

From: [Nelsen, Steve \(LEOFF\)](#)
To: [Aslakson, Melinda](#)
Cc: [White, Jacob](#)
Subject: Fwd: Seattle Fire Overtime
Date: Friday, March 1, 2024 6:08:39 PM

CAUTION:External email.

Melinda (and SCPP members),

Mr. Seidel sent the same correspondence to the Governor's Office and it was forwarded to me for response. My response is below. Please share with the SCPP and others as you want.

Steve

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From: Nelsen, Steve (LEOFF) <steve.nelsen@leoff.wa.gov>
Sent: Friday, February 16, 2024 11:43 AM
To: danielseidel80@gmail.com <danielseidel80@gmail.com>
Cc: Snell, Nona (OFM) <Nona.Snell@ofm.wa.gov>
Subject: Seattle Fire Overtime

Daniel,

Your correspondence was sent to me for response. I am the Executive Director of the Law Enforcement Officers and Firefighters Plan 2 Retirement Board. The Board is the state agency responsible for managing the pension plan for all the full-time law enforcement officers and fire fighters in the State including Seattle firefighters.

I will answer your questions (copied below) in the order you asked them.

The Board is aware that overtime usage is prevalent among many public safety employers across the State including Seattle Fire. Overtime earned during the final average salary period is used to calculate the member's pension as you noted so this is a topic of particular interest to the Board and one which gets quite a bit of attention.

Here are some of the ways in which overtime usage is monitored and its effect on the pension plan is managed:

1. The Office of the State Actuary conducts an Annual Actuarial Valuation Report which tracks salary growth, including overtime, compared to expectations.
2. The Office of the State Actuary also makes recommendations every 2 years regarding changes to the long-term economic assumptions for the pension plan which includes salary growth. The most recent advice recommended no changes.
3. The Office of the State Actuary also conducts a Demographic Experience Study every 6

years which includes a salary component. The next Study is currently underway and the Board will report the findings on our website www.leofff.wa.gov

4. The State has adopted in statute a Final Average Salary period for LEOFF Plan 2 of 60 months. That 5-year length moderates the effect of short term salary increases (1-year or 2-year) on the pension benefits.
5. The State requires all police and fire employers across the State belong to LEOFF Plan 2. This offsets the risk to the plan from one particular geographic area like Seattle.
6. Plan members and employers pay contributions as a proportion of their salary throughout their career to fund the pension plan. Those contribution rates are set by the LEOFF Plan 2 Retirement Board every two years. Those rates have remained stable and no increases are currently projected.

If overtime usage was disproportionately used by those nearing retirement, the cost of that behavior would be identified in one or more of the actuarial reports I referenced above and rates would be increased to offset that cost. There is no risk of depleting the fund or endangering the long-term health of the plan. In fact, LEOFF Plan 2 has one of the healthiest funding rates (104%) of any public pension plan in the country.

Nevertheless, it is important to know if there is a cost to the plan for disproportionate overtime use. To that end, the Legislature commissioned an independent report on all the State pension plans including LEOFF Plan 2. The report found that many employers were using overtime to manage staffing shortfalls. But the report found that everyone was working overtime not just those nearing retirement.

I think the issue of staffing shortages in public safety agencies and whether overtime can continue to be used as much as it currently is to address these shortages is an important public policy question.

But, I hope my response has allayed any concerns you may have about the use of overtime on the pension fund.

Sincerely,

Steve

Steve Nelsen
Executive Director
LEOFF Plan 2 Retirement Board

- Are you aware that certain Seattle Fire Department employees nearing retirement are deliberately accruing an excessive amount of overtime hours to substantially boost their final average salary, which is then utilized to determine their pensions? This practice effectively exploits the pension system.
- Public records indicates several Seattle Fire Department employees nearing retirement actually netted in upwards of \$400,000 salary. This practice not only strains our pension funds

but also raises questions about fairness and sustainability.

- What steps and solutions can OFM take to both identify and address this issue of the Seattle Fire Department employees intentionally depleting our state's pension funds and ensure the long-term health of our pension system?

I believe this matter deserves our attention and would greatly appreciate your insights and actions on this.

Thank you,
Daniel
Concerned Constituent

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