

# SENATE BILL REPORT

## SB 6447

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As of January 25, 2006

**Title:** An act relating to the law enforcement officers' and fire fighters' retirement system plan 1.

**Brief Description:** Addressing the law enforcement officers' and fire fighters' retirement system plan 1.

**Sponsors:** Senators Pridemore, Fraser, Franklin, Rasmussen and Roach; by request of Select Committee on Pension Policy.

**Brief History:**

**Committee Activity:** Ways & Means: 1/23/06.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Erik Sund (786-7454)

**Background:** Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 1) was created in 1971. In 1974, a benefit cap was created within LEOFF 1, limiting members' retirement allowances to 60 percent of final average salary. This limit applies to members of LEOFF 1 who joined the plan after February 18, 1974. Members who joined the plan earlier are not subject to the cap.

No contributions have been made to LEOFF 1 since 2000. State contributions ceased in 1999, when the plan surpassed the 100 percent funding level.

LEOFF 1 is unique among the state-administered retirement systems in that it provides 100 percent employer funded medical benefits. As the majority of LEOFF 1 members were employed by cities and counties, the cost of LEOFF 1 retirees' medical benefits is borne by local governments.

**Summary of Bill:** The 60 percent benefit cap is removed from LEOFF 1. Employer and employee contributions are reinstated at the rate of 6 percent of pay, effective July 1, 2007.

The Governor is directed to establish a joint executive task force to study the funding of post-retirement medical benefits for LEOFF 1 members. The task force consists of the Director of the Department of Retirement Systems, the Administrator of the Health Care Authority, the State Actuary, a representative of the Washington cities, a representative of the Washington counties, an active member of LEOFF 1, and a retired member of LEOFF 1.

After evaluating options, the task force shall select private or public funding vehicles through which voluntary employer contributions and transfers of excess pension funds may be used for funding LEOFF 1 medical benefits. If legislative authorization is required to implement the chosen funding mechanism, the task force shall report to the fiscal committees on its recommendation by December 1, 2006. A final report to the Legislature is due by December 1, 2007.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Testimony For:** Small police and fire departments are devoting an increasingly large proportion of their budgets towards LEOFF 1 retirees' medical benefits, reducing the resources available to them to fight crime and fires. The work of the task force that would be created by this bill would be very helpful to the local governments that are responsible for paying these costs. Lifting the 60 percent cap on retirement allowances would not be creating a new benefit but rather would mean the restoration of an original benefit that was removed from the plan to save money under different circumstances.

**Testimony Against:** Encouraging fire fighters to work longer isn't fair to them or to the public that they serve. It would not be fair to give a benefit enhancement to members who haven't been making any contributions for the last five years. The removal of the cap would only be agreeable if contributions to the plan were also restored immediately.

**Testimony Other:** The removal of the 60 percent cap on retirement allowances is desirable; however, the reinstatement of employee and employer contributions is not necessary.

**Who Testified:** PRO: Robert Berg, Washington Association of Sheriffs and Police Chiefs; Kelly Fox, Washington State Council of Fire Fighters; Sophia Byrd McSherry, Washington Association of Counties.

CON: Dick Warbrouck, Retired Fire Fighters of Washington.

OTHER: Lee Reaves, Washington Council of Police and Sheriffs.