

SENATE BILL REPORT

SB 5542

As Reported by Senate Committee On:
Ways & Means, February 26, 2009

Title: An act relating to members of the law enforcement officers' and firefighters' retirement system plan 2 who were disabled in the line of duty before January 1, 2001.

Brief Description: Providing a minimum retirement allowance for members of the law enforcement officers' and firefighters' retirement system plan 2 who were disabled in the line of duty before January 1, 2001.

Sponsors: Senators Franklin, Delvin and Kohl-Welles; by request of LEOFF Plan 2 Retirement Board.

Brief History:

Committee Activity: Ways & Means: 2/19/09, 2/26/09 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pflug, Pridemore, Regala, Rockefeller and Schoesler.

Staff: Erik Sund (786-7454)

Background: Members of the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) are eligible for a retirement allowance of 2 percent of average final salary for each year of service credit earned at age 53. Members of LEOFF 2 may apply for early retirement beginning at age 50; however, the member's benefit is reduced by 3 percent per year below age 53 if the member has 20 or more years of service and fully actuarially reduced if the member has less than 20 years of service.

If a member becomes disabled for a nonduty related reason, that member may receive a retirement allowance based on the 2 percent of average final salary formula that is actuarially reduced from age 53 to the age at disability.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A member of LEOFF 2 who leaves service as a result of a line-of-duty disability after January 1, 2001, is eligible to receive a retirement allowance of at least 10 percent of final average salary. This fixed 10 percent of pay duty disability benefit is not subject to federal income tax. In addition to the 10 percent of pay, the disabled member receives a 2 percent per year of service disability benefit for each year of service earned beyond five years. This service-related portion of the disability benefit is subject to federal income tax; however, since 2005 it has been exempt from actuarial reduction for early retirement. The 10 percent minimum benefit for line-of-duty disabilities applies only to members disabled prior to January 1, 2001.

In addition to disability benefits from the retirement system, members of LEOFF 2 (unlike members of LEOFF 1) are eligible for job-related disability, medical, and death benefits from the Workers' Compensation System administered by the Department of Labor and Industries.

Summary of Bill: Members of LEOFF 2 that were disabled in the line of duty before January 1, 2001, and are receiving a disability allowance are permitted to convert their disability allowance to include a fixed 10 percent of final average salary benefit, plus an actuarially reduced benefit for each year of service earned beyond five. The resulting disability allowance must not be greater than the member's original benefit unless the original benefit was less than 10 percent of final average salary. The 10 percent of pay fixed line of duty disability benefit is not subject to federal income tax.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill will help law enforcement officers and firefighters who were disabled in the line of duty before 2001 to qualify for favorable income-tax treatment for at least a part of their disability allowances. That would give a little extra financial help to public servants who have risked their lives to help save others.

Persons Testifying: PRO: Senator Franklin, prime sponsor; Steve Nelsen, LEOFF Plan 2 Retirement Board.