

# SENATE BILL REPORT

## SHB 1701

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As Passed Senate, March 3, 2022

**Title:** An act relating to law enforcement officers' and firefighters' retirement system benefits.

**Brief Description:** Concerning law enforcement officers' and firefighters' retirement system benefits.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Bergquist, MacEwen, Sells, Bateman, Graham, Fitzgibbon, Callan, Peterson, Sullivan, Pollet, Maycumber and Ormsby; by request of LEOFF Plan 2 Retirement Board).

**Brief History:** Passed House: 2/8/22, 95-0.

**Committee Activity:** Ways & Means: 2/22/22 [DP].

**Floor Activity:** Passed Senate: 3/3/22, 48-0.

### Brief Summary of Bill

- Increases the retirement benefit multiplier for certain members of the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) from 2 percent to 2.5 percent for years of service from 15 and up to 25.
- Provides certain LEOFF 2 retirees with a one-time lump sum equal to \$100 per month of service for retirees and a minimum of \$20,000 for catastrophic and duty disability retirees, and duty death beneficiaries.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital; Billig, Braun, Carlyle, Conway, Dhingra, Gildon, Hasegawa, Hunt,

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

Keiser, Mullet, Muzzall, Pedersen, Rivers, Van De Wege, Wagoner, Warnick and Wellman.

**Staff:** Amanda Cecil (786-7460)

**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 firefighters employed by the state, cities, counties, and special districts, who were first employed in an eligible position on or after October 1, 1977.

The basic retirement allowance for LEOFF 2 retirees is equal to 2 percent of the member's average final compensation, calculated on the member's highest consecutive five years of compensation, multiplied by the members years of service. Retirement benefits are available to members at a normal retirement age of 53. Members with at least 20 years of service may take a reduced early retirement benefit beginning at age 50. Early retirement benefits are reduced by up to 3 percent per year before the retiree reaches age 53.

LEOFF 2 benefits are funded by contributions from members, employers, and the state, as well as by investment earnings. Contribution rates are set biennially by the LEOFF 2 Board and are allocated as follows: 50 percent is paid by members, 30 percent is paid by employers, and the remaining 20 percent is paid by the state. In addition to setting contribution rates, the LEOFF 2 Board also studies issues related to plan funding and benefits, and makes recommendations to the Legislature.

In 2008, ESSB 6573 was enacted creating the LEOFF 2 Benefits Improvement Account in the LEOFF 2 Retirement Fund. Funds in the Benefits Improvement Account are not included in the calculation of contribution rates and may only be used to fund LEOFF 2 benefit improvements. Since the creation of this account there have been two transfers in to the account. The first, during the 2013-15 fiscal biennium, was \$15.8 million transferred from the LEOFF 2 Retirement Fund to the Benefits Improvement Account. The second, on July 1, 2019, was \$300 million transferred from the LEOFF 2 Retirement Fund to the Benefits Improvement Account.

Based on the 2020 actuarial valuation, LEOFF 2 is 113 percent funded with a surplus of \$1.62 billion. LEOFF 2 currently has approximately 6550 annuitants and 18,839 active members.

**Summary of Bill:** Benefit Improvements. LEOFF 2 members and beneficiaries who are retired on or before February 1, 2021, will receive a one-time lump sum benefit equal to \$100 per service credit month. Members and beneficiaries of a member who retired with a line-of-duty disability will receive the greater of a one-time lump sum benefit equal to \$100 per service credit month or \$20,000. Retirees, or their beneficiaries, receiving a one-time lump sum payment may use the funds to purchase an optional actuarially equivalent life annuity benefit.

Retirement benefits for members entering active service after February 1, 2021, will be based on an increased benefit multiplier of 2.5 percent per years of service after 15 years and up to 25 years. Members that are active on or before February 1, 2021, may choose between the one-time lump sum payment or the increased benefit multiplier.

Contribution Rates. The LEOFF 2 contribution rates may not exceed the rate established by the LEOFF 2 Board in 2020, of 8.53 percent, for the 2021-23 and 2023-25 fiscal biennia.

A minimum LEOFF 2 rate is created of 90 percent of the normal cost calculated using the entry age normal cost method when the plan's funded status is between 105 percent and 110 percent and 80 percent when the funded status is great than or equal to 110 percent. If the funded status is below 105 percent, the minimum rate is equal to 100 percent of the normal cost calculated using the entry age normal cost method.

Funds in the Benefits Improvement Account combined with funds in the LEOFF 2 Retirement Fund are intended to cover the full cost of these benefit improvements so contribution rates under the plan's minimum funding policy will not increase. To accomplish this, the state actuary must calculate the rate reduction to be applied to the new minimum rates in time for it to go into effect on June 1, 2025.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** No public hearing was held.

**Persons Testifying:** N/A

**Persons Signed In To Testify But Not Testifying:** N/A