
Appropriations Committee

HB 2416

Brief Description: Raising the sixty percent cap on retirement allowances from the law enforcement officers' and fire fighters' retirement system plan 1.

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

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Raises the limit on the Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 1 members retirement allowances from 60 to 70 percent of final average salary.

Hearing Date: 2/2/04

Staff: David Pringle (786-7310).

Background:

The Law Enforcement Officers' and Fire Fighters' Retirement System, Plan 1 (LEOFF 1) provides retirement and disability benefits to law enforcement officers and fire fighters who entered eligible employment between 1969 and 1977. Since 1977, eligible law enforcement officers and fire fighters have entered LEOFF 2.

In 1974 the Legislature capped retirement allowances of new members of LEOFF 1 at 60 percent of pay, except as retirement allowances might increase after retirement by the annual Consumer Price Index cost of living adjustment. The result was that for the members who joined LEOFF 1 between the institute of the cap on February 19, 1974 and the closing of the plan in 1977, a LEOFF 1 member's retirement allowance would initially be based on no more than 30 years of service credit. Prior to 1974, 30 years of service caps were placed in the Public Employees' Retirement System, Plan 1, and the Teachers' Retirement System, Plan 1.

To date, members of LEOFF 1 have not been affected by the 60 percent cap. The cap was put in place during 1974 for members newly entering LEOFF 1, and less than 30 years have elapsed since. Also, relatively few members of LEOFF 1 have retired at the older ages typically associated with members who have more than 30 years of service. For example, between 1995 and 2000, the period of the last Actuarial Experience Study, only 211 members retired from LEOFF 1 after age 55 and only 41 retired after age 60.

Rather than retirement, most LEOFF 1 members have instead left active service with a disability allowance equal to 50 percent of pay, not subject to federal income tax. During the 1995-2000

period, 984 members began disability allowances -- close to 82 percent of all the members beginning either a disability or retirement allowance.

As LEOFF 1 was closed to new members in 1977, the number of active plan participants has gradually declined. In the Washington State Actuarial Valuation Report 2002, the Office of the State Actuary reported 1,147 LEOFF 1 active and 7,987 retired members at the end of 2002. About 568 of these active members were first hired after the 60 percent cap came into effect.

Summary of Bill:

The limit of 60 percent of final average salary on the LEOFF 1 members retirement allowances is raised to 70 percent.

Appropriation: None.

Fiscal Note: Available.

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