

HOUSE BILL REPORT

HB 2418

As Reported by House Committee On:
Appropriations

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, Simpson, G., Hinkle, Chase and Morrell.

Brief History:

Committee Activity:

Appropriations: 1/26/04, 2/3/04 [DP].

Brief Summary of Bill

- Permits all members of the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) disabled in the line of duty to request a refund of 150 percent of the members' accumulated contributions.
- Entitles a LEOFF 2 member disabled in the line of duty to a minimum retirement allowance equal to at least 10 percent of final average salary.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

Staff: David Pringle (786-7310).

Background:

Members of the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 2 (LEOFF 2) are eligible for a retirement allowance of 2 percent of average final salary for each year of service credit earned at age 53. Members of LEOFF Plan 2 may apply for

early retirement beginning at age 50; however the member's benefit is reduced by 3 percent per year below age 53 if the member has 20 or more years of service, and fully actuarially reduced if the member has less than 20 years of service.

If a member becomes disabled for any reason, LEOFF 2 offers two benefits. First, a member may receive a retirement allowance based on the 2 percent of average final salary formula that is actuarially reduced from age 53 to 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.

A member with 10 or more years of service who leaves employment in LEOFF 2 may request a refund of 150 percent of the member's accumulated contributions. A member with less than 10 years of service may request 100 percent of the member's contributions. In either case, a member who requests a refund of contributions is ineligible for a disability or service retirement allowance.

If a duty-related disability retirement allowance is based on a member's age and years of service at disability, then it is paid subject to federal income tax. In contrast, to the extent that a duty-related disability retirement allowance is not based on age or years of service, it may qualify for favorable tax treatment.

Summary of Bill:

A member of LEOFF 2 who leaves service as a result of a line of duty disability is entitled to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax.

A member of LEOFF 2 who leaves service as a result of a line of duty disability is also eligible to receive a retirement allowance of at least 10 percent of final average salary. If the 2 percent per year of service disability benefit, actuarially reduced for the difference between age 53 and age at retirement, results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the line-duty disability benefit is not subject to federal income tax.

The line-duty disability benefit applies to all LEOFF 2 members disabled in the line of duty on or after January 1, 2001.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill

is passed.

Testimony For: This bill was unanimously endorsed by the LEOFF 2 Board. Duty-related benefits are not subject to federal taxes if certain requirements are met. This would make at least a portion of the LEOFF 2 duty-related disability benefits not subject to income tax. It has been an honor to help put the proposals together, they are reasonable, and deserve support.

Testimony Against: None.

Persons Testifying: Steve Nelson, Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Retirement Board; and Kelly Fox, Washington State Council of Fire Fighters.

Persons Signed In To Testify But Not Testifying: None.