FINAL BILL REPORT
HB 2144

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Synopsis as Enacted

Brief Description: Concerning funding of law enforcement officers' and firefighters' plan 2 benefit improvements.

Sponsors: Representatives Sullivan, Stokesbary, Bergquist, Irwin, Robinson and Ormsby.

House Committee on Appropriations
Senate Committee on Ways & Means

Background:

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) provides retirement benefits to full-time, fully compensated law enforcement officers and fire fighters employed by the state, cities, counties, and special districts and who were first employed in an eligible position on or after October 1, 1977.

The LEOFF 2 has about 15,700 active members and 1,400 retired and term-vested members, earning an average salary of about $74,000, as of the 2006 Actuarial Valuation. The LEOFF 2 had a present value fully projected benefit liability of about $6 billion, and is approximately 116 percent of fully funded.

The LEOFF 2 is funded by contributions to the LEOFF 2 Retirement Fund from member, employer, and state contributions, as well as investment earnings on the funds contributed. The total level of contributions required in a given period is allocated as follows: 50 percent is paid by the members, 30 percent is paid by employers, and the remaining 20 percent is paid by the state. Investment of monies in the LEOFF 2 Retirement Fund is handled by the State Investment Board (SIB).

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board (the Board) is responsible for the adoption of the economic assumptions, actuarial methods, and contribution rates for LEOFF 2. The Board may adopt increased benefits for LEOFF 2, subject to affirmative legislative rejection, recommend statutory changes to the Legislature as required, and study issues related to plan funding and benefits. The expenses of the Board are paid from the LEOFF 2 Retirement Fund, with the LEOFF 2 Expense Fund serving as an intermediary expense account. The day-to-day administration of LEOFF 2 is handled by the Department of Retirement Systems (DRS).

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.

In 2008 the Legislature created the Law Enforcement Officers' and Fire Fighters' Retirement System Benefits Improvement Account (Benefits Improvement Account) within the LEOFF 2 Retirement Fund. Following appropriations to the Local Public Safety Enhancement Account (LPSEA), the Benefits Improvement Account could receive up to $25 million on September 1 of every odd-numbered year since 2017. However, no appropriations have been made to the LPSEA.

New benefits using funds from the Benefits Improvement Account must be enacted by the Legislature. Upon enactment of such a benefit, the LEOFF 2 Board must direct the actuary retained by the Board to include amounts from the Benefits Improvement Account in the LEOFF 2 Retirement Fund sufficient to offset the unfunded actuarial accrued liabilities of the benefit improvement.

In the 2015–17 State Omnibus Operating Appropriations Act, $15,779,000 was transferred from the LEOFF 2 Retirement Fund into the Benefits Improvement Account. Since then, as directed by law, those funds have not been used by the LEOFF 2 Board in the calculation of the market value of assets of the LEOFF 2 Retirement Fund.

Summary:

Future transfers to the Local Public Safety Enhancement Account, made subject to appropriation, are eliminated, along with future transfers to the Law Enforcement Officers' and Fire Fighters' Benefits Improvement Account (Benefits Improvement Account).

A one-time transfer of $300 million is made from the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Fund to the Benefits Improvement Account on July 1, 2019.

Votes on Final Passage:

House   92   5
Senate   46   2

Effective: May 13, 2019