

FINAL BILL REPORT

HB 2418

C 4 L 04

Synopsis as Enacted

Brief Description: Providing benefits to certain disabled members of the law enforcement officers' and fire fighters' retirement system plan 2.

Sponsors: By Representatives Cooper, Delvin, G. Simpson, Hinkle, Chase and Morrell.

House Committee on Appropriations
Senate Committee on Ways & Means

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 the LEOFF 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, the 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 the 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:

A member of the 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 the 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 of duty disability benefit is not subject to federal income tax.)

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

Votes on Final Passage:

House 96 0

Senate 48 0

Effective: June 10, 2004