

December 5, 2025

Dear LEOFF Board Members,

I write to you as the surviving spouse of Jeremy William McLellan, who passed away September 25th, 2025, after a courageous battle with cancer.

Jeremy served Yelm and your surrounding communities for nearly ten years as a firefighter and chaplain with unwavering dedication, courage, and compassion.

After speaking with the Dept. of Retirement Systems, I have learned, unfortunately, I am not eligible for any survivor pension because Jeremy fell just 7½ months or ~225 days short of the ten-year service requirement mark.

This "all-or-nothing" approach creates a stark and painful disparity: Jeremy completed over 93% of the required service, yet we are entitled to 0%. Counting training and preparing to be a firefighter, he gave well over a decade of his life to serve your communities. A few months should not erase the value of his commitment.

Since his passing, I have had to pay \$1,850 per month to continue health coverage for myself and children, while earning less than \$1,000 per month working part-time. This financial strain has been overwhelming for me and our daughter who is in college and relies on me.

Granting a full or partial award cannot erase the difficulty of living a life without Jeremy but it would ease an overwhelming burden while honoring his service.

Accordingly, I respectfully request the Board to consider the following:

- Utilize any discretion available to you to award benefits. His service was exemplary and over 93% completed towards the ten-year mark. This would not present an undesirable precedent if such discretion is available.
- Implement a vesting schedule (e.g. 25%, 50%, 75%) instead of a strict all-or-nothing policy, consistent with many other private or public retirement plans.

Either or both would reflect fairness and compassion and honor the intent of the plan: to serve those who served others and recognize life's unpredictable nature.

Jeremy spent his life protecting and servicing others. A full or partial award would provide critical financial relief and affirm that his sacrifice and service truly mattered.

Thank you for your time, compassion, and commitment to fairness.

Respectfully,

Christy McLellan





STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS

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November 25, 2025

Dennis Lawson, Chair
LEOFF Plan 2 Retirement Board
P.O. Box 40918
Olympia, WA 98504-0918

Dear Chair Lawson:

The Department of Retirement Systems (DRS) has received approval from the Governor's Office to submit two pieces of agency request legislation during the 2026 legislative session. As both are technical in nature, we have not submitted them to the Select Committee on Pension Policy or the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board for recommendation. Summaries are provided below along with attached copies of the full Z-drafts for your information.

1. **Bill summary for Z-0362**

If a person has qualified for a small pension benefit, they have the option to take an actuarial equivalent lump sum payment at time of retirement. In Plans 2, which were established in 1977, to qualify for this option, the monthly benefit must be less than \$50. In Plans 3, which were established in the late 1990s and early 2000s, the benefit must be less than \$100, but the qualifying amount increases by 3% each year. In 2027 the Plan 3 limit will be \$250.

DRS proposes the Plans 2 limit is also set to \$250 in 2027 and allowed to increase in line with the Plan 3 amount to bring consistency to this provision across the plans. It is less common for a Plan 2 member to fall under these limits because of the higher benefit multiplier (2% instead of 1% in Plan 3); however there are many dual members with only a small amount of service credit in Plan 2 that could be impacted by this change. As of the 2024 actuarial valuation about 5300 Public Employees' Retirement System (PERS) Plan 2 retirees had monthly pension benefits that started under \$250 who had been retired an average of 10.7 years. Similarly, for LEOFF Plan 2 there were 113 retirees who had been retired an average of 10.6 years (14 retired in the last year).

2. **Bill summary for Z-0363**

DRS needs this legislation to maintain additional budget flexibility provided via a budget proviso during the 2025 legislative session. DRS is currently primarily funded from an account (Fund 600) paid for by covered employers as a percentage of total compensation earned by employees. This bill allows DRS to fund new programs or positions (such as cyber security and fraud prevention) from the retirement trust fund, which is funded by investment returns on employer and employee contributions. This aligns with other programs that are funded by the trust funds

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that are generally considered providing service “in defense of the trust.”

During the most recent budget reduction exercises, DRS suggested this shifting of fund source for two positions. The suggestion was adopted through a budget proviso, and this bill would memorialize that change in statute going forward.

We believe these changes would bring more consistency to our retirement plans, reduce complexity and provide DRS with additional budget flexibility in these challenging budgetary times. We have consulted with the Office of the Attorney General, which sees no issue with the proposed changes, and the Office of the State Actuary has provided draft fiscal notes that show no change in contribution rates to the plans.

Thank you for taking the time to review our agency request legislation. Please let me know if you have any questions.

Sincerely,



Kathryn Leathers
Director

cc: LEOFF Plan 2 Retirement Board Members

Enclosures (2)

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0363.1/25

ATTY/TYPIST: KS:jlb

BRIEF DESCRIPTION: Concerning payment of expenses from the earnings of retirement system trust funds.

1 AN ACT Relating to payment of expenses from the earnings of
2 retirement system trust funds; and amending RCW 41.50.255.

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

4 **Sec. 1.** RCW 41.50.255 and 2025 c 424 s 943 are each amended to
5 read as follows:

6 The director is authorized to pay from the interest earnings of
7 the trust funds of the public employees' retirement system, the
8 teachers' retirement system, the Washington state patrol retirement
9 system, the Washington judicial retirement system, the judges'
10 retirement system, the school employees' retirement system, the
11 public safety employees' retirement system, or the law enforcement
12 officers' and firefighters' retirement system lawful obligations of
13 the appropriate system for legal, medical, and(~~(, during the~~
14 ~~2025-2027 fiscal biennium,)~~) administrative expenses, which expenses
15 are primarily incurred for the purpose of protecting or preventing
16 losses from the appropriate trust fund or are incurred in compliance
17 with statutes governing such funds.

18 The term "legal expense" includes, but is not limited to, legal
19 services provided through the legal services revolving fund, fees for
20 expert witnesses, travel expenses, fees for court reporters, cost of
21 transcript preparation, and reproduction of documents.

1 The term "medical expense" includes, but is not limited to,
2 expenses for the medical examination or reexamination of members or
3 retirees, the costs of preparation of medical reports, and fees
4 charged by medical professionals for attendance at discovery
5 proceedings or hearings.

6 The term "administrative expenses" includes, but is not limited
7 to, expenses incurred to prevent losses to the trust funds such as
8 audits, cybersecurity, petition decisions, departmental liaison work
9 with the attorney general's office, and other similar expenses
10 incurred by the department to ensure that trust funds are protected
11 against risks that might lead to losses from the trust funds.

12 The director may also pay from the interest earnings of the trust
13 funds specified in this section costs incurred in investigating fraud
14 and collecting overpayments, including expenses incurred to review
15 and investigate cases of possible fraud against the trust funds and
16 collection agency fees and other costs incurred in recovering
17 overpayments. Recovered funds must be returned to the appropriate
18 trust funds.

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