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**SUBSTITUTE HOUSE BILL 1701**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** House 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)

READ FIRST TIME 02/01/22.

1 AN ACT Relating to law enforcement officers' and firefighters'  
2 retirement system benefits; amending RCW 41.26.420, 41.26.463,  
3 41.45.155, 41.45.158, 41.45.0604, and 41.26.802; adding a new section  
4 to chapter 41.26 RCW; and creating a new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.26.420 and 1993 c 517 s 2 are each amended to  
7 read as follows:

8 TIERED MULTIPLIER BENEFIT IMPROVEMENT. (1) Except as provided in  
9 RCW 41.26.530, a member of the retirement system shall receive a  
10 retirement allowance equal to two percent of such member's final  
11 average salary for each year of service.

12 (2) Beginning January 16, 2023, members new to the retirement  
13 system after February 1, 2021, who earn more than 15 years of service  
14 credit shall receive a tiered multiplier retirement allowance as  
15 follows:

16 (a) Two percent of such member's final average salary for the  
17 first 15 years of service;

18 (b) Two and one-half percent of such member's final average  
19 salary for the 10 years of service after 15 years and up to 25 years;  
20 and

1 (c) Two percent of such member's final average salary for years  
2 of service above 25 years.

3 (3) Members active in the retirement system on or before February  
4 1, 2021, at retirement must make an irrevocable choice between the  
5 lump sum defined benefit in section 2 of this act or a tiered  
6 multiplier retirement allowance as follows:

7 (a) Two percent of such member's final average salary for the  
8 first 15 years of service;

9 (b) Two and one-half percent of such member's final average  
10 salary for the 10 years of service after 15 years and up to 25 years;  
11 and

12 (c) Two percent of such member's final average salary for years  
13 of service above 25 years.

14 (4) Any member who receives the tiered multiplier benefit in this  
15 section is not eligible for the lump sum defined benefit in section 2  
16 of this act.

17 NEW SECTION. Sec. 2. A new section is added to chapter 41.26  
18 RCW under the subchapter heading "plan 2" to read as follows:

19 LUMP SUM BENEFIT IMPROVEMENT. (1) Members who are retired on or  
20 before February 1, 2021, will receive a one-time lump sum defined  
21 benefit of \$100 per service credit month payable by January 31, 2023.

22 (a) Members who retired for an in the line of duty disability  
23 under RCW 41.26.470 shall receive the greater of the lump sum defined  
24 benefit of \$100 per service credit month or a lump sum defined  
25 benefit of \$20,000.

26 (b) A member's beneficiary is eligible for an in the line of duty  
27 death benefit under RCW 41.26.048. If there is more than one eligible  
28 beneficiary the lump sum defined benefit will be distributed in  
29 accordance with RCW 41.26.048.

30 (c) If the member is deceased the member's survivor beneficiary  
31 under RCW 41.26.460 is eligible for this lump sum defined benefit.

32 (2) Members who are active in the plan on or before February 1,  
33 2021, must make an irrevocable choice at retirement between the  
34 tiered multiplier benefit defined in RCW 41.26.420(3) or a one-time  
35 lump sum defined benefit of \$100 per service credit month to be paid  
36 at retirement.

37 (a) Members who retire for an in the line of duty disability  
38 under RCW 41.26.470 and who elect to receive this lump sum defined  
39 benefit shall receive the greater of the lump sum defined benefit of

1 \$100 per service credit month or a lump sum defined benefit of  
2 \$20,000.

3 (b) A member's beneficiary eligible for an in the line of duty  
4 death benefit under RCW 41.26.048 and who elects to receive this lump  
5 sum defined benefit shall receive the greater of the lump sum defined  
6 benefit of \$100 per service credit month or a lump sum defined  
7 benefit of \$20,000. If there is more than one eligible beneficiary  
8 the lump sum defined benefit will be distributed in accordance with  
9 RCW 41.26.048.

10 (c) For a beneficiary of a member who dies in service but not in  
11 an in the line of duty death, the distribution shall be made  
12 according to the member's beneficiary designation under this chapter.

13 (3) Members who are inactive on or before February 1, 2021, but  
14 who later return to membership must make an irrevocable choice at  
15 retirement between the tiered multiplier benefit in RCW 41.26.420 and  
16 this lump sum defined benefit.

17 (4) Members who receive a refund of contributions under RCW  
18 41.26.540 are not eligible for this lump sum defined benefit.

19 (5) This lump sum defined benefit is exempt from judicial process  
20 and taxes under RCW 41.26.053.

21 (6) Any member who receives this lump sum defined benefit is not  
22 eligible for the tiered multiplier benefit in RCW 41.26.420.

23 **Sec. 3.** RCW 41.26.463 and 2014 c 91 s 1 are each amended to read  
24 as follows:

25 ANNUITY OPTION. (1) At the time of retirement, plan 2 members may  
26 purchase an optional actuarially equivalent life annuity benefit from  
27 the (~~(Washington)~~) Washington law enforcement officers' and  
28 firefighters' (~~(retirement)~~) system plan 2 retirement fund  
29 established in RCW 41.50.075. A minimum payment of twenty-five  
30 thousand dollars is required.

31 (2) Retirees, or their beneficiaries, who have received a one-  
32 time lump sum defined benefit under section 2 of this act may  
33 purchase an optional actuarially equivalent life annuity benefit from  
34 the Washington law enforcement officers' and firefighters' system  
35 plan 2 retirement fund established in RCW 41.50.075, with the money  
36 received from the lump sum defined benefit. A minimum payment of  
37 \$20,000 is required.

38 (3) Subject to rules adopted by the department, a member  
39 purchasing an annuity under this section must pay all of the cost

1 with an eligible rollover, direct rollover, or trustee-to-trustee  
2 transfer from an eligible retirement plan.

3 (a) The department shall adopt rules to ensure that all eligible  
4 rollovers and transfers comply with the requirements of the internal  
5 revenue code and regulations adopted by the internal revenue service.  
6 The rules adopted by the department may condition the acceptance of a  
7 rollover or transfer from another plan on the receipt of information  
8 necessary to enable the department to determine the eligibility of  
9 any transferred funds for tax-free rollover treatment or other  
10 treatment under federal income tax law.

11 (b) "Eligible retirement plan" means a tax qualified plan offered  
12 by a governmental employer.

13 **Sec. 4.** RCW 41.45.155 and 2009 c 561 s 6 are each amended to  
14 read as follows:

15 MINIMUM CONTRIBUTION RATES. (1) Beginning July 1, 2011, a minimum  
16 contribution rate is established for the plans 2 and 3 normal cost as  
17 part of the basic employer contribution rate for the public  
18 employees' retirement system. The minimum contribution rate for the  
19 plans 2 and 3 employer normal cost shall equal the total contribution  
20 rate required to fund eighty percent of the plans 2 and 3 employer  
21 normal cost as calculated under the entry age normal cost method.  
22 This minimum rate, when applicable, shall be collected in addition to  
23 any contribution rate required to amortize past gain-sharing  
24 distributions in plan 3.

25 (2) Beginning July 1, 2011, a minimum contribution rate is  
26 established for the plan 2 normal cost as part of the basic employer  
27 contribution rate for the public safety employees' retirement system.  
28 The minimum contribution rate for the plan 2 normal cost shall equal  
29 the total contribution rate required to fund eighty percent of the  
30 plan 2 normal cost as calculated under the entry age normal cost  
31 method.

32 (3) Beginning September 1, 2011, a minimum contribution rate is  
33 established for the plans 2 and 3 normal cost as part of the basic  
34 employer contribution rate for the school employees' retirement  
35 system. The minimum contribution rate for the plans 2 and 3 employer  
36 normal cost shall equal the total contribution rate required to fund  
37 eighty percent of the plans 2 and 3 employer normal cost as  
38 calculated under the entry age normal cost method. This minimum rate,

1 when applicable, shall be collected in addition to any contribution  
2 rate required to amortize past gain-sharing distributions in plan 3.

3 (4) Beginning September 1, 2011, a minimum contribution rate is  
4 established for the plans 2 and 3 normal cost as part of the basic  
5 employer contribution rate for the teachers' retirement system. The  
6 minimum contribution rate for the plans 2 and 3 employer normal cost  
7 shall equal the total contribution rate required to fund eighty  
8 percent of the plans 2 and 3 employer normal cost as calculated under  
9 the entry age normal cost method. This minimum rate, when applicable,  
10 shall be collected in addition to any contribution rate required to  
11 amortize past gain-sharing distributions in plan 3.

12 (5) A minimum contribution rate is established for the plan 2  
13 normal cost as part of the basic employer and state contribution rate  
14 for the law enforcement officers' and firefighters' retirement  
15 system. The council may not adopt changes to the minimum contribution  
16 rate for plan 2 of the law enforcement officers' and firefighters'  
17 retirement system under subsection (6) of this section. On June 30th  
18 of each even-numbered year, if the funded status of the law  
19 enforcement officers' and firefighters' retirement system plan 2 as  
20 measured by the most recent completed actuarial valuation performed  
21 by the office of the state actuary is:

22 (a) Less than 105 percent, then the minimum contribution rate for  
23 the employer and state normal cost shall equal the total contribution  
24 rate required to fund 100 percent of the plan 2 employer normal cost  
25 as calculated under the entry age normal cost method;

26 (b) Greater than or equal to 105 percent and less than 110  
27 percent, then the minimum contribution rate for the employer and  
28 state normal cost shall equal the total contribution rate required to  
29 fund 90 percent of the plan 2 employer normal cost as calculated  
30 under the entry age normal cost method; or

31 (c) Greater than or equal to 110 percent, then the minimum  
32 contribution rate for the employer and state normal cost shall equal  
33 the total contribution rate required to fund 80 percent of the plan 2  
34 employer normal cost as calculated under the entry age normal cost  
35 method.

36 (6) Upon completion of each biennial actuarial valuation, the  
37 state actuary shall review the appropriateness of these minimum  
38 contribution rates and recommend to the council any adjustments as  
39 may be needed due to material changes in benefits or actuarial  
40 assumptions, methods, or experience. (~~Any~~) The minimum contribution

1 rates in this section, including changes adopted by the council,  
2 shall be subject to revision by the legislature.

3 **Sec. 5.** RCW 41.45.158 and 2006 c 365 s 4 are each amended to  
4 read as follows:

5 MINIMUM CONTRIBUTION RATES. (1) Beginning July 1, 2009, a minimum  
6 contribution rate is established for the plans 2 and 3 normal cost as  
7 part of the required contribution rate for members of plan 2 of the  
8 public employees' retirement system. The minimum contribution rate  
9 for the plans 2 and 3 employee normal cost shall equal the total  
10 contribution rate required to fund eighty percent of the plans 2 and  
11 3 employee normal cost as calculated under the entry age normal cost  
12 method.

13 (2) Beginning September 1, 2009, a minimum contribution rate is  
14 established for the plans 2 and 3 normal cost as part of the required  
15 contribution rate for members of plan 2 of the school employees'  
16 retirement system. The minimum contribution rate for the plans 2 and  
17 3 employee normal cost shall equal the total contribution rate  
18 required to fund eighty percent of the plans 2 and 3 employee normal  
19 cost as calculated under the entry age normal cost method.

20 (3) Beginning September 1, 2009, a minimum contribution rate is  
21 established for the plans 2 and 3 normal cost as part of the required  
22 contribution rate for members of plan 2 of the teachers' retirement  
23 system. The minimum contribution rate for the plans 2 and 3 employee  
24 normal cost shall equal the total contribution rate required to fund  
25 eighty percent of the plans 2 and 3 employee normal cost as  
26 calculated under the entry age normal cost method.

27 (4) A minimum contribution rate is established for the plan 2  
28 normal cost as part of the basic member contribution rate for the law  
29 enforcement officers' and firefighters' retirement system. The  
30 council may not adopt changes to the minimum contribution rate for  
31 plan 2 of the law enforcement officers' and firefighters' retirement  
32 system under subsection (5) of this section. On June 30th of each  
33 even-numbered year, if the funded status of the law enforcement  
34 officers' and firefighters' retirement system plan 2 as measured by  
35 the most recent completed actuarial valuation performed by the office  
36 of the state actuary is:

37 (a) Less than 105 percent, then the minimum contribution rate for  
38 the member normal cost shall equal the total contribution rate

1 required to fund 100 percent of the plan 2 member normal cost as  
2 calculated under the entry age normal cost method;

3 (b) Greater than or equal to 105 percent and less than 110  
4 percent, then the minimum contribution rate for the member normal  
5 cost shall equal the total contribution rate required to fund 90  
6 percent of the plan 2 member normal cost as calculated under the  
7 entry age normal cost method; or

8 (c) Greater than or equal to 110 percent, then the minimum  
9 contribution rate for the employer and state normal cost shall equal  
10 the total contribution rate required to fund 80 percent of the plan 2  
11 employer normal cost as calculated under the entry age normal cost  
12 method.

13 (5) Upon completion of each biennial actuarial valuation, the  
14 state actuary shall review the appropriateness of these minimum  
15 contribution rates and recommend to the legislature any adjustments  
16 as may be needed due to material changes in benefits or actuarial  
17 assumptions, methods, or experience.

18 **Sec. 6.** RCW 41.45.0604 and 2007 c 280 s 3 are each amended to  
19 read as follows:

20 FREEZE LEOFF 2 CONTRIBUTION RATES. (1)(a) Not later than July 31,  
21 2008, and every even-numbered year thereafter, the law enforcement  
22 officers' and firefighters' plan 2 retirement board shall adopt  
23 contribution rates for the law enforcement officers' and  
24 firefighters' retirement system plan 2 as provided in RCW  
25 41.26.720(1)(a).

26 (b) For 2021-2023 and 2023-2025 fiscal biennia, contribution  
27 rates for the law enforcement officers' and firefighters' retirement  
28 system plan 2 may not exceed the rates adopted by the law enforcement  
29 officers' and firefighters' plan 2 retirement board in 2020.

30 (2) The law enforcement officers' and firefighters' plan 2  
31 retirement board shall immediately notify the directors of the office  
32 of financial management and department of retirement systems of the  
33 state, employer, and employee rates adopted. Thereafter, the director  
34 shall collect those rates adopted by the board. The rates shall be  
35 effective for the ensuing biennial period, subject to any legislative  
36 modifications.

37 **Sec. 7.** RCW 41.26.802 and 2019 c 366 s 2 are each amended to  
38 read as follows:

1 TRANSFER OF FUNDS. (1) Prior to May 13, 2019, this section  
2 required certain transfers to be made to the local public safety  
3 enhancement account. After May 13, 2019, except for the transfer in  
4 subsection (2) of this section, no further transfers will be made to  
5 the local public safety enhancement account pursuant to this section.

6 (2) On July 1, 2019, the state treasurer shall transfer the sum  
7 of three hundred million dollars from the law enforcement officers'  
8 and firefighters' plan 2 retirement fund to the local law enforcement  
9 officers' and firefighters' retirement system benefits improvement  
10 account.

11 (3) By July 31, 2022, the Washington state investment board shall  
12 transfer the difference between the value of the benefit enhancements  
13 in this act as identified by the office of the state actuary and the  
14 value of the local law enforcement officers' and firefighters'  
15 retirement system benefits improvement account, from the law  
16 enforcement officers' and firefighters' system plan 2 retirement fund  
17 to the local law enforcement officers' and firefighters' retirement  
18 system benefits improvement account.

19 (4) By August 31, 2022, the Washington state investment board  
20 shall transfer the total available balance of the local law  
21 enforcement officers' and firefighters' retirement system benefits  
22 improvement account to the law enforcement officers' and  
23 firefighters' system plan 2 retirement fund. The amount transferred  
24 under this subsection goes toward the benefit enhancements in this  
25 act.

26 NEW SECTION. Sec. 8. OFFSET LANGUAGE. The transfer of funds in  
27 section 7 of this act is intended to pay the full cost of the benefit  
28 improvements in sections 1 and 2 of this act for current law  
29 enforcement officers' and firefighters' retirement system plan 2  
30 members so that contribution rates under the plan's minimum funding  
31 policy for those members will not increase as a result of this  
32 benefit improvement. To accomplish this goal, after the transfer of  
33 funds in section 7 of this act the office of the state actuary must  
34 calculate a rate reduction to be applied to rates calculated in  
35 sections 4(5) (a) and (b) and 5(4) (a) and (b) of this act. This rate  
36 must be calculated in time for it to go into effect on July 1, 2025,



1 using any data, assumptions, and methods the office of the state  
2 actuary believes are reasonable for this purpose.

--- **END** ---