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## Appropriations Committee

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### ESSB 6573

**Brief Description:** Providing additional revenues for public safety.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Brandland, Kauffman, Delvin, Benton, Roach, McAuliffe and Rasmussen; by request of LEOFF Plan 2 Retirement Board).

#### Brief Summary of Engrossed Substitute Bill

- Requires that beginning September 30, 2011, and every two years thereafter, the State Treasurer shall transfer, subject to appropriation by the Legislature, \$5 million to a new Local Public Safety Enhancement Account(LPSEA), provided that state revenues exceed the previous fiscal biennium's by 3 percent.
- Increases the transfer to the LPSEA to \$10 million for the 2013-15 biennium, \$20 million for the 2015-17 biennium, and \$50 million for for the 2017-19 biennium and each biennium thereafter.
- Creates the LEOFF Benefits Improvement Account and grants the LEOFF 2 Board sole authority to establish policies and make disbursements from the fund, with the exception of investment authority.
- Provides half of the funds deposited into the LPSEA are transferred to the new Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Benefits Improvement Account, and half of the funds are distributed for public safety purposes to employers of LEOFF Plan 2 (LEOFF 2) employers based on the share of total LEOFF 2 membership employed by each.
- Restricts funds in the LEOFF Benefits Improvement Account to be used for financing benefits adopted by the LEOFF 2 Board.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

- Excludes the funds in the LEOFF Benefits Improvement Account from the State Actuary's calculation of the market value of assets of the LEOFF 2 pension fund until the LEOFF 2 Board directs that the funds be included.
- Empowers the State Investment Board to invest and manage the funds in the LEOFF Benefits Improvement Account.

**Hearing Date:** 3/3/08

**Staff:** David Pringle (786-7310).

**Background:**

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) provides retirement benefits to full-time, fully-compensated law enforcement officers and fire fighters employed by the State, cities, counties, and special districts and who were first employed in an eligible position on or after October 1, 1977.

LEOFF 2 has about 15,700 active members and 1,400 retired and term vested members, earning an average salary of about \$74,000, as of the 2006 Actuarial Valuation. The LEOFF 2 had a present value fully projected benefit liability of about \$6 billion, and is approximately 116 percent of fully funded.

LEOFF 2 is funded by contributions to the LEOFF 2 Retirement Fund from member, employer, and State contributions, as well as investment earnings on the funds contributed. The total level of contributions required in a given period is allocated as follows: 50 percent is paid by the members, 30 percent is paid by employers, and the remaining 20 percent is paid by the State. Investment of monies in the LEOFF 2 Retirement Fund is handled by the State Investment Board (SIB).

Currently the member contribution rate for LEOFF 2 is 8.64 percent, for employers is 5.35 percent, and for the state is 3.45 percent. During the 2007-09 fiscal biennium, the state is anticipated to contribute about \$97 million General Fund-State to LEOFF 2. Total projected contributions from members, employers, and the state for the 2007-09 biennium are about \$485 million.

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board (the Board) is responsible for the adoption of the economic assumptions, actuarial methods, and contribution rates LEOFF 2. The Board may adopt increased benefits for LEOFF 2, subject to affirmative Legislative rejection, recommend statutory changes to the Legislature as required, and study issues related to plan funding and benefits. The expenses of the board are paid from the LEOFF 2 Retirement Fund, with the LEOFF 2 Expense Fund serving as an intermediary expense account. The day-to-day administration of LEOFF 2 to is handled by the Department of Retirement Systems (DRS).

**Summary of Bill:**

Beginning in 2011, by September 30 following each fiscal biennium in which general state revenue collections increase by more than 3 percent from the prior fiscal biennium, the State

Treasurer shall transfer, subject to appropriation, funds for transfer to a new Local Public Safety Enhancement Account (LPSEA).

The amounts of the transfers to the LPSEA are: \$5 million after the 2009-11 fiscal biennium; \$10 million after the 2011-13 fiscal biennium; \$20 million after the 2013-15 fiscal biennium; and, after any subsequent fiscal biennium, the lesser of one-third of the general revenue increase amount or \$50 million. General state revenues means total revenues to the General Fund-State less state revenues from property taxes.

Half of the funds moved to the LPSEA are to be transferred to a new Law Enforcement Officers' and Fire Fighters' Retirement System Benefits Improvement Account (Benefits Improvement Account) created within the LEOFF 2 Retirement Fund. The remaining funds in the LPSEA are distributed to local governments for public safety purposes.

Money transferred to the Benefits Improvement Account can only be used to fund the member, employer, and state cost of financing benefit improvements adopted by the LEOFF 2 Retirement Board or to cover the investment-related expenses of the account.

The State Investment Board (SIB) is authorized to adopt investment policies and invest the money in the benefits improvement account.

The LEOFF 2 Board has the sole authority to authorize disbursements from the Benefits Improvement Account, and to establish all other policies relating to the Account, which must be administered in an actuarially sound manner. Funds in the benefits improvement account may not be considered assets of the plan and are not included in contribution rate calculations by the State Actuary until so directed by the LEOFF 2 Board for purposes of financing benefits adopted by the board.

The State Treasurer is responsible for the distribution of the remaining funds in the LPSEA to local governments. Each jurisdiction's allocation is proportionate to the share of LEOFF 2 membership that it employs. In the event that two jurisdictions have a contract for the provision of law enforcement or fire protection services, the two parties must agree on a revenue sharing arrangement before funds will be distributed. LPSEA funds may only be used for the purposes of enhancement of criminal justice services, information and assistance programs for families of at-risk or runaway youth, or other public safety purposes.

**Appropriation:** None.

**Fiscal Note:** Available.

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