

President's Message for March 2019 by Richard C. Warbrouck

When I was in Olympia on February 21, 2019 for a Hearing on two bills SB 5920 to expand the eligibility to serve on Prior Act Pension boards and LEOFF I Disability Boards and SB 5894 dealing with funding for Prior Act Pension boards I was advised that I should schedule a meeting with Senator Kevin Van De Wege. Director Roy Orlando and I attended a meeting with Senator Van De Wege, Steve Nelsen, the Executive Director of the LEOFF II Retirement System and Amanda Cecil, a Sr. fiscal analyst for the Senate Ways and Means Committee. Much to our surprise we were advised that they have been working on a LEOFF I – LEOFF II partial merger. Why I say partial merger is that this is a little different than the previous LEOFF I – LEOFF II and LEOFF I- teachers merger in that it would only merge or comingle the LEOFF I – LEOFF II retirement funds into one LEOFF Retirement Fund. I don't use the word "only" to infer that this merger is insignificant. The LEOFF I Disability Boards would be maintained and the LEOFF I governance would remain under the Select Committee on Pension Policy (SCPP) with all of the other state retirement systems except LEOFF II system that is governed by the LEOFF II retirement board. They passed out a single page outline of what would be in the bill and noted that the bill will be introduced on or about March 18. I will list other proposed changes as I continue.

The motivation is to transfer the thirty-one percent LEOFF I surplus estimated to be one billion 280 million to LEOFF II and the new LEOFF Retirement Fund. This would allow the transfer of 321 million dollars from the LEOFF II trust fund into the LEOFF II Benefit Improvement Account. The LEOFF I surplus would backfill the hole created by the transfer from the LEOFF II Fund to the LEOFF II Benefit Improvement Account. The State would discontinue the State Contribution into the LEOFF II Fund from the State General Fund saving 295 million in 2019 – 2021 and 2021 – 2023 and later phasing out all future contributions and transferring the total cost to the LEOFF II members and employers in 2030, 55% members, 45% employers.

The other proposal includes:

STATE:

- 0% contribution rate for 2019-23 saves \$295M GFS
Local employer still pays 30% and employee still pays 50%
Beginning in 2023-25 state contributions restart but start phasing out and transitioning to employee/local employer by 2030 when employee share is 55% and local employer is 45%

- Repeal Public Safety Enhancement Account and Benefit Improvement Account saves \$100M GFS in 2019-21 and 2021-23, and \$50 million per biennium thereafter

LEOFF I:

- \$15,000/member payment Approximately \$240M from LEOFF I fund
- Include dental in retiree medical - \$Unknown local government
- LEOFF I Governance unchanged (SCPP & PFC)

EMPLOYER:

- LEOFF II contributions for 2019-21 directed into LEOFF I retiree Medical Account \$105M

LEOFF II:

- Transfer from LEOFF II into Benefit Improvement Account

Senator Van De Wege has a personal interest as he is an active LEOFF II firefighter and seems to have forgotten how he received the benefits he enjoys today. I wish that I could be around to hear his cry if there is ever a LEOFF III and there is an attempt to transfer a LEOFF II surplus into the new LEOFF III system. You can write, email or call Senator Van De Wege at:

Email: Kevin.VanDeWege@leg.wa.gov

Address: 212 John A. Cherberg Bldg.

PO Box 40424 Olympia, WA 98504

Phone: 360-786-7646

Or you can call the Legislative Hotline: 1-800-562-6000 to leave a message for Senator Van De Wege or any other legislator.

In defense of Steve Nelsen, the Executive Director of the LEOFF II Retirement Board and to answer the many questions I receive regarding Steve's employment, Steve is a State Employee and has been hired by the LEOFF II Board as the Executive Director. His salary and the other staff salaries are paid by the board from the LEOFF II Fund. He is a member of the PERS State Retirement System.

Steve is authorized and directed by the board to work with legislators on any legislation that affects the LEOFF II Retirement System. He can draft a bill and take it to a legislator or he can help a legislator with a bill as with Senator Van De Wege. I think I can say that by virtue of his position his allegiance is with the LEOFF II Retirement System, the LEOFF II Board and the LEOFF II members. Steve is an attorney with administrative and communication skills. He has been the Executive Director of the LEOFF II System from day one, is well respected by the legislators and with brother and sister state employees.

We contacted Dennis Lawson who is the President of the Washington State Council of Firefighters and the Chair of the LEOFF II Board. He stated that he was unaware of the proposal even though the WSCFF lobbyist appeared to be aware of the proposal. In fairness to Dennis Lawson he was out of town when the merger news surfaced. See the email from Dennis Lawson, President of the WSCFF to all active and retired members posted in this Newsletter.

On Monday, February 25, representatives of the Retired Firefighters of Washington, the Retired Seattle Police Officers Association and the Washington State Association of Retired Police Officers met with our attorney, Phil Talmadge. It was decided that we should have Mr. Talmadge send a letter to Senator Van De Wege seeking clarification and details. In addition to the Talmadge letter I also wrote directly to Senator Van De Wege asking a number of questions. The Senator has delegated Steve Nelsen to answer his mail.

We have also been in contact with the Association of Washington Cities and the Association of Washington Counties. Both have indicated they will not support the proposal. At this time WACOPS was not aware of the proposal but is now on board and opposed the proposal. We have not yet spoken with COMPAS.

What happens next? Opinions may change when the final bill is introduced. We are waiting to determine the position of the Council of Fire Fighters and will be reviewing the legal actions we may need to take if the bill goes forward. We are advised by Steve Nelsen that it is the Senator's intent to draft a merger bill that will be approved by the IRS and will meet all Washington state legal requirements as laid out in Bakenhus and Weaver. The Senator is currently working with stakeholders, including RFFOW, to finalize the merger proposal and will send draft legislation to them. The Senator anticipates having a draft bill ready by March 18.

In our judgement the barriers presented by the IRS rules as well as Bakenhus and Weaver are insurmountable. This is not new ground and they have tried this in one form or another three times in the past. We feel that the exclusive benefit rule still applies. And just to throw a little more oil on the fire, we have been advised that there is an effort going forward to transfer \$321 million from the LEOFF II Benefit Trust to the LEOFF II Benefit Improvement Fund. I suspect that is why they want the LEOFF I money to backfill the hole that would create.

As promised last month I want to correct a couple additional untrue statements made by Joyce Willms, lobbyist for the LEOFF I Coalition in the so-called January Newsletter. Joyce said that the Department of Retirement Systems (DRS) refers members who contact DRS with Disability Board issues to the Coalition and to her, Joyce Willms. Directors Roy Orlando, Curt Vandver and I met with Tracy Guerin the Director of the Department of Retirement Systems and the assistant Director Seth Miller to see if DRS makes any referrals when and if a member calls in. They both stated very emphatically that they would only refer the member to his or her pension or disability board. They said that they are very cautious not to refer to any group and if they did they would refer to the RFFOW as I am on the DRS Advisory Committee and the RFFOW is so well known. They didn't even recognize the name of "Joyce Willms." Joyce also said that she interceded in getting a member a retroactive medical payment from the City of Edmonds Disability Board. Ken Jones, the Chair of the Board said that she had nothing to do with it. He said that this matter was resolved by the Board as soon as the friend of the member involved brought the issue to the attention of the Board.

A very loyal surviving spouse member suggested that we publicize that we, the RFFOW is a 501 C3 tax exempt organization and member contributions can be deducted on their IRS tax return. I would suggest that you contact the IRS or your tax preparer regarding the deduction as it may vary from case to case.

We have from time to time been asked for the name of a handyman or for the name of someone who will do yard work. This is particularly important for surviving spouses who want to remain in their own home. I know the names would change depending on location. If you know of anyone in your area please forward the name and we will put it in a directory or in our Newsletter. Right now we are looking for someone to help a surviving spouse in West Seattle.

I was just notified that both of our bills HB 2051 and SB 5920 were passed in their House of origin, the House and Senate. This will make it easier to get one of the bills passed and signed by the Governor in the remaining days in the session. These two bills expand the eligibility to serve on pension and disability boards. I will check on SB 5894 on Monday. This bill deals with the funding for Prior RCW 41.16 Pension Boards.