

BOARD MEETING AGENDA

JULY 24, 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, Lead 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**
 - o June 17, 2024
- 2. LEOFF 2 Board Actuarial Audit – Milliman, Inc.** **9:35 AM**

Daniel Wade, FSA, EA, MAAA
Principal & Consulting Actuary
Nick Collier, ASA, EA, MAAA
Principal & Consulting Actuary
- 3. Contribution Rate Adoption** **10:05 AM**

Jacob White, Sr. Research and Policy Manager
- 4. Board for Volunteer Firefighters and Reserve Officers** **11:05 AM**

Hailey Blankenship, Executive Secretary, BVFF
- 5. Part-time Fire Fighter/Reserve Officer Employment – Initial Presentation** **12:05 PM**

Jacob White, Sr. Research and Policy Manager
- 6. Administrative Update** **12:35 PM**
- 7. Public Comment** **12:40 PM**

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

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

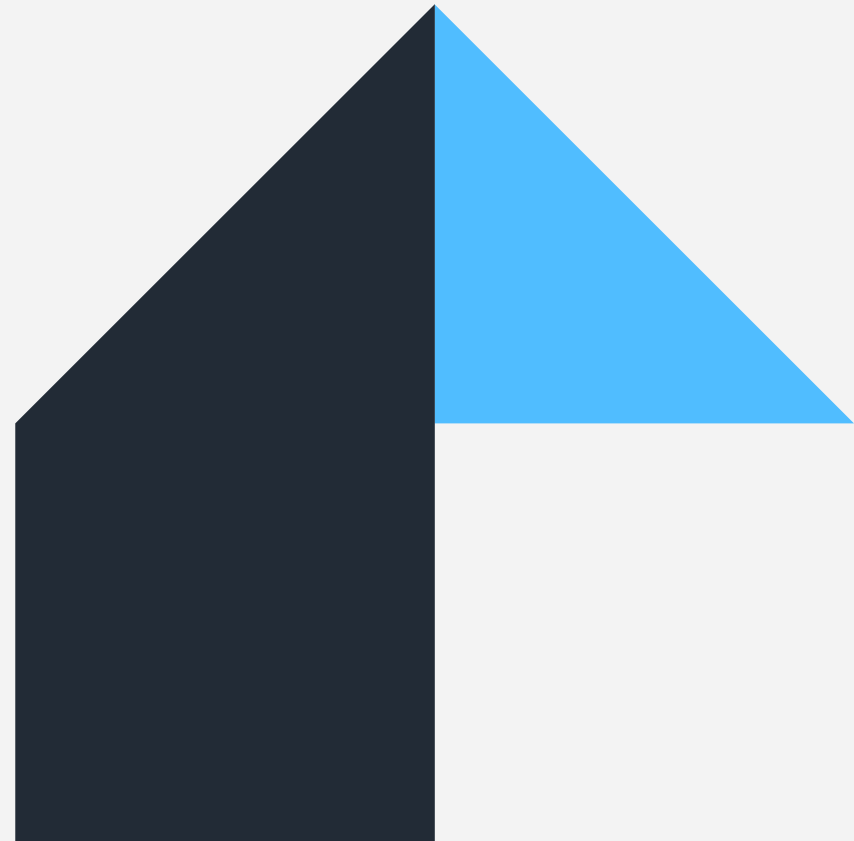
In accordance with RCW 42.30.110, the Board may call an Executive Session for the purpose of deliberating such matters as provided by law. Final actions contemplated by the Board in Executive Session will be taken in open session. The Board may elect to take action on any item appearing on this agenda.

LEOFF 2 Board Actuarial Audit

Nick Collier, ASA, EA, MAAA

Daniel Wade, FSA, EA, MAAA

JULY 24, 2024



Your Milliman Team

Nick & Daniel (supported by team of actuaries and analysts)

Experienced public retirement plan consultants with significant involvement with actuarial audits

Familiar with Washington State Retirement Systems

Serve some of the nation's largest public plans including Oregon PERS, CalSTRS, Los Angeles County Employees Retirement Association, Texas County & District Retirement System, and Florida Retirement System



Nick Collier



Daniel Wade



Gary Deeth

Purpose and Scope

Purpose:
Review OSA's work and confirm that the results of the valuation are reasonable



----- Scope -----

1

Evaluation of the data used in the valuation

2

Evaluation of the reasonableness of the assumptions

3

Full independent replication of assets and liabilities

4

Confirmation of calculated contribution rates

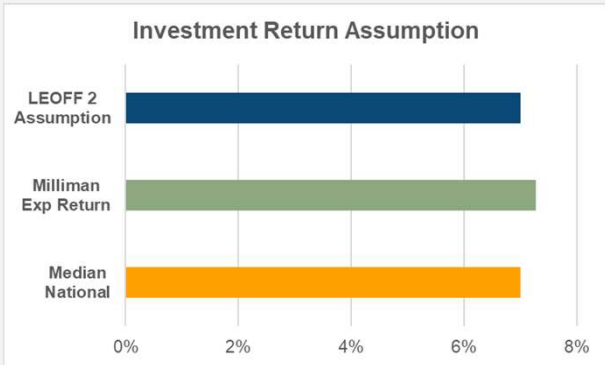
Bottom Line

OSA valuation and resulting contribution rate calculations are accurate and based on reasonable assumptions

No changes recommended to OSA's 2023 valuation



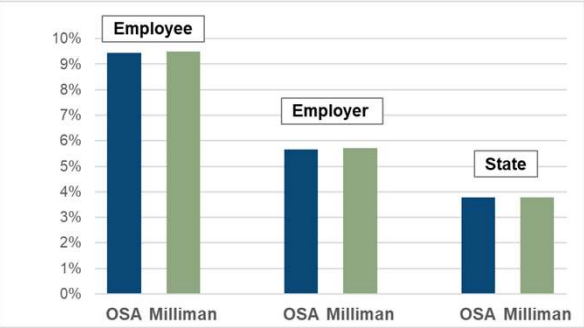
Assumptions are reasonable



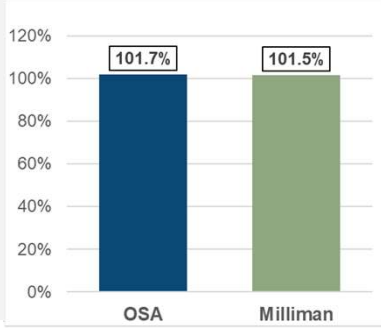
Data is consistent



Calc. cont. rates are reasonable



LEOFF 2 funded status is accurate



Benefits, Assumptions and Methods

Valuation is based on current law and reasonable assumptions and methods



1

Benefits in RCW are appropriately reflected in the valuation

Valuation reflects changes under SHB 1701

2

Methods and assumptions used in valuation are reasonable

Assumptions reviewed in detail by Milliman with 2020 audit

Additional review of economic assumptions completed this year with focus on investment return assumption

Based on Milliman's capital market assumptions and WSIB's target asset allocation, we calculated the median expected return fractionally above the 7.0% assumption used in the valuation

The 7.0% investment return assumption is in line with the median assumption for large public retirement systems

Results: Membership Data

Data supplied by DRS was reviewed

Reviewed for reasonableness

Confirmed that all necessary information was included

Data used in OSA's valuation was reviewed

Performed independent data editing of data supplied by DRS

Compared with OSA's valuation data and found high level of consistency

Conclusion

Data used by OSA in valuation looks good

LEOFF 2

	OSA	Milliman	Ratio OSA/Milliman
Active Members			
Total Number	19,311	19,311	100.0%
Total Salaries (millions)	\$ 2,637	\$ 2,637	100.0%
Average Age	41.1	41.1	100.0%
Average Service	11.8	11.8	100.0%
Average Salary	\$ 136,552	\$ 136,552	100.0%
Retirees and Survivors			
Total Number	9,460	9,460	100.0%
Average Monthly Pension	\$ 5,137	\$ 5,142	99.9%
Terminated Members			
Total Number Vested	1,434	1,434	100.0%
Total Number Non-Vested	3,067	3,067	100.0%

Results: Assets

Assets used in valuation are reasonable



1

Asset data provided by DRS

Totals, cash flows, and breakdown by Plan taken from DRS data

2

Independent calculation by Milliman of actuarial assets based on sources of data

Actuarial asset calculation is accurate and based on a reasonable method

Results: Liabilities

Good match with OSA on independent replication (99.8%)

Present Value of Benefits

Accrued Liability under Entry Age cost method

Conclusion

Valuation liabilities are accurate

(in \$Millions)	LEOFF 2 Results		
	OSA	Milliman	O / M Ratio
Present Value All Future Benefits			
Retirement	\$13,850.9	\$13,872.7	99.8%
Termination	403.9	406.3	99.4%
Death	237.6	232.6	102.1%
Disability	<u>744.5</u>	<u>747.1</u>	<u>99.7%</u>
Total Actives	\$15,236.9	\$15,258.7	99.9%
Terminated Vested	\$499.3	\$504.5	99.0%
Terminated Not Vested	<u>28.9</u>	<u>28.9</u>	<u>100.0%</u>
Total Inactive, not in Payment	\$528.2	\$533.4	99.0%
Total Annuitants	\$9,626.3	\$9,658.0	99.7%
All Members	\$25,391.4	\$25,450.1	99.8%
Entry Age Normal Accrued Liability			
All Members	\$18,992.4	\$19,039.4	99.8%

Calculations are prior to consideration of post-valuation changes in legislation.

Results: Contribution Rates

Contribution rates calculated using Milliman's independently determined liabilities and normal cost rates

Well within expected tolerances for actuarial audits

Milliman's calculations are for comparison purposes only

Contribution rates calculated under the Aggregate method are less than the Entry Age Normal Cost rate, but greater than Minimum rate (Entry Age Normal Cost rate minus offset calculated pursuant to SHB 1701).

Contribution rate under the Aggregate method reflects asset values at the actuarial valuation date and will tend to be more volatile than Entry Age Normal Cost rate.

(in \$Millions)	LEOFF 2 Results		
	OSA	Milliman	O / M Ratio
Potential Employee Contribution Rates			
Aggregate Normal Cost Rate	18.78%	18.95%	99.1%
a. 50% of Aggregate NC%	9.39%	9.48%	99.1%
Entry Age Normal Cost Rate	19.94%	19.90%	100.2%
50% of Entry Age NC%	9.97%	9.95%	100.2%
Plan Funded Status	101.7%	101.5%	100.2%
Offset under SHB 1701	0.75%	0.75%	100.0%
Minimum Adjustment	100%	100%	100.0%
b. Minimum Employee Rate	9.22%	9.20%	100.2%
Greater of a. and b.	9.39%	9.48%	99.1%
Adjustment for Post-Val Changes	0.04%	0.04%	100.0%
Employee Contribution Rate	9.43%	9.52%	99.1%
Potential Contribution Rates with Post-Val Changes			
Employee (50%)	9.43%	9.52%	99.1%
Employer (30%)	5.66%	5.71%	99.1%
State (20%)	3.77%	3.81%	99.1%

Key Changes Since Prior Actuarial Audit

Benefit increases under SHB 1701

Accurately reflected in liabilities and normal cost rates

Offset to minimum contribution rate under SHB 1701

Approach appears reasonable to us



Conclusion

OSA valuation and resulting contribution rates calculations are accurate and based on reasonable assumptions

No changes recommended to OSA's 2023 valuation



Caveats and Disclaimers

Milliman's work product was prepared exclusively for the LEOFF Plan 2 Board for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning OSA, DRS and LEOFF Plan 2 operations, and uses DRS data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third-party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product but should engage qualified professionals for advice appropriate to its own specific needs.



Thank you

Nick Collier

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Daniel Wade

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Contribution Rate Adoption

July 24, 2024

Issue

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

LEOFF 2 Board Funding Policies

Board's goals – Fully funding plan and stable contribution rates

1. 4-year Rate Adoption

- Adopted rates may still be updated with each new rate-setting valuation

2. Current Statutory Minimum Rate Funding Policy

- The rate tier policy adopted in statute as part of benefit improvement legislation to manage expected impact of 2021 deferred gains

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.*

Introduction

- Board has balanced the two funding goals using the expected long-term cost of the plan (normal cost of the EAN method) as the baseline
 - If all assumptions are met that is what the current plan provisions will cost
 - Will be stable and will fully fund the plan if assumptions are met
- Issues influencing rate decision
 1. Funding Method: Aggregate method is one method for calculating contribution rates, the Board has historically used the expected long-term cost of the plan
 2. OSA identified two costs of recent inflation: COLA banking modeling change and salary experience
 3. 4-year rate adoption: deferred gains being recognized and potential additional inflation costs

Aggregate and Minimum Rates

Under the plan funding policy, the contribution rate is the greater of:

- **Aggregate Rates**

- Actuarial cost method for the plan originally set in statute
- Rate fluctuates with plan experience and changes in assets
- Rates can experience sharp changes when assumptions or benefit provisions change

- **Minimum Rates**

- Calculated from expected long term cost of the plan (normal cost)
- Different “tiers” of rates based on funded status
 - Rates can experience sharp changes when moving between tiers
- New Offset Rate for BIA transfer

Current Contribution Rates

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

Results of 2023 AVR

Contribution Rate Summary			
	Member	Employer	State
Current Adopted Rates*	8.53%	5.12%	3.41%
2023 Valuation			
Funded Status = 102%			
Contribution Rate = Aggregate	9.43%	5.66%	3.77%

**Currently adopted rates for the 2025-27 Biennium.*

Contribution Rate Projections

- **Deferred gains**
 - \$1.276 Billion
- **Recent inflation experience has exceeded expectations**
 - Unclear if salary experience will continue to exceed expectations
- **Projections (see email from OSA in Board Materials)**
 - In 2027, under current projections and if all current assumptions are realized, the funded ratio is expected to exceed 105%, when all the current deferred investment gains are recognized
 - See Appendix slide for OSA's methods and assumptions when making this assessment
 - This will trigger the rate reduction to 90% Minimum Rate tier

Funded Status

Changes to LEOFF 2 Funded Status	
Funded Status — 2021 Valuation	104.3%
Investment Returns/Recognizing Past Deferred Gains	2.4%
Plan Experience	(2.9%)
Funded Status — 2022 Valuation	103.7%
Investment Returns/Recognizing Past Deferred Gains	2.5%
Plan Experience	(3.0%)
COLA Banking Modeling Change	(1.5%)
Funded Status — 2023 Valuation	101.7%

Budget Impacts

Estimated LEOFF 2 Contributions - 2025-27 Biennium				
(\$ in Millions)	Member	Employer	State	Total
Currently Adopted Rates	8.53%	5.12%	3.41%	
Fiscal Year 2026	\$259	\$155	\$103	\$517
Fiscal Year 2027	\$269	\$161	\$108	\$538
2023 Valuation Rates	9.43%	5.66%	3.77%	
Fiscal Year 2026	\$286	\$172	\$114	\$572
Fiscal Year 2027	\$297	\$179	\$119	\$595
Change in Contributions	0.90%	0.54%	0.36%	
Fiscal Year 2026	\$27	\$16	\$11	\$55
Fiscal Year 2027	\$28	\$17	\$11	\$57

Totals may not agree due to rounding.

See Appendix slide for OSA's methods and assumptions when determining budget impacts

COLA Banking Methodology Change

- Recent inflation experience means that all members who retired prior to June 30, 2023 will receive a 3% COLA until their bank is exhausted (perhaps 15+ years)
- COLA methodology change from 2.75% to 3% only applies to current annuitants in 2023 valuation (data as of June 2022) due to their COLA banks growing from recent high inflation
- Current active members don't have a COLA bank so assumption remains 2.75%
- COLA banking methodology change did not increase EANC component of Minimum rate calculation
 - EANC represents the cost of benefits for active members only

Option 1: Leave the rates already adopted, step up to 9.2% over 5 years beginning in FY 2028

- **Pros** – Balances stable contribution rates with fully funding the plan; gives additional time for experience to play out and see what the long-term effect will be; gives employers and members time to prepare for increasing rates (if necessary)
- **Cons** – Miss out on investment returns from increased contribution rates in the 2025 - 2027 biennium
- **COLA Banking Methodology Change** – The methodology change is incorporated but since the EANC is not increased the incorporation of the methodology change has no effect on Minimum rates. The cost of the methodology change will be reflected in the funding ratio of the plan
- **History** – The Board had instances in the past where rates were predicted to temporarily decrease in the short term and then rise, the Board chose to keep the rates stable through that short term volatility. Similar to what the Board is facing now, except a temporary increase instead of a temporary decrease

Option 1: Rate Table

<u>Fiscal Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>State Rate</u>
2026	8.53%	5.12%	3.41%
2027	8.53%	5.12%	3.41%
2028	8.66%	5.20%	3.46%
2029	8.80%	5.28%	3.52%
2030*	8.93%	5.36%	3.57%
2031*	9.07%	5.44%	3.63%
2032*	9.20%	5.52%	3.68%

*If necessary

Option 2 - Begin step up to 9.2% immediately over 5 years

- Pros – Begin step up in rates earlier to capture additional contributions and potentially investment gains in the 2025 - 2027 biennium
- Cons – Contribution rate increase may turn out to be unnecessary if current actuarial projections are met
- COLA Banking Methodology Change – The methodology change is adopted; Since the EANC is not increased the adoption of the assumption has no effect on Minimum rates. The cost of the methodology change will be reflected in the funding ratio of the plan
- History – Board has previously stepped up rate increases in annual increments

Option 2: Rate Table

<u>Fiscal Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>State Rate</u>
2026	8.66%	5.20%	3.46%
2027	8.80%	5.28%	3.52%
2028	8.93%	5.36%	3.57%
2029	9.07%	5.44%	3.63%
2030*	9.20%	5.52%	3.68%

*If necessary

Option 3: Adopt aggregate rate for 2025 – 2027 and 2027-2029 biennia

- Pros – Rates fully reflect recent plan experience; captures potential investment gains in 2025 - 2027 biennium
- Cons – Does not meet goal of rate stability; rates would go up 9.43% immediately; increase in contribution rates may be unnecessary if current actuarial projections are met
- COLA Banking Methodology Change – The methodology change is incorporated; full impact of the change is reflected in rates immediately
- History – Board has historically not used aggregate funding method because of rate volatility, particularly when there is a significant assumption change

Option 3: Rate Table

<u>Fiscal Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>State Rate</u>
2026	9.43%	5.68%	3.77%
2027	9.43%	5.68%	3.77%
2028*	9.43%	5.68%	3.77%
2029*	9.43%	5.68%	3.77%

*Board will have opportunity to reassess 2027 - 2029 contribution rates based on results of 2025 Actuarial Valuation Report

Board Action

- **Option 1:** Leave the rates already adopted for 2025 - 2027, and in FY 2027 begin step up to 9.2% over 5 years. Incorporate COLA banking methodology change proposed by OSA.
- **Option 2:** Begin step up to 9.2% immediately over 5 years. Incorporate COLA banking methodology change proposed by OSA.
- **Option 3:** Adopt aggregate rate of 9.43% for 2025 – 2027 and 2027 - 2029 biennia instead of the expected long-term cost of the plan (normal cost). Board will reevaluate the rates for the 2027-2029 biennium. Incorporate the COLA banking methodology change proposed by OSA.



Thank You

Jacob White

Senior Research and Policy Manager

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jacob.white@leoff.wa.gov

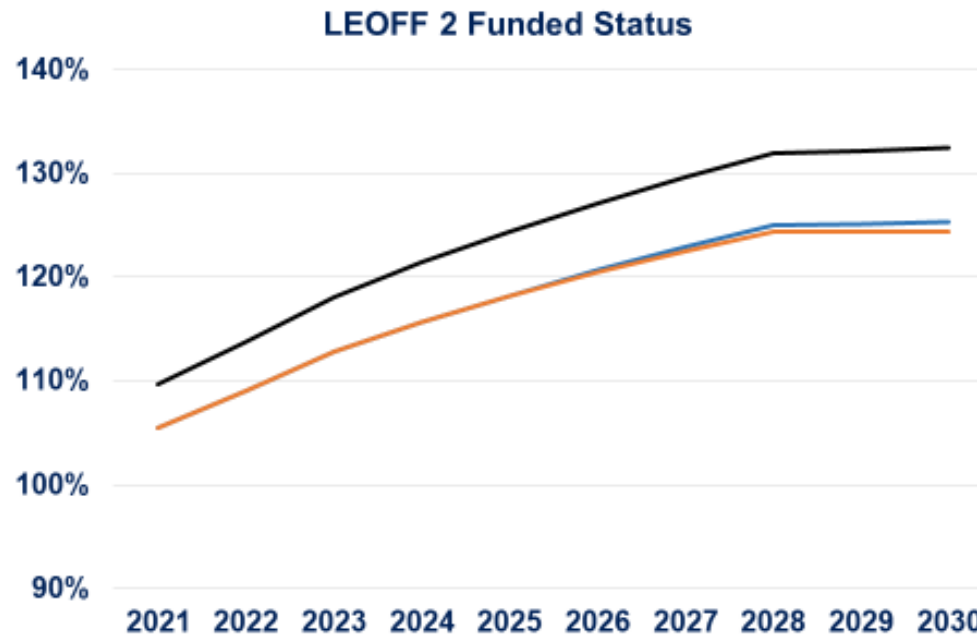
Actuarial Disclosures – Slide 8

- Using our (OSA) professional judgement as well as reviewing the preliminary 2023 AVR and our most recent published projections, we believe it's reasonable to assume, at this time, that the LEOFF 2 funded status would exceed 105% at the June 30, 2027 measurement date.
- We made this assessment assuming contribution rates follow current law funding policy and all plan experience matches current assumptions. This means Minimum Rates would be expected to reduce consistent with the 105% funded status tier calculation.
- Actual funded status will depend on actual plan experience, adopted contributions, and any changes to plan provisions, assumptions, or methods. We're happy to replace this qualitative analysis with our updated projections available later this year.
- We prepared this analysis at your request and to inform the LEOFF 2 Board's contribution adoption at their July 2024 meeting. This analysis may not be appropriate for other purposes. This analysis will become outdated. Please do not rely on this analysis beyond the current rate adoption cycle.
- Kyle Stineman, ASA, MAAA served as the reviewing and certifying actuary for this analysis. Please let us know if you have questions or need additional information.

Actuarial Disclosures – Slide 10

- The budget estimates are calculated by multiplying the respective contribution rates by projected salaries in the 2025-27 Biennium. We estimated salaries for this period by projecting the total salary for LEOFF 2 from the 2023 Actuarial Valuation Report with assumed 0.80% system growth and 3.25% general salary growth. Please see the [Projection and Risk Assumptions Study](#) and [2023 Economic Experience Study](#) for the development of the system growth and general salary growth assumptions, respectively.
- We produced these budget impacts to assist the Board in understanding the costs of changing the currently adopted contribution rates. Please don't use this information for other purposes. These budget estimates will vary to the extent that actual total salaries differ from this projection. We are available to update this analysis in the future.
- Kyle Stineman, ASA, MAAA served as the reviewing and certifying actuary for this budget estimate. Please let us know if you have questions or need additional information.

Draft Bill with 0.70% Reduction to Rates: Funded Status and Contribution Rates



Biennium	Total Employer Contribution Rates		
	Current Law	Draft Bill	Offset
2023-25	8.53%	8.53%	8.53%
2025-27	8.32%	9.01%	8.31%
2027-29	8.36%	9.04%	8.34%
2029-31	8.40%	9.08%	8.38%

**Selected flat 0.70% reduction to draft bill contribution rates for illustrative purposes only. Actual offset calculation may vary in magnitude, duration, and timing.*

*Source: [December 2021 Presentation by OSA](#)

Board for Volunteer Firefighters and Reserve Officers

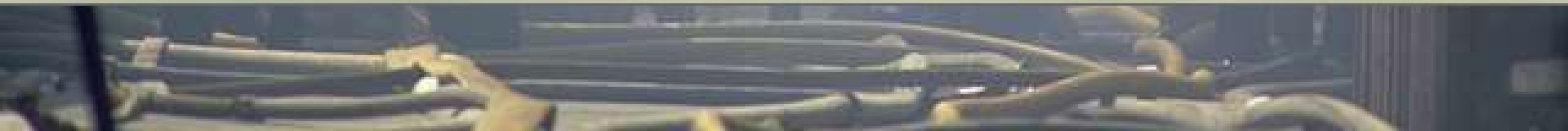
Hailey Blankenship – Executive Secretary





Who is the State Board?

- Five Members from different Congressional Districts appointed by the Governor
- The Executive Secretary, appointed by the State Board
- Staff, hired by the Executive Secretary





BVFF Enrollment

- Any city or county municipalities with volunteers
 - Chapter 41.24 RCW:
 - Disability enrollment: **REQUIRED**
 - \$30.00 annual fee
 - Coverage for all on the job injuries, exposures and mental health claims
 - Claims paid according to Labor and Industries fee schedule
 - Pension enrollment: **Optional**
 - \$60.00 annual fee
 - Length of service award plan:
 - » $(\$10 * \text{number of annual contributions}) + \$100 = \text{Base Benefit}$
 - » Years of service factors
 - » Age factors between 60-65



Accruing Pension Benefits

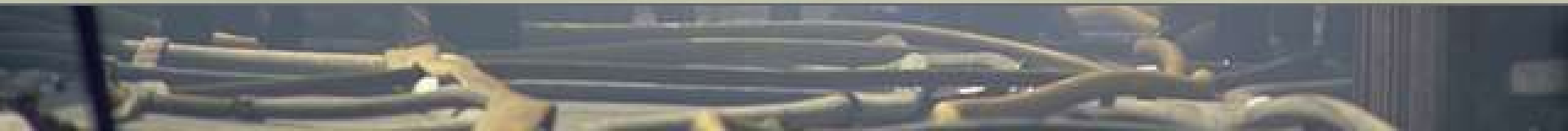
Must meet annual participation requirements under WAC 491-03-030

Training Requirements:

- Attend a minimum of ten percent (10%) or twenty (20) hours, of all drill and/or training annually, whichever is less.

Response Requirements:

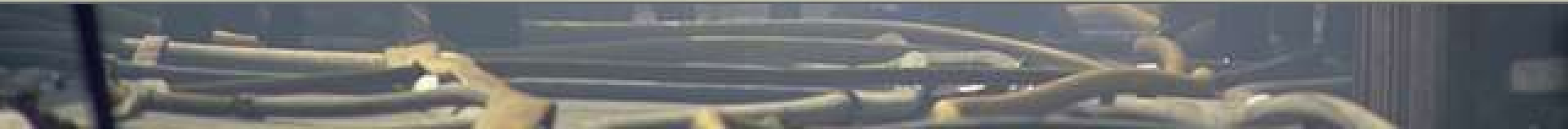
- Respond to a minimum of ten percent (10%) of all calls at the member's assigned station or twenty-four (24) calls annually, whichever is less; or ninety-six hours (96) of standby time annually.





Annual Certification

- BVFF mails certification forms to municipalities each February for prior calendar year
- Local Board and Chief certify each participants participation level
 - If the requirements were not met for a year, the pension fee will be refunded to the department and that year of service will not count toward the member's pension
- Service for partial years at the start of service and the end of service will be pro-rated





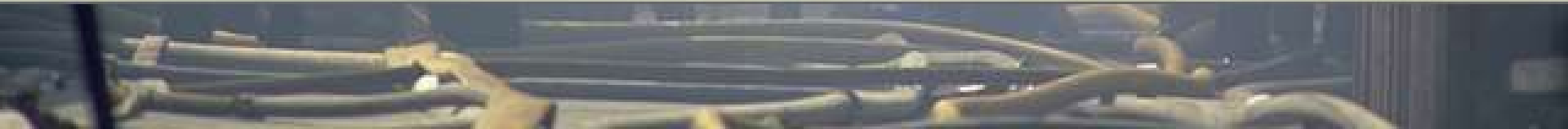
Disability Benefits

- Medical as necessary- Physicians paid according to L& I's fee schedule, prescriptions paid in full
- Hospital – Room, care and treatment
- Disability Compensation
 - Not to exceed amount of loss
 - For first 6 months – if unable to work at regular occupation
 - \$154.04 per day + COLA
 - \$4,620.24 + COLA per month maximum
 - After 6 months, if fully disabled
 - \$2,310.09 + COLA per month for member
 - Plus \$462.03 + COLA for spouse
 - Plus \$199.20 + COLA per child under 18
- Death Benefit - \$214,000
- Funeral Benefit - \$2,000
- Survivor Benefits
 - \$2,310.09 + COLA per month to surviving spouse
 - Plus \$500/mo. For each child under 18
- Mileage – Reimbursement at state rate for travel to extended treatment not available in firefighter's own area
- Written Accident Reports – MUST BE SUBMITTED TO THE STATE BOARD WITHIN 90 DAYS OF THE ACCIDENT
- Screening physical exams for new volunteers reimbursed up to \$100.00 per exam



PERS, FLSA and BVFF

- BVFF & RO can only cover firefighters that are not working enough hours to be PERS eligible
- Career firefighters can still volunteer with a department other than the one they are career staff at and be covered by the BVFF for their volunteer position. They may want to consult their union representative to ensure there are no issues.
- The Board will continue to insure all firefighters that are not PERS or LEOFF eligible. This means that you could hire a wild land firefighter and they could work for 120 hours a month for the fire season, as long as they do not do so for 5 or more months in a year. Therefore, the majority of wild land firefighters will be able to retain their BVFF coverage. Remember, however, that they must remain employees of the fire department. If they respond to a mobilization fire and sign in as WSP employees, they will receive their relief coverage from L & I. Their BVFF coverage is not affected as long as they are still meeting your departments' standards.





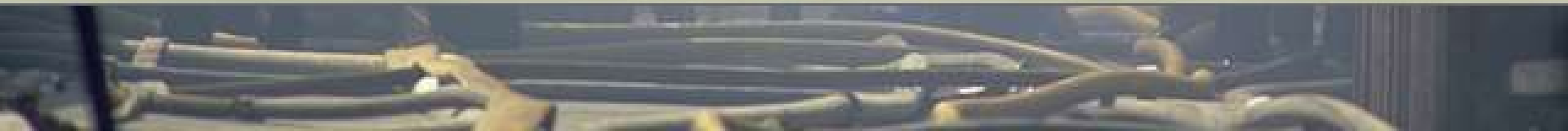
PERS, BVFF and FLSA cont.

- According to FLSA a district may pay its volunteers a sum not to exceed twenty percent of what it pays its paid firefighters for similar services. If a district has no paid firefighters, it may use the amount paid by nearby districts.
- To be PERS eligible a fire fighter must work for minimum wage for at least 70 hours per month for 5 months a year or more for two consecutive years.
- Volunteers Cannot be paid a salary or hourly wage (FLSA)
 - They may receive reimbursement for expenses, reasonable benefits, or a nominal fee.
 - Volunteer firefighters cannot receive more than 20 percent of the pay of a career firefighter
 - Fees cannot vary based on the volunteer spending more or less time engaged in firefighting activities
- Volunteers cannot do the same type of service for the same agency, and do so in both a career and volunteer capacity.
 - In other words, no one can be both a career fire fighter and a volunteer firefighter with the same department.
 - However, that same person might volunteer with that department in a non-firefighting capacity, or in a firefighting capacity with a different district.
- PERS is an “opt-in” system. Thus, even if a public employee meets other eligibility requirements, he or she will not be a member of PERS unless the agency has opted in at some point.
 - If a department has never employed PERS-type employees (e.g. bookkeeping staff), then the department may not have opted into PERS. Thus, even if a volunteer fire fighter is a part-time employee (as opposed to a volunteer) and worked over the hourly threshold, the member would still be covered by BVFF & RO if the department has not opted into PERS



What is covered?

- **Drill and Training-** Travel to and from training is not covered.
- **Emergency Response-** From the time the tone goes off or the dispatch is received to the time they go home or until their first stop.
- **Work in or about company quarters-** work at the station volunteers are required to perform by the chief or other officers.
THESE MUST BE SECONDARY TO FF DUTIES!
- **Physical Training-** dept. must have SOP of SOG requiring physical training or fitness, there must be guidelines in place and followed and training must take place at the station. Off-site training is not covered.



Questions??



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July 24, 2024

Part-time Fire Fighter/Reserve Officer Employment

INITIAL CONSIDERATION

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ISSUE STATEMENT

1. 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.
2. Prior to 2024, part-time law enforcement officers (LEO) earned service credit in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund.

OVERVIEW

The Board requested these two issues be combined for an initial presentation due to the overlap involving LEOFF Plan 2 members and the Board of Volunteer Fire Fighter and Reserve Officers (BVFF). In addition to this report and the corresponding Board staff presentation, the Executive Director of the BVFF will be providing a presentation to the Board with background information on the BVFF.

BACKGROUND AND POLICY ISSUES

ISSUE 1 - 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.

Retirement Plan Eligibility

Not all fire fighters are eligible for LEOFF Plan 2. To be eligible for LEOFF Plan 2 a fire fighter must be a "full time, fully compensated [...] member of a fire department [...]"¹ The key part of this definition that delineates between the state pension systems is the term "full time". It is further defined by the Department of Retirement Systems (DRS) in rule as "normally expected to earn basic salary from an employer for a minimum of 160 hours in a calendar month."²

¹ [RCW 41.26.030: Definitions.](#)

² [WAC 415-104-011:](#)

If a fire fighter position does not meet the definition of “full time” it may be eligible for the Public Employees’ Retirement System (PERS). For a position to be eligible for PERS it “[...] normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof.”³

If a fire fighter does not meet these eligibility definitions for LEOFF Plan 2 or PERS than they may be eligible for the BVFF. The eligibility definition for fire fighters in the BVFF are “ [...] any firefighter or emergency worker who is a member of any fire department of any municipality but shall not include firefighters who are eligible for participation in LEOFF or PERS [...]”.⁴

There are additional eligibility reasons other than those identified above that may change the pension plan eligibility of a fire fighter position. For example, the Department of Natural Resources (DNR) fire fighters are not eligible for LEOFF Plan 2 because DNR is not an eligible employer.

Death and Disability Benefits

If a LEOFF Plan 2 member works concurrently in a non-LEOFF eligible position they, in most situations, would not be eligible for LEOFF Plan 2 duty disability benefits for injuries sustained in their non-LEOFF employment, nor in line of duty LEOFF Plan 2 death benefits. However, in certain situations LEOFF Plan 2 members are still eligible for some LEOFF Plan 2 death and duty disability benefits for injuries or death occurring in non-LEOFF employment.

In 2015 the LEOFF Plan 2 Board endorsed legislation, SB 6263 (2016)⁵, that provided LEOFF Plan 2 members called into eligible federal service to respond to natural disasters or other federal emergencies with similar LEOFF Plan 2 benefit protections provided to members of the National Guard or Military Reserves who are called up during a time of war.

Those benefit protections included providing:

- the survivor of a member who is killed while providing eligible federal service with service credit at no cost for the period of service up until the member’s death;
- a member who is disabled while providing eligible federal service with service credit at no cost for the period of service up until the member’s separation from that service;
- survivor retirement benefits which are not actuarially reduced for the survivor of a member who is killed while providing eligible federal service; and,

³ [RCW 41.40.010: Definitions. \(wa.gov\)](#)

⁴ [RCW 41.24.010: Definitions. \(wa.gov\)](#)

⁵ [6263.SL.pdf \(wa.gov\)](#)

- duty-disability retirement benefits which are not actuarially reduced for a member who is disabled while providing eligible federal service.

ISSUE 2 - Prior to 2024 part-time LEO earned service credit in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund.

This issue was brought to the Board's attention by Senator John Lovick (See Appendix A). Senator Lovick requested the Board study "the implications and costs" [for allowing Reserve Officers who later became LEOFF Plan 2 eligible Law Enforcement Officers] "to buy or be granted credit for service that was less than full-time."

Retirement Plan Eligibility

Not all law enforcements officers are eligible for LEOFF Plan 2. Historically, to be eligible for LEOFF Plan 2 an officer must work full-time.⁶ However, as of July 1, 2024, the definition has broadened to include certain part-time law enforcement officers.⁷ Nonetheless, this recent change in eligibility does not include all part-time law enforcement officers.

Reserve Law Enforcement Officers eligible for BVFF have historically been defined as:

"any person who does not serve as a peace officer of this state on a full-time basis, but who, when called by an agency into active service, is fully commissioned on the same basis as full-time officers to enforce the criminal laws of this state."⁸

It is further defined as not including those who are eligible for participation in LEOFF or PERS.⁹ However, the same legislation that broadens the definition of eligible LEOFF Plan 2 Law Enforcement Officers also amended the BVFF eligibility definition to include "regularly employed."¹⁰

Purchasing Service Credit

In certain situations, such as interruptive military service or an authorized leave of absence, LEOFF Plan 2 members can Purchase Service Credit for time where they did not earn service credit in LEOFF Plan 2.

There is also a precedent for purchasing service credit in state retirement systems when positions are made newly eligible for LEOFF Plan 2. Examples of this include:

⁶ [RCW 41.26.030: Definitions. \(<i>Effective until July 1, 2025.</i>\) \(wa.gov\)](#)

⁷ [5424-S.PL.pdf \(wa.gov\)](#)

⁸ [5424-S.PL.pdf \(wa.gov\)](#)

⁹ [RCW 41.24.010: Definitions. \(wa.gov\)](#)

¹⁰ [5424-S.SL.pdf \(wa.gov\)](#)

- EMTs added to the definition of fire fighter¹¹
- EMTs who became eligible when Public Hospital Districts were added to the definition of eligible employer¹²
- Tribal Law Enforcement Officers when tribes became eligible employers¹³

A difference between the situations above and the question of whether reserve officers should be able to also purchase service credit in LEOFF Plan 2 once they move into a LEOFF eligible position is that the eligibility of the position may not be changing. Instead, the reserve officer has simply moved into a different position, which is eligible for a different retirement system. However, under the new law referenced above which allows for certain part-time Law Enforcement Officers to now be eligible for LEOFF Plan 2 there may be reserve officers who are doing the same job but now eligible for LEOFF Plan 2.

Part-time fire fighters are not eligible for LEOFF Plan 2. However, the Board may still want to consider whether to also give LEOFF Plan 2 members the same opportunity to purchase service credit for service as a Volunteer Fire Fighter.

An important policy decision when allowing for the purchase of service credit is determining whether to charge members the full actuarial cost for that service credit or to subsidize that cost. In the examples listed above where new groups of LEOFF Plan 2 members were given the option to purchase service credit in LEOFF Plan 2 some groups were required to pay the fully actuarial value where others had it partially subsidized. The groups that had it partially subsidized had previously paid into a state pension system (PERS) and the money they had paid into PERS was transferred to LEOFF Plan 2 and the member paid the difference in member contributions, plus interest, and the employer paid the difference in employer contributions.

SUPPORTING INFORMATION

Appendix A: Email from Senator John Lovick, May 14, 2024.

¹¹ [1936-S.SL.pdf \(wa.gov\)](#)

¹² [2202-S.SL.pdf \(wa.gov\)](#)

¹³ [1481.SL.pdf \(wa.gov\)](#)

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



Part-time Fire Fighter/Reserve Officer Employment

Initial Consideration
July 24, 2024

Issues

- 1. 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.**
- 2. Prior to 2024, part-time law enforcement officers (LEO) earned service credit in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund.**

Fire Fighter Eligibility

- **LEOFF Plan 2 – Firefighter is [...] full time, fully compensated [...] as a member of a fire department of an employer [...]**
- **PERS – An eligible position “[...] normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned by the occupant thereof.”**
- **Vol. FF - “Firefighter includes any firefighter or emergency worker who is a member of any fire department of any municipality but shall not include firefighters who are eligible for participation in LEOFF or PERS [...]”.**

Current Law

- LEOFF Plan 2 member injured or killed while working in a position covered by BVFF, PERS, or in an uncovered position would likely not qualify for in-line of duty LEOFF Plan 2 benefits
- Members would likely be eligible for non-duty death and disability benefits in LEOFF Plan 2 and any benefits in other pension system, if eligible

Exceptions

Federal service emergency management services (2016 LEOFF Plan 2 endorsed legislation)

- Working for a LEOFF employer: May qualify for a disability benefit if they leave the employment of their LEOFF employer to provide a disaster response and become disabled. Member's benefit won't be reduced if they retire early
- Working in eligible federal service: May qualify for service credit for a leave of absence if they become disabled after they leave the employment of their LEOFF employer to provide a disaster response

Gathering Data

- LEOFF Plan 2 staff is currently working with BVFF and DRS to identify the number of LEOFF Plan 2 members who are working concurrently in BVFF and/or PERS positions
- Data will not identify LEOFF Plan 2 members working for public employers in positions that are not covered under BVFF or PERS
 - BVFF is optional, they do not have data on members who opt out of membership

Law Enforcement Officer Eligibility

Legislation from last year changed definitions to make part-time officers eligible for LEOFF Plan 2

- LEOFF Plan 2 – “Beginning July 1, 2024, the term "law enforcement officer" also includes any person who is commissioned and employed by an employer on a fully compensated basis to enforce the criminal laws of the state of Washington generally, on a less than full-time basis [...].”
- BVFF – “‘Reserve officer’ means any person who does not serve as a regularly employed, fully compensated peace officer of this state, but who, when called by an agency into active service, is fully commissioned on the same basis as regularly employed, fully compensated officers to enforce the criminal laws of this state.”

Purchasing Service Credit

- **There is a precedent for purchasing service credit in state retirement systems when positions are made newly eligible for LEOFF Plan 2**
 - EMTs - PERS to LEOFF Plan 2
 - Public Hospital District EMTs - Employer plans to LEOFF Plan 2
 - Tribal Officers - Employer plans to LEOFF Plan 2
- **No precedent for allowing people to purchase service credit when changing careers/promoting into LEOFF Plan 2 eligible positions**

Gathering Data

- LEOFF Plan 2 staff is currently working with BVFF and DRS to identify the number of LEOFF Plan 2 members who have previous service credit in BVFF
- Difficulty with determining service credit
 - Limited data from BVFF
 - Optional for Reserve Officers to join BVFF
 - BVFF does not receive hours worked from employers
- What Reserve Officer service credit should be eligible for service credit?
- Should Volunteer Fire Fighters have the same option?

Next Steps

Board may:

1. Motion for comprehensive report on Part-time Firefighter
2. Motion for comprehensive report on Reserve Officer Service Credit Conversion
3. Motion for comprehensive report on both 1 and 2
4. No action at this time



Thank You

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