

# ***FINAL BILL REPORT***

## ***I 790***

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### ***C 2 L 03***

#### ***Synopsis as Enacted***

***Brief Description:*** Law enforcement, fire fighters' retirement system.

***Sponsors:*** *By People of the State of Washington.*

***Background:*** The Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) is governed by the Joint Committee on Pension Policy (JCPP) and the Pension Funding Council (PFC). The PFC adopts the economic assumptions used by the State Actuary and recommends contribution rates for the various pension systems. The JCPP is responsible for studying pension policy issues and making recommendations to the Legislature.

The JCPP is comprised of eight state Senators and eight state Representatives. The membership of the PFC consists of the directors of the Department of Retirement Systems and the Office of Financial Management, the chair and ranking minority member of the House of Representatives Appropriations Committee, and the chair and ranking minority member of the Senate Ways and Means Committee.

***Summary:*** A board of trustees is established to govern LEOFF 2 in place of the JCPP and the PFC. The LEOFF 2 board consists of three active law enforcement officers who belong the plan, three active fire fighters who belong the plan, three representatives of LEOFF 2 employers, one state Representative, and one state Senator. Beginning in 2007, one of the active law enforcement officer representative positions will be replaced by a retired officer position and one of the active fire fighter positions will be replaced by a retired fire fighter position.

All members of the LEOFF 2 board are appointed by the Governor. The member representatives must be chosen from lists submitted by the state councils of law enforcement officers and fire fighters. The legislative members must be chosen from lists submitted by the Speaker of the House of Representatives and the Majority Leader of the Senate.

The LEOFF 2 board is responsible for choosing the economic assumptions, actuarial methods, and contribution rates for the plan in consultation with and actuary retained by the board. The actuary retained by the board must use the aggregate actuarial cost method or other recognized actuarial method based on the principle of funding benefits with level percentage of payroll. The actuary retained by the board must provide his or her analysis to the State Actuary, and if the two do not agree, a third independent enrolled actuary is jointly chosen by the board actuary and the State Actuary to resolve the differences.

The operating expenses of the LEOFF 2 board must be paid from the earnings on the LEOFF 2 retirement funds, incorporated into the calculated cost of the plan as a whole.

In addition to creating the LEOFF 2 board, I 790 also establishes a new funding rule for the plan. This rule requires that "all earnings of the trust in excess of the actuarially assumed rate of investment return shall be used exclusively for additional benefit for members and beneficiaries." Additional benefits are defined as benefits not offered to plan members as of July 1, 2003. These new benefits are adopted by the LEOFF 2 board, with the Legislature having an opportunity to reject them.

***Effective: December 5, 2002 (Section 11)***  
***July 1, 2003***