karen Durant, Senior Research & Policy Manager
Tammy Sadler, Benefits Ombudsman
Sarah White, Benefits Ombudsman
Tor Jernudd, Assistant Attorney General

**THEY KEEP US SAFE,
WE KEEP THEM SECURE.**

1. Approval of Minutes 9:30AM

November 2022 – April 2023

2. Draft Interim Workplan 9:35AM

Jacob White, Senior Research & Policy Manager

- Actuarial
- Administrative
- Benefit
 - Overpayment Responsibility
 - Benchmarking Peer Comparison
 - BIA Tiered Multiplier Date (member request)
 - Taxation of Catastrophic Disability Benefits
 - DROP Plan (member request)
 - Secure Act 2.0 (Federal Legislation)
 - Firefighter Definition (HB 1279/SB 5468)
 - DRS Disability Determination Process (SB 5625)
 - DRS Admin Fees & UAAL Charges for Purchasing Service Credit (SB 5625)
 - DRS Appeal Deadlines (SB 5625)
 - Survivor Reelection Window Prior to IRS Approval (SB 5625)
 - Basic Salary Holiday Payments Definition (SB 5625)
 - Part-time LEOFF Members (HB 1413/SB 5424)

3. Administrative Update 11:00AM

- Outreach Activities

**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.



2023 Draft Interim Workplan

May 17, 2023

Actuarial Topics

1. Long-term Economic Assumptions and Report on Financial Condition
2. Off-cycle Actuarial Valuation Report Results
3. OSA Request Legislation
 - Update statutes to reflect current practices

Administrative Topics

1. Interim Planning
2. AGO Training
3. Agency Operating Budget
4. DRS/CEM Benchmarking
5. Board Strategic Planning and Expectations
6. Election of Officers
7. 2024 Meeting Calendar
8. Financial Expenditure Audit Results
9. WSIB Annual Update
10. DRS Annual Update
11. Board Staff Succession Planning
12. Recruitment, Retention, Salary Setting Structure for Board Staff

Benefit Topics

1. Overpayment Responsibility
2. Benchmarking Peer Comparison
3. BIA Tiered Multiplier Date (*member request*)
4. Taxation of Catastrophic Disability Benefits
5. DROP Plan (*member request*)
6. Secure Act 2.0 (*Federal Legislation*)
7. Firefighter definition (*HB 1279/SB 5468*)
8. DRS Disability Determination Process (*SB 5625*)
9. DRS Admin Fees and UAAL Charges for Purchasing Service Credit (*SB 5625*)
10. DRS Appeal Deadlines (*SB 5625*)
11. Survivor Reelection Window Prior to IRS Approval (*SB 5625*)
12. Basic Salary Holiday Payments Definition (*SB 5625*)
13. Part-time LEOFF Members (*HB 1413/SB 5424*)

1. Overpayment Responsibility

- Board identified issue last interim for 2023 agenda
- Policy regarding responsibility to pay back overpayments may be inconsistent

2. Benchmarking Peer Comparison

- Board requested during strategic planning last interim
- Last presentation to the Board was in 2017 (data collected in 2016)
 - A total of 160 open public pension plans were surveyed, based on the following 5 measurements:
 - Funded Status
 - Assumed Rate of Return on Investment
 - Total Normal Cost of the Pension Plan
 - Average Benefit in Retirement
 - Average Salary

3. BIA Tiered Multiplier Date

- Requested by Seattle Fire Fighters' Union and Seattle Police Officer Guild
- Current benefit is based on retirement status on Feb. 1, 2021



1/18/2023

LEOFF II Board
Department of Retirement Systems
PO Box 48380
Olympia, WA 98504

Respected LEOFF II Board Members,

First of all, Seattle Fire Fighters and Seattle Police Officers would like to thank you for all of your hard work on behalf of Fire Fighters and Law Enforcement Officers across the State of Washington.

Seattle Fire Fighters Union, IAFF Local 27 and the Seattle Police Officers Guild are writing you regarding the recent LEOFF 2 enhancement, specifically regarding the effective date for the option to choose the monthly benefit enhancement versus the lump sum payment.

Local 27 and SPOG have several members who are ineligible to select the monthly benefit option as a result of randomly choosing a retirement date several days prior to the cutoff date. Therefore, we would like to ask if any other effective dates were evaluated when developing the original legislation? And, if so, would the LEOFF 2 board consider researching possible legislation to modify the cutoff date from February 1, 2021 to January 1, 2021.

Respectfully,

A handwritten signature in black ink, appearing to be "Kenny Stuart".

Kenny Stuart, President.
Seattle Fire Fighters, Local 27

A handwritten signature in black ink, appearing to be "Mike Solan".

Mike Solan, President
Seattle Police Officers Guild

4. Taxation of Catastrophic Disability Benefits

- DRS received advice from their tax counsel that a portion of some members' catastrophic disability benefits should have been taxed
- DRS paid all back taxes that were due, and moving forward is withholding taxes from catastrophic benefits where necessary
- Is there a way to change catastrophic benefits so they are no taxable?

5. DROP

- **Deferred Retirement Option Plan (DROP)**
- **Request of Fraternal Order of Police**
- **Board last studied in 2006**

6. Secure Act 2.0

- **SECURE 2.0, signed into law on December 29, 2022, contains 90 provisions, some of which are mandatory, others which are optional for plan administrators to implement**
- **DRS implementing the following provisions:**
 - **Section 107 - Increases the age for required minimum distributions (RMDs) with the first increase occurring in 2023 changing the age from 72 to 73**
 - **Section 306 - Eliminates the requirement for 457b plans to make deferral changes the first of the following month**
 - **Section 327 - Allows a surviving spouse to elect to use the age of the deceased for purposes of RMD**

6. Secure Act 2.0, continued

- **Section 328** - Eliminates the requirement for public safety officers to have health insurance premiums deducted from their pension to qualify for the \$3,000 tax exclusion offered by the IRS
- **Section 329** - Modifies exemption for early withdrawal penalty to include public safety officers with at least 25 years of service credit
- **Section 330** - Expands the definition of “qualified public safety officers” to include governmental corrections officers and forensic security employees
- **Section 339** - Recognizes tribal courts as being authorized to issue QDRO
- **Section 603** - Requires catch-up contributions (for those 50+) to be made as Roth contributions if the person earns more than \$145,000 per year

7. Firefighter Definition

- **HB 1279/SB 5468 - Ensuring Promoted Firefighters remain in LEOFF 2**
- **Creates additional definition of firefighter to include those serving in a position that requires an experienced firefighter**

8. DRS Disability Determination Process

- Codifies existing DRS WAC into RCW that DRS apply LNI law to disability determinations
- Requires DRS to re-review decisions that have already exhausted legal remedies under the APA, including cases where DRS prevailed in court

9. DRS Admin Fees/UAAL charges to Members

- In certain optional service credit situations members are charged the DRS administrative fee and UAAL costs
- Impacts all retirement systems may need to work with SCPP

10. DRS appeal deadlines

- This bill would have increased the number of days to file an appeal and would have created tolling of the days to file an appeal if DRS requests additional information from the member

11. Survivor reelection window prior to IRS approval

- Allows members who requested to change their survivor option between the effective date of SB 6417 (2020) and DRS receiving IRS approval to change their survivor option
- Bill language impacts 1 PERS member, no LEOFF 2 members

12. Basic salary definition

- In limited circumstances holiday pay and non-duty disability pay are not considered “basic salary”

13. Part-Time LEOFF Members

- **HB 1413/SB 5468 – Flexible Work for Law Enforcement Officers**
 - Authorizes law enforcement agencies to adopt flexible work policies
 - Includes part-time law enforcement officers in LEOFF

Next Steps

- Would the Board like to remove or add any topics from the interim workplan?
- June meeting the Board may vote to adopt an interim workplan



Thank You

Jacob White

Senior Research and Policy Manager

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