

SENATE BILL REPORT

HB 2418

As Reported By Senate Committee On:
Ways & Means, February 18, 2004

Title: An act relating to providing benefits to certain disabled members of the law enforcement officers' and fire fighters' retirement system plan 2.

Brief Description: Providing benefits to certain disabled members of the law enforcement officers' and fire fighters' retirement system plan 2.

Sponsors: Representatives Cooper, Delvin, G. Simpson, Hinkle, Chase and Morrell.

Brief History:

Committee Activity: Ways & Means: 2/18/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Honeyford, Pflug, Prentice, Rasmussen, Regala, Roach, B. Sheldon and Winsley.

Staff: Erik Sund (786-7454)

Background: If a member of the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) becomes disabled for any reason, the system offers two benefits. First, a member may receive a retirement allowance based on 2 percent of average final salary formula that is then actuarially reduced to reflect the difference between age 53 and the age at disability. This actuarial reduction is about 8 percent per year, so a member leaving service by disability at age 48 would receive a reduction of about 40 percent. This retirement allowance is subject to federal income tax.

Instead of receiving a retirement allowance as outlined above, a disabled member of LEOFF 2 may request a refund of the member's accumulated contributions or, if the member has at least 10 years of service, a refund equal to 150 percent of the member's accumulated contributions. In either case, a member who requests a refund of contributions is ineligible for a disability or service retirement allowance.

Summary of Bill: The retirement allowance for LEOFF 2 members who are disabled in the line of duty since January 1, 2001 is revised to 10 percent of their final average salary plus 2 percent of their final average salary per year of service beyond five. The portion of the benefit calculated at 2 percent per year of service is subject both to actuarial reduction to reflect the difference between age 53 and age at retirement and to federal income tax, while the first 10 percent of the benefit is subject neither to the actuarial reduction nor to the income tax.

As an alternative to receiving a retirement allowance as outlined above, a member of LEOFF 2 who is disabled in the line of duty may request a refund equal to 150 percent of the member's accumulated contributions.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (From companion SB 6279) This bill, which was unanimously endorsed by the LEOFF 2 Retirement Board, leverages plan assets by exempting a part of a disabled member's retirement allowance from federal income taxes. It also establishes a minimum level of benefit, which would be particularly important for members who are disabled early in their career.

Testimony Against: None.

Testified: (From companion SB 6279) Steve Nelsen, LEOFF Plan 2 Retirement Board (pro).