

SENATE BILL REPORT

SB 5146

As Reported By Senate Committee On:
Ways & Means, February 20, 2001

Title: An act relating to reducing the law enforcement officers' and fire fighters' retirement system plan 2 disability actuarial reduction age from fifty-five to fifty-three.

Brief Description: Reducing the law enforcement officers' and fire fighters' retirement system plan 2 disability actuarial reduction age from fifty-five to fifty-three.

Sponsors: Senators Franklin, Winsley, Honeyford, Carlson, Long, Fraser, Kohl-Welles, Rasmussen and Haugen; by request of Joint Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/30/01, 2/20/01 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: Pete Cutler (786-7454)

Background: Members of the Law Enforcement Officers and Fire Fighters Retirement System, Plan 2 (LEOFF 2) who become totally incapacitated for continued employment are eligible to receive a disability retirement allowance. The disability allowance is actuarially reduced to reflect the difference in the number of years between the age at disability and age 55. The policy reflected by the actuarial reduction is to provide the disabled member with access to his or her retirement benefit at an earlier age, but at no additional cost to the retirement plan.

In the 2000 session, the normal retirement age for LEOFF 2 members was reduced from age 55 to age 53, effective September 1, 2000. The legislation that reduced the normal retirement age did not make a corresponding reduction in the age from which the disability allowance actuarial reduction was calculated. For a person who retires with a disability at age 50, the actuarial reduction is approximately 38 percent from age 55; the actuarial reduction would be approximately 25 percent if calculated from age 53. If the actuarial reduction for disability retirement is calculated from age 55 instead of the new normal retirement age, the retirement system would receive a financial gain from each person who applied for a disability retirement. This would be an unintended policy change.

Summary of Bill: The age from which a LEOFF 2 disability retirement allowance is actuarially reduced is lowered from age 55 to the new normal retirement age of 53, for members who first receive a disability allowance after September 1, 2000. Members who

retired due to disability after September 1, 2000, and before the effective date of the bill, shall have their allowances recalculated to reflect an actuarial reduction from age 53.

Appropriation: None.

Fiscal Note: Requested on January 22, 2001.

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

Testimony For: This bill corrects a technical problem that followed from the lowering of the early retirement reduction factors and retirement age in LEOFF 2 in 2000. It will not increase current LEOFF 2 contribution rates.

Testimony Against: None.

Testified: Cody Arledge, WSCFF.