

DUAL RESPONSE

LEOFF 2 Benefit Improvement Proposals Forwarded to 2007 Legislature

The LEOFF Plan 2 Retirement Board recommended four bills to the 2007 Legislature. The Board is also endorsing three bills by the Select Committee on Pension Policy (SCPP) and one bill by the Office of the State Actuary (OSA). The 2007 Legislative Session began on January 8, 2007 and is scheduled to run through April 22, 2007.

Bills Recommended by the LEOFF Plan 2 Retirement Board

Retiree Health Care Insurance Access

Forty-six percent of LEOFF Plan 2 members lose access to health insurance from their local government employers when they retire. The state of Washington, through the Public Employee Benefits Board (PEBB) program, provides state-wide coverage through private insurance plans to eligible groups and individuals. This bill would provide all LEOFF Plan 2 retirees with the option to purchase health insurance coverage through the State PEBB program. LEOFF Plan 2 retirees would pay the full cost of the insurance premiums.

Enrolling LEOFF Plan 2 retirees who have a higher average entry age than the rest of the PEBB Active/non-Medicare risk pool, increases costs for the entire risk-pool. The Health Care Authority estimated that a similar proposal in 2005 would raise the premiums for all participants in the PEBB Active/non-Medicare risk pool by \$0.33 per month or approximately \$574,000 per year.

The Federal 2006 Pension Protection Act allows public safety retirees, including law enforcement and fire fighters, to exclude up to \$3,000 of taxable pension distributions from income annually, if used to pay for qualified health insurance premiums. Public safety retirees in Washington State cannot currently take advantage of this new federal tax provision because their health insurance premiums are not paid via a deduction from pension distributions. PEBB insurance premiums can be paid via a deduction from a LEOFF Plan 2 pension distribution.

Service Credit Transfer Waiting Period

Emergency Medical Technicians (EMTs) who have become members of LEOFF Plan 2 due to legislation in 2004 & 2006 were provided with the option to transfer their past PERS service credit to LEOFF Plan 2. However, the legislation provided that the transfer of service was delayed until five years after the member elects to transfer their service credit. This five-year waiting period requirement has created unintended consequences for members who die or become disabled before their service has transferred.

This bill would create an exception to the five-year waiting period for members who die or retire due to disability. The member's past PERS service would be transferred to LEOFF Plan 2 and used to calculate their LEOFF Plan 2 pension.

(continued inside)

Message from the Chair



Kelly Fox

Brothers & Sisters,

The LEOFF Plan 2 Retirement Board is now in full swing of the 2007 Legislative Session. The Board has forwarded four bills to the Legislature to improve your pension benefits and endorsed four additional

bills, which would also improve your benefits; three proposed by the Select Committee on Pension Policy (SCPP) and one by the Office of the State Actuary (OSA). All of these proposals and their descriptions may be found in the article *LEOFF 2 Benefit Improvement Proposals to 2007 Legislature* to the left.

The Board has been working assiduously the past couple of years studying many of our members' most requested benefit improvements. This year, the Board concentrated on identifying alternative revenue sources to fund these top-quality benefit enhancements, such as increasing the 2% multiplier and retiree medical. As you recall from the last newsletter, the most requested benefit improvements such as those mentioned above, have extraordinary costs, and will need additional revenue (far exceeding the traditional, established percentage of covered payroll) to fund. Clearly, alternative revenue is a necessary step to achieving these quality benefit improvements, such as retiree medical or an increase to the 2% multiplier.

The Board continues to work relentlessly to improve your pension benefits each year. It is our mission and our goal to do just that in a reasonable and cost-efficient manner. Thank you all for your continued support and for the job you do every day, 24/7.

Fraternally, Kelly Fox

www.leoff.wa.gov

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LEOFF 2 Benefit Improvement Proposals Forwarded to 2007 Legislature *(continued from cover)*

Fish & Wildlife Enforcement Officers Service Credit Transfer

Enforcement Officers with the State Department of Fish & Wildlife became members of LEOFF Plan 2 in 2003. Enforcement Officers were previously members of the Public Employees' Retirement System (PERS). Enforcement Officers were not provided with an option in 2003 to transfer any past PERS service to LEOFF Plan 2. All other groups of employees whose membership was changed from PERS to LEOFF Plan 2 in the past, such as port police and fire fighters, higher education police and fire fighters, and emergency medical technicians were provided with an option to transfer their past eligible service from PERS to LEOFF Plan 2.

This bill would provide Enforcement Officers at the State Department of Fish & Wildlife with the opportunity to transfer their past service as Enforcement Officers from PERS Plan 2 to LEOFF Plan 2. Transferring members would pay the difference between the contribution rate they paid in PERS Plan 2 and the contribution rate they would have paid in LEOFF Plan 2, plus interest.

What's on the LEOFF 2 Web site?

- What the Board is currently researching;
- What research has been conducted in the past; organized by subject and meeting date;
- When Board meetings occur;
- What proposals have been forwarded to the Legislature and how the bills are progressing;
- What materials the Board is using to make decisions;
- Links to other pension-related sites; and much, much more!

LEOFF Plan 2 Board Membership

Initiative 790, that created the LEOFF Plan 2 Retirement Board, provided that all three employer representatives would serve four-year terms beginning in July 2003; that the two legislators would serve four-year terms beginning in July; and that beginning in July 2007 one of the law enforcement representatives would be a retired member and one of the fire fighter representatives would be a retired member. Employer representative positions were not staggered and all three would expire simultaneously, creating the potential for loss of employer representative continuity. There is also potential for a gap in legislative representation, since legislative terms generally run from January through December. Additionally, retirees comprise about 3.5% of the total LEOFF Plan 2 population, but would comprise 33% of the member representatives on the board beginning in July 2007.

This bill would amend when employer, legislative and retiree representatives join the Board. Employer terms would be staggered so no more than one position would expire in the same year. Legislative terms would be two years and run from January through December. The one fire fighter and one law enforcement positions scheduled to be filled by retirees beginning in July 2007, could be filled by either active or retired members.

Other Bills Endorsed by the LEOFF Plan 2 Retirement Board

Temporary Duty Disability

Members who are temporarily disabled in the line-of-duty may only purchase up to six months of service credit, and only if their employer provides a disability leave supplement.

This bill was developed by the Select Committee on Pension Policy and provides consistency across all the state-administered pension plans and allows LEOFF Plan 2 members to purchase up to twenty-four consecutive months of service credit for each temporary duty disability if they are receiving workers' compensation benefits.

The Office of the State Actuary has estimated the cost will be insufficient to affect contribution rates.

Dual Membership

Members who belong to more than one state-administered pension plan during their public service career can combine their service credit in multiple plans, and use salary earned while a member of one plan, for calculating their benefit from another plan. However, certain inconsistencies exist in applying these laws.

This bill was developed by the Select Committee on Pension Policy and addresses the inconsistencies by changing the definition of base salary to include payments that are reportable in both systems and were previously excluded, such as overtime. This bill also removes the "maximum benefit rule" (a rule designed to protect Plan 1 benefit caps) for members with less than fifteen years of service in a capped plan and service in an uncapped plan. In addition, the bill adds LEOFF Plan

2 to the list of retirement plans whose members can combine service credit for improved benefits tied to length of service.

The Office of the State Actuary has estimated the cost will be insufficient to affect contribution rates.

\$150,000 Death Benefit

This bill was developed by the Select Committee on Pension Policy and expands the eligibility for the \$150,000 death benefit to include death from duty-related illness in all plans where it is not already provided, and indexes the amount of the death benefit to cumulative changes in the Consumer Price Index, with a maximum increase of 3% per year.

The Office of the State Actuary has estimated the cost will be insufficient to affect contribution rates.

Contribution Rate Adoption Process

This bill was developed by the Office of the State Actuary and coordinated with the Pension Funding Council (PFC) and amends the contribution rate adoption process described in the actuarial funding chapter. Most significantly, it provides that contribution rate-setting will occur two months earlier than it does now.

To track the status of the above bills, visit the Legislation Page on our Web site at www.leoff.wa.gov.

How Prepared am I for Retirement?

The average worker has not done adequate planning for retirement and is not saving enough. This is the message experts in the financial sector have been sending out to warn workers about their retirement. Recent surveys reveal a disconnect between the perception and reality of achieving financial retirement security, which should be a wake-up call for people to start planning and saving more.

Create an Estimate from your Personal Retirement Account

The best place to begin your planning is to utilize the Department of Retirement Systems' (DRS') online benefit estimator at www.drs.wa.gov. Click on the "Online Access to Your Defined Benefit Account" and follow the easy steps to register. Once registered, you can use your actual retirement account information to estimate your benefit. The system also allows you to figure out how early you could retire without a penalty. In addition to creating benefit estimates, you can review your service credit, beneficiary information and account balance.

LEOFF Plan 2 Seminars and Workshops

After creating your estimate, another important step you can take is to register for a free benefit seminar and/or workshop sponsored by DRS. Members are also encouraged to invite spouses or partners.

Seminars scheduled in 2007, which include LEOFF Plan 2 workshops are:

- Saturday, February 24, 2007 in Tumwater
- Saturday, March 17, 2007 in Seattle
- Saturday, April 28, 2007 in Yakima

DRS is also planning seminars in Bellingham, Edmonds, Everett, Seattle, Spokane, Tacoma, Tri-Cities, Tumwater, Vancouver and Wenatchee after April 2007.

Contact DRS to register for seminars and workshops:

Online: www.drs.wa.gov, Click the Retirement Planning "Quick Clicks"

Telephone: 1-888-711-6676 or (360) 664-7300 in the Olympia area

TDD: 1-866-377-8895 or (360) 586-5450 in the Olympia area

E-mail: register@drs.wa.gov

Postal Mail: P.O. Box 48380
Olympia, WA 98504-8380

Other Resources

The Employee Benefits Research Institute has free programs on its Web site to assist you in determining how much you'll need for retirement. Go to www.choosetosave.org and click on the "Ballpark E\$timate" box.

AARP has an easy-to-use calculator along with a host of retirement planning information. The calculator can help you figure out where you are now and what you'll need to save to meet your retirement needs. You can find the calculator at www.aarp.org.

Other Financial Calculator Web Sites

<http://www.kiplinger.com>

Click on "Planning," then "Retirement."

<http://www.moneymag.com>

Click on "Your Money," then "Retirement."

<http://www.usnews.com>

Click on "Money and Business," then "Retirement."

<http://www.nasd.com>

Click on "Investor Education," then "Tools You Can Use."

Other Web Sources Highlighting Savings and Retirement Planning

<http://www.consumerfed.org>

The Consumer Federation of America offers several financial publications, including 66 Ways to Save Money.

<http://www.pueblo.gsa.gov>

The Federal Citizen Information Center's site contains hundreds of consumer publications. See the "Money" section for a list of brochures on money management and retirement planning.

<http://www.cfp.net/learn/>

The Certified Financial Planner Board of Standards includes best practices for financial planning including information about the financial planning process and choosing a financial planner.

<http://www.socialsecurity.gov>

Wage earners who are covered by Social Security can request a Personal Earnings and Benefits Estimate Statement from the Social Security Administration or can estimate their retirement benefits online.

Contribution Rate Increase Reminder

Beginning July 1, 2007, contribution rates will increase to:

	Current	July 1, 2007
Members	7.85%	8.60%
Employers	4.72%	5.17%
State	3.13%	3.43%

<http://www.irs.gov/ep>

The IRS Web site provides tax information on IRAs, 401(k) plans, SEP and SIMPLE plans and much more.

<http://www.sec.gov>

View the U.S. Securities and Exchange Commission's Investor Information section for online help with investing and consumer protection questions.

<http://www.ftc.gov>

Check out the Federal Trade Commission's section on "Consumer Protection," including a section on investment scams.

<http://www.savingsbonds.gov>

The Bureau of the Public Debt's Web site features pages on savings bonds, has a savings bond calculator, and includes instructions for buying bonds online.

The sites above are only a sample of calculators available on the Internet. The LEOFF 2 Board does not endorse a specific calculator, products, services or information offered on these sites.

Watch for Your Improved Annual Statement in March

In response to member requests, the LEOFF Plan 2 Retirement Board worked cooperatively with the Department of Retirement Systems (DRS) to improve the information on the annual statement you receive each March.

Below are some changes you can expect to see:

Beneficiary information is included

If your beneficiary is not listed or you need to change it, please submit a new Beneficiary Designation Form to DRS as soon as possible. This is critical information for DRS to have on file for you. If you have questions, you can contact **DRS at 800-547-6657**.

Your annual salary is included

This is helpful information to assist you in preparing an estimate at **www.drs.wa.gov/dbaccess** using your personal account information. If you haven't yet registered for access to this online feature or prepared an estimate of your benefit, doing so is an excellent step in preparing for your retirement. It's never too early to plan!

So be watching for your new and improved annual statement to be delivered to you by your employer in March 2007. Also, please make sure to review it carefully and report any discrepancies to your payroll officer.

2007 Board Meeting Schedule

Board meetings are open to the public and take place in the Washington State Investment Board's Boardroom, located at 2100 Evergreen Park Drive SW, Suite 100 in Olympia, Washington from 9:30 am-3:00 pm, unless otherwise noted.

For the most up-to-date information and schedules, please visit **www.leoff.wa.gov** and click on the "Board Meetings" link.

- Wednesday, February 28, 2007
- Wednesday, March 28, 2007
- Wednesday, April 25, 2007
- Wednesday, May 30, 2007
- Tuesday, June 19, 2007
- Wednesday, July 25, 2007
- Wednesday, August 22, 2007
- Wednesday, September 26, 2007
- Wednesday, October 24, 2007
- Wednesday, November 28, 2007
- Tuesday, December 18, 2007

Contact Information

Contact us if you have questions or comments regarding possible benefit improvements, LEOFF Plan 2 pension policy, the Board's legislative activities or the status of Board-sponsored bills.

LEOFF Plan 2 Retirement Board

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Fire Fighter Representatives

Kelly Fox, Chair
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Patrick Hepler
Edmonds Fire Department

Mark Johnston
Vancouver Fire Department

Employer Representatives

Greg Cuoio
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Washington Fire Commissioners Association

Glenn Olson
Washington Association of Counties

Legislative Representatives

Senator Linda Evans Parlette
Washington State Senate

Representative Geoff Simpson
Washington State House of Representatives

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