

# BOARD MEETING AGENDA

JUNE 28, 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](http://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 and Policy Manager  
Karen Durant, Senior Research and Policy Manager  
Tammy Sadler, Benefits Ombudsman  
Sarah White, Benefits Ombudsman  
Tor Jernudd, Assistant Attorney General

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

- |  |                 |
|--|-----------------|
| <b>1. Approval of Minutes</b>  | <b>9:30 AM</b>  |
| <b>2. OSA Request Legislation</b><br><i>Matt Smith, FCA, EA, MAAA</i>  | <b>9:35 AM</b>  |
| <b>3. Firefighter Definition Briefing</b><br><i>Jacob White, Sr Research &amp; Policy Manager</i>  | <b>10:00 AM</b> |
| <b>4. Supplemental Rate Preview</b><br><i>Jacob White, Sr Research &amp; Policy Manager</i>  | <b>10:30 AM</b> |
| <b>5. Interim Workplan Adoption</b><br><i>Jacob White, Sr Research &amp; Policy Manager</i>  | <b>10:45 AM</b> |
| <b>6. Agency Biennial Operating Budget</b><br><i>Karen Durant, Sr Research &amp; Policy Manager</i>  | <b>11:30 AM</b> |
| <b>7. Administrative Update</b> <ul style="list-style-type: none"><li>• Outreach Activities</li><li>• Expectation Interviews</li><li>• Agency 20 Year Anniversary 7/1/23</li></ul> | <b>11:45 AM</b> |
| <b>8. Public Comment</b>   | <b>12:00 PM</b> |

*\*Public comment can be provided to the Board in writing 24 hours prior to the meeting via our reception mailbox:  
[recep@leoff.wa.gov](mailto:recep@leoff.wa.gov).*

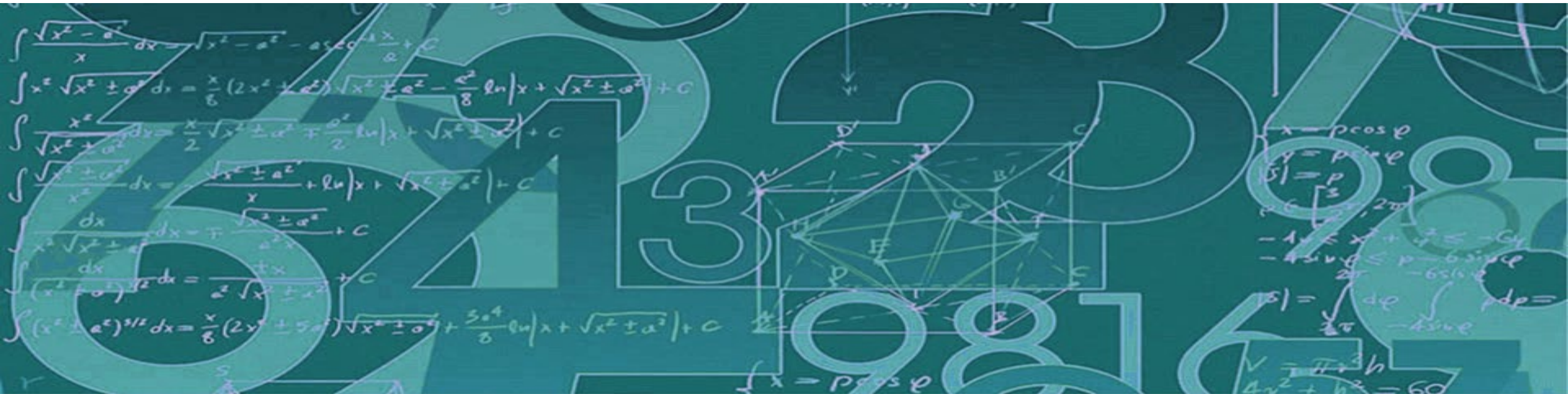
*\*Lunch is served as an integral part of the meeting.*

*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.*

# OSA Request Legislation

*Presentation to: LEOFF Plan 2 Retirement Board*

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



# Today's Presentation

- Share draft request legislation for 2024 Session
- Solicit feedback
- Discuss next steps and respond to any questions



# Background Information

- Proposed request legislation would update [RCW 44.44.040](#)
  - Powers and duties of the Office of the State Actuary
- Portions of the current law are outdated and not consistent with long-standing practices of the office and the legislature
  - Fiscal note requirement created in 1986
- Bill draft included in meeting materials

# Sectional Walk-Through

## ■ Section 1(2)

- Removes advising on investment policies of the WSIB as an OSA duty
- To my knowledge, OSA has never provided this service; lacks adequate qualifications

## ■ Section 1(4)

- Aligns actuarial fiscal note requirements with OSA's current practices, applicable actuarial standards of practice, and current practices of the legislature
- Allows for greater application of professional judgment; one size approach rarely fits all

## ■ Section 1(5)

- Clarifies the additional services OSA provides to the Legislature

## Next Steps

- Potentially revise bill draft based on feedback received
- Share bill draft with other stakeholders
- If the Board has interest in co-recommending this request legislation, I could bring final request legislation back to the Board later in the interim



# Questions?





*Questions? Please Contact: The Office of the State Actuary*

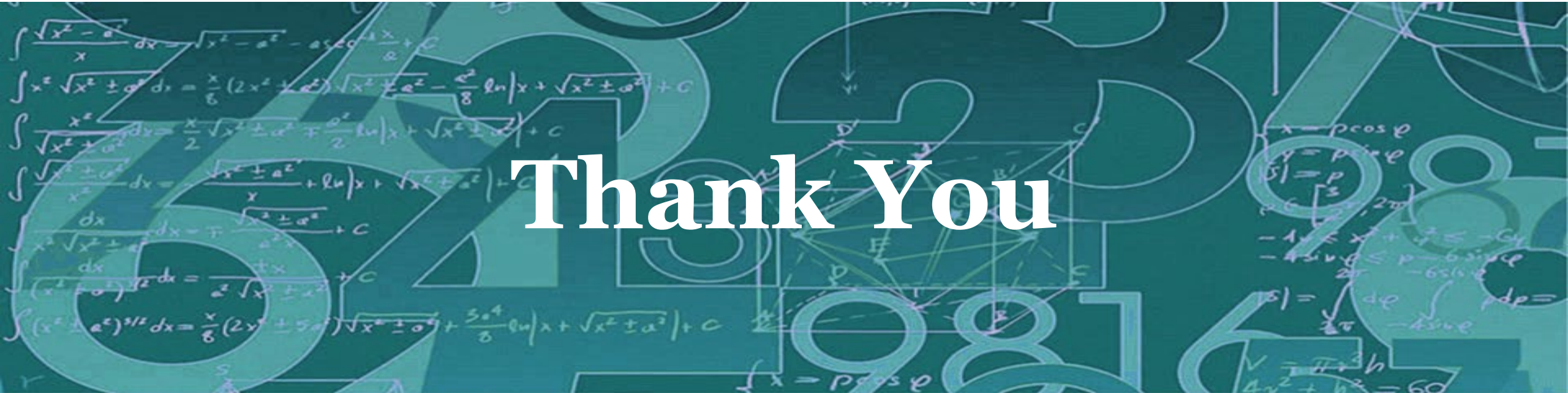
*[leg.wa.gov/OSA](http://leg.wa.gov/OSA); [state.actuary@leg.wa.gov](mailto:state.actuary@leg.wa.gov)*

*360-786-6140, PO Box 40914, Olympia, WA 98504*

*Matt Smith*

*O:\LEOFF 2 Board\2023\06-Jun.28\OSARrequestLegislation.pptx*

**Thank You**





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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: Z-0350.1/23

ATTY/TYPIST: KS:eab

BRIEF DESCRIPTION: Concerning duties of the office of the state  
actuary.

1 AN ACT Relating to duties of the office of the state actuary; and  
2 amending RCW 44.44.040.

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

4 **Sec. 1.** RCW 44.44.040 and 2022 c 233 s 9 are each amended to  
5 read as follows:

6 The office of the state actuary shall have the following powers  
7 and duties:

8 (1) Perform all actuarial services for the department of  
9 retirement systems, including all studies required by law.

10 (2) Advise the legislature and the governor or governor's  
11 designee regarding pension benefit provisions(~~(7)~~) and funding  
12 policies (~~((and investment policies of the state investment board))~~).

13 (3) Consult with the legislature and the governor or governor's  
14 designee concerning determination of actuarial assumptions used by  
15 the department of retirement systems.

16 (4) Prepare a report, to be known as the actuarial fiscal note,  
17 on each pension bill (~~((introduced in the legislature))~~) that receives  
18 a hearing in a fiscal committee of the legislature which briefly  
19 explains the financial impact of the bill. The actuarial fiscal note  
20 shall include: (a) (~~((The statutorily required contribution for the~~  
21 ~~biennium and the following twenty-five years;~~ (b) ~~the biennial cost~~

~~of the increased benefits if these exceed the required contribution;~~  
~~and (c) any change in the present value of the unfunded accrued~~  
~~benefits. An actuarial fiscal note shall also be prepared for all~~  
~~amendments which are offered in committee or on the floor of the~~  
~~house of representatives or the senate to any pension bill. However,~~  
~~a majority of the members present may suspend the requirement for an~~  
~~actuarial fiscal note for amendments offered on the floor of the~~  
~~house of representatives or the senate))~~ The impacts on key actuarial  
measurements as determined by the state actuary; (b) contribution  
rate and budget impacts; and (c) commentary on how the bill impacts  
the financial risks of the affected pension plans when those impacts,  
as determined by the state actuary, are significant.

(5) Provide such actuarial services to the legislature as may be requested from time to time including, but not limited to, actuarial fiscal notes on pension bills that do not receive a hearing in a fiscal committee of the legislature and actuarial fiscal notes on amendments to pension bills.

(6) Provide staff and assistance to the committee established under RCW 41.04.276.

(7) Provide actuarial assistance to the law enforcement officers' and firefighters' plan 2 retirement board as provided in chapter 2, Laws of 2003. Reimbursement for services shall be made to the state actuary under RCW 39.34.130 and section 5(5), chapter 2, Laws of 2003.

(8) Provide actuarial assistance to the committee on advanced tuition payment pursuant to chapter 28B.95 RCW, including recommending a tuition unit price to the committee on advanced tuition payment to be used in the ensuing enrollment period. Reimbursement for services shall be made to the state actuary under RCW 39.34.130.

(9) Provide actuarial assistance to the long-term services and supports trust commission pursuant to chapter 50B.04 RCW. Reimbursement for services shall be made to the state actuary under RCW 39.34.130.

(10) Provide actuarial assistance, as requested by the employment security department or the office of financial management, to the employment security department related to the family and medical leave program in Title 50A RCW.

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# Firefighter Definition

Briefing  
June 28, 2023

# Issue

- **Some promotional positions within a fire department may be considered PERS positions by DRS, which may limit the employer's ability to fill those positions**

# What is a firefighter?

- Whether a person qualifies as a firefighter depends on who the employer is and the nature of the position
- Must work at a fire department
- Must be actively employed as a full-time firefighter
  - Must “direct or perform fire protection activities required for and directly concerned with preventing, controlling and extinguishing fires”
- Or must supervise firefighters



# Legislation - Promotional Firefighter Positions

- Sought to amend the definition of firefighter to include positions within a fire department that require an experienced firefighter
- SB 5468 - Passed through Senate Ways and Means
- HB 1279 – Did not receive a hearing

# Hypothetical Example 1 – Firefighter Trainers

- A Fire Department has full time firefighter trainer positions
- These positions do not supervise any LEOFF employees
- These positions are not required to respond to fire calls; however, they do have equipment assigned to them and are required to have an up-to-date mask fit test

# Hypothetical Example 2 – Management Position

- A regional fire authority has a position in charge of logistics (purchasing firefighting equipment, supplies, etc.) and supervising a group of non-LEOFF employees. The position requires an experienced firefighter due to their expertise of fire fighting
- The position is not required to respond to fire calls and therefore, does not have firefighting equipment assigned to them and has not completed a mask fit test

# Next Steps

- Board may receive a comprehensive briefing
- Board can wait to decide on further briefings until initial briefings on additional topics have been received



# Thank You

**Jacob White**

**Senior Research and Policy Manager**

**(564) 999-0738**

**[jacob.white@leoff.wa.gov](mailto:jacob.white@leoff.wa.gov)**



June 28, 2023  
Firefighter Definition

## INITIAL CONSIDERATION

By Jacob White  
Senior Research & Policy Manager  
360-586-2327  
[jacob.white@leoff.wa.gov](mailto:jacob.white@leoff.wa.gov)

## ISSUE STATEMENT

Some promotional positions within a fire department may be considered PERS positions by DRS, which may limit the employer's ability to fill those positions.

## OVERVIEW

As fire departments grow and change in structure (i.e. larger Regional Fire Authorities become more common place) the types of positions within fire departments also continue to evolve. This has created a concern that there may be positions which are best served by having experienced firefighters in them, but those firefighters may be found to no longer meet the definition of "firefighter" for membership in LEOFF Plan 2. This could result in recruitment issues for employers, unable to find firefighters willing to take a PERS position.

## BACKGROUND AND POLICY ISSUES

### **Establishing LEOFF 2 membership as a firefighter**

All persons who meet the definition of "firefighter" under RCW 41.26.030(17) are mandated into LEOFF membership. Whether a person qualifies as a firefighter depends on their employer and the nature of the position. Generally, "firefighter" means any person who is serving on a full-time, fully compensated basis as a member of a fire department and who is serving in a position that requires passing a firefighter civil service examination or who is actively employed as a firefighter. If a position supervises firefighters, it is also considered a firefighter.

The definition of firefighter is further clarified by the Department of Retirement Systems (DRS) in WAC 415-104-225, which requires that: "as a consequence of your employment, you have the legal authority and responsibility to direct or perform fire protection activities that are required for and directly concerned with preventing, controlling and extinguishing fires." To determine whether a position meets the WAC definition of "preventing, controlling and extinguishing fires," DRS looks at an employee's position description to see if it requires them to respond to fires. They do not need to be required to respond to fires on a regular basis, but



there must at least be the potential that they are required to do so, and therefore have the necessary training, equipment, and certifications to do so.

### **2022 Rule Development with DRS**

LEOFF 2 Board staff worked with DRS on potentially updating WAC 415-104-225 to broaden the definition of firefighter to include positions that were not required to respond to fires but required an experienced firefighter due to their expertise and experience.

Board staff provided status updates to the Board during the 2022 interim on the progress of this work with DRS. Towards the end of the 2022 interim DRS informed LEOFF 2 Board staff that they believed the WAC could not be broadened to include these types of positions and that a change in law would be required.

### **2023 Legislative Session**

During the 2023 legislative session SB 5468 and its companion bill HB 1279 were introduced to address this issue.<sup>1</sup> These bills sought to amend the definition of firefighter to include “[a]ny person who is serving on a full-time, fully compensated basis as an employee of a fire department and who is serving in a position that requires an experienced firefighter [...]”.

SB 5468 passed out of Senate Ways and Means but did not receive further action. HB 1279 was referred to House Appropriations but did not receive a hearing.

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<sup>1</sup> These bills were not endorsed by the LEOFF 2 Board.



# Supplemental Rate Preview

June 28, 2023

# Issue

- A supplemental rate may be necessary due to the passage of the Interruptive Military Service Credit Bill (SHB 1007)

# About Supplemental Rates

- Temporary rate increases to prefund the cost of benefit improvements
- Supplemental rates are usually effective September 1
- If supplemental rates are not adopted the increased costs to the plan will be included in the next rate setting valuation for next biennium

# Interruptive Military Service Credit (SHB 1007)

## How This Impacts Budgets and Employees

- Contribution Rate impact of new law
  - 0.03% – Member
  - 0.02% – Employer
  - 0.01% – State

Budget Impacts					
(Dollars in Millions)	PERS	PSERS	LEOFF	WSPRS	Total
2023-2025					
General Fund	\$0.0	\$0.0	\$0.5	\$0.0	\$0.5
Non-General Fund	0.0	0.0	0.0	0.3	0.3
<b>Total State</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$0.3</b>	<b>\$0.8</b>
Local Government	0.0	0.0	1.0	0.0	1.0
<b>Total Employer</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.5</b>	<b>\$0.3</b>	<b>\$1.8</b>
<b>Total Employee</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.5</b>	<b>\$0.3</b>	<b>\$1.8</b>
2025-2027					
General Fund	\$0.1	\$0.0	\$0.5	\$0.0	\$0.7
Non-General Fund	0.2	0.0	0.0	0.3	0.5
<b>Total State</b>	<b>\$0.4</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$0.3</b>	<b>\$1.2</b>
Local Government	0.4	0.0	0.8	0.0	1.2
<b>Total Employer</b>	<b>\$0.7</b>	<b>\$0.0</b>	<b>\$1.3</b>	<b>\$0.3</b>	<b>\$2.4</b>
<b>Total Employee</b>	<b>\$0.6</b>	<b>\$0.0</b>	<b>\$1.3</b>	<b>\$0.3</b>	<b>\$2.2</b>
2023-2048					
General Fund	\$1.2	\$0.2	\$5.7	\$0.2	\$7.3
Non-General Fund	1.8	0.0	0.0	2.8	4.6
<b>Total State</b>	<b>\$3.0</b>	<b>\$0.2</b>	<b>\$5.7</b>	<b>\$3.0</b>	<b>\$11.9</b>
Local Government	3.0	0.1	8.8	0.0	11.9
<b>Total Employer</b>	<b>\$6.0</b>	<b>\$0.3</b>	<b>\$14.5</b>	<b>\$3.0</b>	<b>\$23.8</b>
<b>Total Employee</b>	<b>\$4.5</b>	<b>\$0.3</b>	<b>\$14.5</b>	<b>\$3.0</b>	<b>\$22.3</b>

*Note: Totals may not agree due to rounding. We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.*

# Benefit Improvement – Rate Freeze

- For 2021-2023 and 2023-2025 fiscal biennia, contribution rates for the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement System may not exceed the rates adopted by the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board in 2020



# Supplemental Rate History

- Considered supplemental increase for 15 benefit improvements with cost
- Did not adopt supplemental increase for 5 improvements

LEGISLATION	RATE INCREASE (Member, Employer, State)	JUSTIFICATION
HB 1679 (2010) - Catastrophic Disability Health Insurance	0.13%, 0.08%, 0.05%	Existing rates were determined sufficient to cover funding requirement.
HB 2519 (2010) – Duty Death Benefits (Lakewood Omnibus Legislation)	0.05%, 0.03%, 0.02%	
HB 2070 (2011) Furlough	0.02%, 0.01%, 0.01%	Absorb cost through plan experience.
SHB 1194 (2015) Remarriage Prohibition	0.05%, 0.03%, 0.02%	Absorb cost through plan experience.
SB 6214 (2018) PTSD	0.05%, 0.03%, 0.02%	Contribution rates adopted for 2019-2021 & 2021-2023 were determined sufficient to cover funding requirement.

# Next Steps

- Normally the Board would audit fiscal note and have options to adopt supplemental rate
- Due to benefit improvement rate freeze the Board cannot raise rates at this time
- Increased costs to the plan will be included in 2023 rate setting valuation for 25-27 biennium



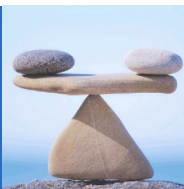
**Thank You**

**Jacob White**

**Senior Research and Policy Manager**

**(564) 999-0738**

**[jacob.white@leoff.wa.gov](mailto:jacob.white@leoff.wa.gov)**



# Office of the State Actuary

*"Supporting financial security for generations."*

June 16, 2023

Mr. Steve Nelsen  
Executive Director  
LEOFF Plan 2 Retirement Board  
P.O. Box 40918  
Olympia, Washington 98504-0918

## **SUBJECT: 2023 SUPPLEMENTAL RATES**

Dear Steve:

As required under the [Revised Code of Washington 41.45.070\(2\)](#), we are forwarding the increase to supplemental rates for the following bill that passed during the 2023 Legislative Session for the LEOFF 2 Board's consideration:

LEOFF 2	Members	Employer Normal Cost	State Normal Cost
SHB 1007 (C18, L23)	0.03%	0.02%	0.01%

If the Board adopts a supplemental rate increase in light of [Substitute House Bill \(SHB\) 1007](#), (Chapter 18, Laws of 2023) please notify the Department of Retirement Systems (DRS) directly. Beginning September 1, 2023, DRS will add any adopted supplemental contribution rates to the basic member, employer, and state contribution rates otherwise effective September 1, 2023.

We have not identified any additional legislation that requires a supplemental rate increase at this time. Please feel free to contact me directly should you have any questions.

Sincerely,

Lisa Won, ASA, FCA, MAAA  
Deputy State Actuary

cc: Sarah Baker  
Senior Actuarial Analyst  
Matt Smith, FCA, EA, MAAA  
State Actuary  
Tracy Guerin, Director  
Department of Retirement Systems

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# 2023 Interim Workplan

June 28, 2023

# Actuarial Topics

1. OSA Request Legislation (June)
2. Supplemental Rate Adoption (June, July)
3. Long-term Economic Assumptions (Sept) and Report on Financial Condition (Nov)
4. Off-Cycle Actuarial Valuation Report Results (Oct)



# Administrative Topics

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

# Benefit Topics

1. Firefighter Definition (June, Nov\*, Dec\*)
2. Overpayment Responsibility
3. BIA Tiered Multiplier Date
4. BIA Retirees Reestablishing Membership
5. Lump Sum Special Death Benefit
6. Taxation of Catastrophic Disability Benefits
7. DRS Admin Fees/UAAL Charges for Purchasing Service Credit
8. DRS Appeal Deadlines
9. Survivor Reelection Window
10. Use of leave/Non-duty disability
11. Holiday Payments
12. Non-duty to Duty Disability Conversions
13. COLA/Inflation Update
14. DROP Update
15. Part-time LEOFF Members
16. Secure Act 2.0
17. Benchmarking Peer Comparison

*\* If topic is moved forward by Board*

# Types of Benefit Topic Briefings

- **Proposing Legislation** –Typically, three briefings:
  1. Initial Consideration
  2. Comprehensive Report
  3. Final Proposal
- **Educational Briefing** – An educational briefing is typically requested by the Board to learn about a specific subject with no expectation of further action
  - This type of presentation may be made by staff or requested by an outside source

MEETING DATE	AGENDA ITEMS
<b>May 17</b>	Interim Workplan Review
<b>June 28</b>	Interim Workplan Approval OSA Request Legislation (OSA) Supplemental Rate Adoption Preview Firefighter Definition – Initial Report
<b>July 26</b>	Budget Adoption Supplemental Rate Adoption Possible Initial Reports on Benefit Topics
<b>August 23</b>	No Meeting
<b>Sept 27</b>	AGO Board Training (AGO) Board Elections DRS Benchmarking (DRS) Long-term Economic Assumptions and Report on Financial Condition (OSA) Possible Initial Reports on Benefit Topics
<b>Oct 25</b>	Strategic Planning Board Staff Succession Planning Off-Cycle Actuarial Valuation Report Results (OSA) Recruitment, Retention, Salary Setting Structure for Board Staff
<b>Nov 15</b>	DRS Annual Update (DRS) 2024 Meeting Calendar Adoption Financial Expenditure Audit Results Long-term Economic Assumptions and Report on Financial Condition (OSA) Possible Comprehensive Report on Benefit Topics Previously Heard
<b>Dec 13</b>	WSIB Annual Update (WSIB) Possible Final Report on Benefit Topics Previously Heard

# 1. Firefighter Definition

- Some promotional positions within a fire department may be considered PERS positions by DRS, which may limit the employer's ability to fill those positions
- Board voted to put this on the interim agenda during May meeting
- Possible workload: 3 policy briefings

## 2. Overpayment Responsibility

- When employers make an error that causes a retiree to receive an overpayment the member is responsible for paying back the overpayment
- Board identified issue last interim
- Possible workload: 3 policy briefings
- Issue impacts all plans, may need SCPP coordination

### 3. BIA Tiered Multiplier Date

- Members who were retired on or before February 1, 2021, are only eligible for a lump sum benefit improvement, not a tiered multiplier benefit improvement
- Requested by Seattle Fire Fighters' Union and Seattle Police Officer Guild
- Possible workload: 3 policy briefings



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. BIA Retirees Reestablishing Membership

- If a member was retired on or before February 1, 2021, and returned to LEOFF employment prior to the benefit improvement lump sum payment being made they are not eligible for a tiered multiplier
- Should the law be changed to allow for a choice between tiered multiplier and lump sum in this situation?
- Possible workload: 3 policy briefings



## 5. Lump Sum Special Death Benefit

- Survivors were denied their LEOFF 2 lump sum special death benefit because they missed LNI's deadlines for application
  - Lump Sum Special Death Benefit effective July 1 is \$287,781 (adjusted every year with COLA)
  - LNI deadlines
    - 1 year for injury that caused death
    - 2 years for occupational disease
- Possible workload: 3 policy briefings
- Issue impacts other plans, may need SCPP coordination

## 6. Taxation of Catastrophic Disability Benefits

- DRS received advice from their tax counsel that a portion of some members' catastrophic disability benefits should be taxed
  - DRS will pay all back taxes that were due, and moving forward is withholding taxes from catastrophic benefits where necessary
  - Is the Board interested in amending how catastrophic benefits are calculated so they are not taxable?
- Possible workload: 3 policy briefings

## 7. DRS Admin Fees/UAAL charges to members

- In certain optional service credit purchases members are charged the DRS administrative fee and UAAL costs, which are otherwise the responsibility of the employer
- Possible workload: 3 policy briefings
- Issue impacts all plans, may need SCPP coordination

## 8. DRS appeal deadlines

- Some LEOFF 2 members have missed the deadline to file an administrative appeal with DRS
  - The deadline to file an appeal and to file a petition are different
  - The deadline to file an appeal does not include tolling to gather additional records, even if DRS requests additional information from the member
- Possible workload: 3 policy briefings

## 9. Survivor reelection window

- Members who requested to change their survivor option between the effective date of SB 6417 (2020) and DRS receiving IRS approval for this new law, were not allowed to do so
- Bill language impacts 1 PERS member, no LEOFF 2 members
- Possible workload: 3 policy briefings

## 10. Use of Leave/Non-duty Disability

- Non-duty disability pay is not always considered “basic salary”
- Possible workload: 3 policy briefings

# 11. Holiday Pay

- Holiday pay is not always considered basic salary
- Possible workload: 3 policy briefings

## 12. Non-duty to Duty Disability Conversions

- The criteria for duty disabilities has changed over time, there may be LEOFF 2 members who were approved for non-duty disability with conditions that may now qualify as duty related
- Possible workload: 3 policy briefings



## 13. COLA/Inflation

- Retirees expressed concern that the 3% maximum COLA does not meet the recent level of inflation
- Possible workload: 3 policy briefings
- Issue impacts other plans, may need SCPP coordination

# 14. DROP Update

- **Deferred Retirement Option Plan (DROP) - Allows an employee who is eligible to retire to start earning their pension, while the employer retains the employee's services**
  - **Instead of continuing to add new years of service – thereby increasing the employee's pension benefit amount – the employer will begin placing lump sums into an interest-bearing account**
  - **When the employee retires, they will receive the full value of this account, in addition to their established pension benefits**
- **Request of Fraternal Order of Police**
- **Board last studied DROP in 2006**
- **Possible workload: Educational Briefing**

# 15. Part-time LEOFF Members

- Law enforcement agencies adopting flexible work policies may help address hiring and retention issues in law enforcement, however, part-time law enforcement officers are not eligible for membership in LEOFF 2
- HB 1413/SB 5424 – Flexible Work for Law Enforcement Officers
- Possible workload: 3 policy briefings

# 16. 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 currently implementing 8 mandatory sections
- Possible Workload: Educational briefing

# 17. Benchmarking Peer Comparison Update

- Board requested an updated peer comparison during strategic planning last interim
- Last presentation to the Board was in 2017 (data collected in 2016)
- Possible workload: Educational briefing

# Action

- Board must vote on what topics to include on interim workplan



**Thank You**

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# Agency Biennial Operating Budget

June 28, 2023



# Background

- The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Expense Account (Fund 548) was created in RCW 41.26.732
- Fund 548 is not subject to appropriation in the budget process, but the expenditures are subject to review and approval by the Office of Financial Management
- The Board approved a draft 2023-25 spending plan at the July 2022 meeting

# Budget Overview

- **Expenditures necessary to meet statutory/fiduciary responsibility**
  - Board meetings
  - Member/Stakeholder communications & outreach
  - Professional development
  - Contracts for services
  - Agency operations

# 2023 Session Budget Changes

- Additional funding was provided for:
  - Agency submitted budget decision package for an independent IT security audit
  - General wage increases of 4% effective 7/1/2023 and 3% effective 7/1/2024
  - Lump sum incentives for employee retention and COVID vaccine booster (\$1,000 for each with qualifications)
  - Changes in central service rates (DES, OFM, WaTech)

# 2023-25 LEOFF Expenditure Plan

Expense Category	July 2022 Adoption	2023-25 Allotments
Salaries & Wages	\$1,915,018	\$2,031,876
Employee Benefits & Payroll Taxes	\$573,294	\$596,498
State Actuary Services	\$239,736	\$239,736
Rent & Utilities	\$123,816	\$124,176
State Central Services	\$403,880	\$456,704
Staff & Trustee Professional Development	\$220,428	\$209,186
Communications & IT	\$68,648	\$73,884
Contracts	\$57,600	\$57,600
All Other Operating Expenses	\$60,580	\$52,340
<b>Biennial TOTAL</b>	<b>\$3,663,000</b>	<b>\$3,842,000</b>

# Board Action - Options

1. Adopt the presented expenditure spending plan
2. Don't adopt the spending plan



# Thank You

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