

BOARD MEETING AGENDA

MAY 29, 2024 • 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
WA State Senator

TARINA ROSE-WATSON
Spokane Int'l Airport Police Dept

PAT MCELLIGOTT
East Pierce County Fire and Rescue

JAY BURNEY
City of Olympia

WOLF OPITZ
Pierce County

REPRESENTATIVE STEVE BERGQUIST
WA State Representative

DARELL STIDHAM
Spokane County Sheriff's Office (Retired)

STAFF

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

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

1. **Approval of Minutes** **9:30 AM**
 - April 24, 2024
2. **Contribution Rate Setting Overview** **9:35 AM**

Jacob White, Sr Research and Policy Manager
3. **2024 Interim Adoption** **10:00 AM**

Jacob White, Sr Research and Policy Manager
4. **Duty Disability Health Insurance – Ed. Briefing** **11:00 PM**

Jacob White, Sr Research and Policy Manager
5. **Administrative Update** **11:30 AM**

Steve Nelsen, Executive Director
6. **Public Comment** **11:45 AM**

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

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.



Contribution Rate Setting Overview

May 29, 2024

Issue

The Board may adopt contribution rates for the 2025 - 2027 and 2027 - 2029 biennia

Rate-setting process

- OSA performs actuarial valuations in odd-numbered years
- Results inform contribution rates for upcoming biennia
- OSA will present contribution rates to the Board at the June meeting
- Milliman is auditing OSA's work and presenting results to the Board in July
- Board may adopt new contribution rates in July

Current Contribution Rates

- **Current Contribution Rates**
 - **Member = 8.53%**
 - **Employer = 5.12%**
 - **State = 3.41%**
- **The Board adopted rates for 2023 - 2025 and 2025 - 2027 biennia under 4-year rate adoption in July 2022**
- **Included language during adoption to reassess 2025 - 2027 contribution rates based on results of 2023 Actuarial Valuation Report**

LEOFF 2 Funding Policies

- The Board sets policies to assist meeting funding goal of stable contribution rates
- 4-year Rate Adoption
 - Adopted rates may still be updated with each new rate-setting valuation
- Minimum Rate Funding Policy
 - Board adopted minimum rate policy: 90% or 100% of Normal Cost, based on plan funded status
 - Applies if minimum rate is higher than the Aggregate Rate
 - Calculated from Normal Cost of Entry Age Normal Cost (EANC) method
 - Benefit Enhancement legislation changed minimum rate policy

Benefit Enhancement (SHB 1701)

- Rates frozen through 2023 - 2025 biennium
- Created an Offset Rate applied to 90%/100% Minimum Rate Tiers
- Put Board's minimum rate funding policy into law
- Created a new step down in minimum rate policy

Minimum Rate Funding Policy	
Funded Ratio (FR)	Minimum Rate*
1. FR less than 105%	100% EANC - Offset Rate
2. FR at least 105% but less than 110%	90% EANC - Offset Rate
3. FR at least 110%	80% EANC

**EANC is the Normal Cost under the Entry Age Normal cost method.*

Next Steps

- OSA will present results of the actuarial valuation (June)
- Milliman will present results of audit of OSA actuarial valuation (July)
- Board adopts contribution rates for the upcoming biennia (2025 – 2027 and 2027 - 2029) (July)



Thank You

Jacob White

Senior Research and Policy Manager

(564) 999-0738

jacob.white@leoff.wa.gov



2024 Interim Workplan

May 29, 2024

Issue

- Board must adopt an interim workplan for 2024
- Staff has broken out the workplan into 3 sections, each will require a motion to adopt:
 1. Actuarial and Administrative
 2. Policy Topics – Policy Briefings
 3. Policy Topics – Issue Tracking

Actuarial Topics

1. Results of the Actuarial Valuation
2. Results of the Actuarial Valuation Audit
3. Contribution Rate Preview
4. Contribution Rate Adoption

Administrative Topics

1. Interim Planning
2. Ombudsman Program Review
3. Operating Budget
4. Financial Expenditure Audit Results
5. Annual AGO Training
6. DRS/CEM Benchmarking
7. DRS Annual Update
8. WSIB Annual Update
9. Executive Director Evaluation
10. Strategic Planning
11. Board Expectations
12. 2025 Board Meeting Calendar Adoption
13. Facilities

Board Action

- Discuss any changes to the Actuarial and/or Administrative topics
- Motion to adopt Actuarial and Administrative topics for interim workplan
- Motions to endorse each individual policy topic as presented

Possible Policy Topics

Policy Briefings

1. Part-time Firefighter Employment
2. Reserve Police Officer Service Credit
3. Duty Disability Health Insurance
4. Standby Pay
5. COLA/Inflation
6. ALOA Service Credit Purchase at Retirement
7. Salary Setting Responsibility
8. DRS Appeals Deadline

Issue Tracking

9. Month of Death
10. Implementation of 2024 Legislation
 - Special Death Benefit
 - Definition of FF
 - Pension Overpayment Responsibility
 - Disability Pension Benefits
 - Part-Time LEO
11. Holiday Payments

1. Part-time Firefighter Employment

- ISSUE:

Members who are working part-time (or full-time for part of the year) may not be eligible for LEOFF benefits, including line of duty death and disability benefits.

- STATUS/MOTION:

Educational Briefing presentation on membership requirements and disability/death benefits for LEOFF, PERS, BVFF regarding part-time or temporary fire fighters. Possible policy briefings for legislation.

2. Reserve Police Officer Service Credit

- ISSUE:

Prior to 2024 part-time LEO earned service credit in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund.

- STATUS/MOTION:

Educational Briefing presentation on membership requirements and disability/death benefits for Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund; possible policy briefings for legislation.

3. Duty Disability Health Insurance

- ISSUE:

Members recovering from a duty related injury have their access to and cost of health insurance change as their employment and retirement status changes.

- STATUS/MOTION:

Educational briefing on health insurance for members while they are active, on disability leave and on disability retirement; possible policy briefings.

4. “Standby Pay”

- ISSUE:

“Standby pay” is not basic salary in LEOFF 2, even though the member may have several requirements to meet to qualify for standby pay.

- STATUS/MOTION:

Policy briefings for possible legislation.

5. COLA/Inflation

- ISSUE:

Recent inflation has greatly exceeded projections which has created concerns for some retirees about how long it will take for the current COLA to catch up with lost earning power.

- STATUS/MOTION:

Policy briefings for possible legislation.

6. Authorized Leave of Absence Service Credit Purchase at Retirement

- ISSUE:

Members retiring immediately after being out on authorized leave of absence are not eligible to purchase service credit for that time.

- STATUS/MOTION:

Policy briefings for possible legislation.

7. Salary Setting Responsibility

- ISSUE:

Board endorsed legislation included authority for the Board to set the salaries of certain Board staff.

- STATUS/MOTION:

Briefing. Need to develop implementation plan.

8. DRS Appeals Deadline

- ISSUE:

LEOFF 2 members have expressed concerns regarding a lack of clarity on the deadline for administrative appeals, particularly when the member is required to provide additional information.

- STATUS/MOTION:

Board discussed deferring to next interim.

9. Month of Death

- ISSUE:

In the month a retiree or survivor passes away, the last month benefit payment is prorated based on the number of days the person was alive in the month. This may result in an overpayment and an invoice being sent to the family or estate to collect any amount that should have been prorated.

- STATUS/MOTION:

Tracking issue. Keep Board apprised of any action taken by SCPP or DRS.

10. Implementation of 2024 Legislation

- ISSUE:

Implementation of potentially complex legislation passed during the 2024 session:

- LEOFF 2 “omnibus” bill (SSB 6197)
 - Special Death Benefit
 - Definition of FF
 - Pension Overpayment Responsibility
 - Disability Pension Benefits
- Part-time LEO bill (ESSB 5424)

- STATUS/MOTION:

- Tracking issue. Keep the Board informed on implementation of these bills, including any issues that may arise.

11. Holiday Payments

- **ISSUE:**

The current administrative interpretation of when holiday pay is considered earnable compensation is found in an employer notice rather than WAC.

- **STATUS/MOTION:**

Issue tracking. L2 staff will keep board informed of status of DRS rulemaking.



Thank You

Jacob White

Senior Research and Policy Manager

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Duty Disability Health Insurance Benefits Overview

May 29, 2024

Issue

- **Members recovering from a duty related injury have their access to and cost of health insurance change as their employment and retirement status changes**

Possible Steps for Disabled LEOFF 2 Member

- Employee injured at work and unable to immediately return to duty
- Temporary Duty Disability
- After Temporary Duty Disability
 - Duty Disability retirement;
 - Authorized Leave of Absence; or
 - Employer may terminate employment
- Recover and Return to LEOFF employment

Temporary Duty Disability

- **LNI Benefits**
 - Wage Replacement – Doesn't fully replace wage (60-75% only)
 - Loss of Earning Power Benefits – Light duty
 - Medical Care
- **LEOFF 2 Benefits**
 - TDD Purchase Service Credit
- **RCW 41.04.500 – Disability leave supplement**

RCW 41.04.500 – Disability leave supplement

- Payments begin on the 6th day from the date of injury/illness
- Employee must receive the “base salary” they would have received before the injury
 - Supplement is for the difference between LNI benefit and base salary
 - ½ the amount charged against accrued paid leave
 - ½ paid by employer
- Employer health insurance coverage still provided
- Maximum of 6 months
 - Employer may offer additional coverage outside of this law

After Temporary Duty Disability

If Temporary Duty Disability is exhausted and member has not recovered:

1. Authorized Leave of Absence;
2. Employer may terminate employment; or
3. Duty Disability retirement

Duty Disability Retirement

- **If the member has exhausted supplemental disability and are still unable to return, they may apply for a LEOFF 2 Duty Disability Retirement**
- **Duty Disability**
 - Pension Benefit - Allows for early retirement without a reduction in benefit or 10% FAS
 - No health insurance benefit
 - Eligible for COBRA health insurance coverage
- **Catastrophic Disability**
 - Pension Benefit - Allows for early retirement without a reduction in benefit or 70% FAS, or 100% FAS offset by SS and LNI payments
 - LEOFF 2 reimburses for premiums paid for employer-provided health insurance, COBRA, and Medicare Parts A and B

Return from Duty Disability Retirement

- If a Duty or Catastrophic Disability retiree recovers, they may choose to return to their previous position
- Employer is required to rehire

Action

- No action required



Thank You

Jacob White

Senior Research and Policy Manager

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Lloyd Bird

EXECUTIVE DIRECTOR

Teresa Taylor

EVERY OFFICER
EVERY DAY

April 15, 2024

LEOFF 2 Board
PO Box 40918
Olympia, WA 98504

DELIVERED VIA EMAIL

Dear Chairman Lawson,

The Washington Council of Police and Sheriffs (WACOPS) respectfully requests the LEOFF 2 board research potential solutions to a problem we recently became aware of for members recuperating from a serious on the job injury.

On August 15, 2023, Officer Kevin Bereta, a Bellevue Police Department employee and WACOPS member, sustained critical injuries resulting from a motorcycle crash while performing a department-condoned escort. Bereta has worked for the department and has been a LEOFF 2 member since 2018.

After a three-week stay in the hospital, Bereta was unable to return to work and currently remains under restrictions from his physician while he works toward a full recovery. Under the current contract between the Bellevue Police Officer's Guild and the City of Bellevue, at 6 months post injury Bereta was scheduled to lose his benefits including his family's health insurance since his care team would not release him to work in any capacity.

While a temporary insurance solution has been arranged between Bereta and the City of Bellevue, this event has highlighted an inequity that needs rectification. It appears that RCW 41.04.515 may set a maximum disability leave supplement at 6 months regardless of the medical recovery plan set by the employee's doctors. It appears that individual unions can negotiate for a longer period. In Bellevue, for example, we understand that law enforcement has 6 months of covered benefits, but Bellevue Fire may have as much as 9. We wonder if there is a LEOFF 2 pension solution for members seriously injured, working toward a return to duty, without a separation from employment. LEOFF 2 members should not have to separate from employment as their only option when their recovery plan extends beyond the designated disability leave supplement.

WACOPS respectfully asks the LEOFF 2 board to accept our request to review this situation and assess whether there is a pension related short term solution for these rare, but serious, on the job injuries where the member remains employed while recuperating.

Thank you for your consideration. Please let us know if we can provide any additional information.

Respectfully,

Teresa C Taylor
Executive Director

Cc: Jason Granneman, Vice Chair

Law Enforcement Officers' & Fire Fighters' Plan 2 Retirement Board Budget Report for April 2024



Biennium 2023 - 2025
(July 2023 - June 2025)

Expense Category	Budgeted for Biennium 2023-25	Projected Biennial Total	Projected Biennial Variance	Budgeted through April 2024	Actual through April 2024	Variance through April 2024
Salary & Wages	\$1,991,024	\$1,947,541	\$43,483	\$829,750	\$793,654	\$36,096
Employee Benefits & Taxes	\$587,298	\$575,702	\$11,596	\$252,550	\$228,783	\$23,767
State Actuary Services	\$257,088	\$267,801	(\$10,713)	\$107,120	\$117,833	(\$10,713)
Rent & Utilities	\$124,176	\$123,888	\$288	\$51,740	\$51,452	\$288
State Central Services ¹	\$483,988	\$480,401	\$3,587	\$185,618	\$193,382	(\$7,764)
Staff & Trustee Development ²	\$224,186	\$220,138	\$4,048	\$75,622	\$87,758	(\$12,136)
Communications & IT	\$99,764	\$96,885	\$2,879	\$39,610	\$42,386	(\$2,776)
Contracts	\$64,600	\$50,064	\$14,536	\$14,000	\$6,464	\$7,536
Other Operating Expenses	\$55,876	\$52,425	\$3,451	\$15,862	\$8,605	\$7,257
Biennium 23-25 TOTALS	\$3,888,000	\$3,814,845	\$73,155	\$1,571,872	\$1,530,318	\$41,555

¹State Central Services includes:

- DES - Financial Services, HR Services, Risk Management Services, & Facility Services
- WaTech - Network and Data Services, Security Services, & IT Support Services
- OFM - Enterprise Systems, State Personnel (HR) Services, & OneWa Development
- SOS - Archival Services, SAO - Audit Services, GOV - Equity Office, and ATG - Legal Services

²Includes Travel Expenses

³Includes Newsletter Printing and Mailing

From: Lovick, Sen. John <John.Lovick@leg.wa.gov>

Sent: Tuesday, May 14, 2024 11:38 AM

To: AJ (LEOFF Trustee) <aj.johnson@leoff.wa.gov>; AJ <aj@wscff.org>; Bergquist, Rep. Steve <Steve.Bergquist@leg.wa.gov>; Jay (LEOFF Trustee) <jay.burney@leoff.wa.gov>; Stidham, Melanie <Melanie.Stidham@leg.wa.gov>; Darell (LEOFF Trustee) <darell.stidham@leoff.wa.gov>; Darell Stidham <yellow68vette@yahoo.com>; Dennis <dennis@wscff.org>; Jason (LEOFF Trustee) <jason.granneman@leoff.wa.gov>; Holy, Sen. Jeff <Jeff.Holy@leg.wa.gov>; Jason <jason.granneman@clark.wa.gov>; Jay <jburney@ci.olympia.wa.us>; Mark (LEOFF Trustee) <mark.johnston@leoff.wa.gov>; Dennis (LEOFF Trustee) <dennis.lawson@leoff.wa.gov>; Mark <mjohnstoniaff@usa.net>; Pat (LEOFF Trustee) <pat.mcelligott@leoff.wa.gov>; Pat <patolddog@gmail.com>; Tarina (LEOFF Trustee) <tarina.watson@leoff.wa.gov>; Tarina <tarinarose@msn.com>; Wolf Opitz <wopitz@co.pierce.wa.us>; Wolf (LEOFF Trustee) <wolf.opitz@leoff.wa.gov>

Cc: Sigua, Braden <Braden.Sigua@leg.wa.gov>; Cecil, Amanda <Amanda.Cecil@leg.wa.gov>

Subject: Request for study: credit for part time service

Good afternoon LEOFF 2 Board,

I have a constituent who is a newly retired Sergeant with Snohomish County Sheriff's office. Before he served as a full-time officer he served for 10 years as a part-time reserve officer for 10 years. As a result his pension is significantly less than it would have been if he had been able to include his many years doing largely the same job less than full-time. I am requesting the Board to consider the implications and costs to allow members in a similar position to buy or be granted credit for service that was less than full-time.

Please reach out to me or my staff, Braden Sigua and Amanda Cecil, if you have questions or if you need any additional detail.

Thank you for your consideration,

Senator John Lovick